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

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended December 31, 2023 Commission File Number: 000-56241

Cresco Labs Inc.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada	**2833**	**98-1505364**
(Province or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code)**	**(I.R.S. Employer Identification No.)**

400 W Erie St Suite 110
Chicago, IL 60654 United States
(312) 929-0993
(Address and telephone number of Registrant's principal executive offices)

Cresco Labs Inc.
400 W Erie St Suite 110
Chicago, IL 60654 United States
(312) 929-0993
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act. None

Securities registered or to be registered pursuant to Section 12(g) of the Act: Subordinate Voting Shares, no par value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

☒ **Annual Information Form** ☒ **Audited Annual Financial Statements**

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report:

As at December 31, 2023, 158,940,757 Special Subordinate Voting Shares, 320,757,119 Subordinate Voting Shares, 94,748 Proportionate Voting Shares, and 500,000 Super Voting Shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 and posted 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 and post such files).

Yes ☒ No ☐

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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

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

EXPLANATORY NOTE

Cresco Labs Inc. (the "**Company**" or the "**Registrant**") is a "foreign private issuer" as defined in Rule 3b-4 under Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is a Canadian issuer eligible to file its annual report (**Annual Report**") pursuant to Section 13 of the Exchange Act on Form 40-F pursuant to the multi-jurisdictional disclosure system (the "**MJDS**") adopted by the United States Securities and Exchange Commission (the "**SEC**").

PRINCIPAL DOCUMENTS

The following principal documents are filed as exhibits to, and incorporated by reference into this Annual Report:

Document	Exhibit No.
Annual Information Form of the Company for the year ended December 31, 2023 (the "**AIF**")	99.4
Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 2023 and 2022 (the "**MD&A**")	99.5
Audited Consolidated Financial Statements of the Company and notes thereto as at and for the years ended December 31, 2023 and 2022, together with the report thereon of the independent registered public accounting firm	99.6

FORWARD-LOOKING STATEMENTS

This Annual Report of the Registrant, including the exhibits incorporated by reference herein, includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. All information, other than statements of historical facts, included in this Annual Report, including the exhibits attached hereto, that address activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes, among others, information regarding: the Company's intention regarding cash flows from operating activities in future periods; statements relating to the business and future activities of, and developments related to, the Company after the date of this Annual Report, including but not limited to such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans, including new revenue streams, the completion of contemplated acquisitions by the Company, the application for additional licenses and the grant of licenses that have been applied for, the expansion of existing cultivation and production facilities, the completion of cultivation and production facilities that are under construction, the construction of additional cultivation and production facilities, the expansion into additional states within the United States, international markets and Canada; any potential future legalization of adult-use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the United States and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made, in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Forward-looking information and statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including, among other things, assumptions about: development costs remaining consistent with budgets; the ability to manage anticipated and unanticipated costs; access to favorable equity and debt capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating and economic conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; stability in financial and capital goods markets; favorable production levels and costs from the Company's operations; the pricing of various cannabis products; the level of demand for cannabis products; the availability of third-party service providers and other inputs for the Company's operations; and the Company's ability to conduct operations in a safe, efficient and effective manner. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information and statements. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, among others, risks related to voting control; risks related to the unpredictability caused by the Company's capital structure**,** including its up-C structure; risks related to dilution; risks related to additional financing and the ability to access debt and equity markets; risks related to no guaranteed returns; risks associated with negative cash flow from operating activities; risks related to the limited market for securities; risks associated with the Company's indebtedness; risks related to the effects of pandemics similar to the novel coronavirus pandemic ("**COVID-19")** on the business' operations and financial condition; risks related to inflation; risks related to U.S. federal regulation; risks related to the variation in state regulation; risk of U.S. federal law proceedings against the Company; risks related to anti-money laundering laws and regulation; risks related to changes in cannabis laws and regulatory uncertainty; risks related to legal, regulatory or political change; risks related to Canadian investors in the U.S. cannabis sector; risks related to volatility of the market price of the Subordinate Voting Shares ("**SVS**"); risks related to the internal controls of the Company; tax and insurance related risks; risks related to the limited operating history of the Company and the reliance on the expertise and judgment of senior management of the Company;

risks related to competition; risks related to the difficulty in recruiting and retaining management and key personnel and managing growth; risks related to challenging global economic conditions; risks related to the unreliability of forecasts; risks related to the inability to innovate; website and operational risks; risks related to the reliance on third-party suppliers, manufacturers and contractors and reliance on key inputs; risks related to the failure to complete acquisitions or realize the benefits therefrom; risks related to the inability to integrate acquisitions; risks related to the acquisition of companies that may not meet anticipated development targets; risks related to the ability to obtain the necessary permits and authorizations; risks related to potential conflicts of interest; risks related to proprietary intellectual property and potential infringement by third-parties; risks related to information technology and cyber-attacks; risks related to trade secrets; risks related to the lack of U.S. bankruptcy protection; risks related to currency fluctuations; risks related to the Company's dividend record; risks related to insurance coverage; risks related to civil asset forfeiture; risks related to the heightened scrutiny in Canada of investments in the U.S.; risks related to the ability and constraints on marketing products; risks related to the settlements of trades, access to banks and legality of contracts; risks related to the environment; risks related to the Company as a holding company; risks related to the unfavorable tax treatment of cannabis businesses in the U.S. and the classification of the Company for U.S. tax purposes; risks related to the public opinion, consumer acceptance, publicity and perception of the cannabis industry; security risks; risks related to litigation; risks inherent in an agricultural business; risks related to rising energy costs; risks related to the Company's reliance on licenses; risks related to product liability and product recall; and risks related to the newly established legal regimes, as well as those Risk Factors discussed in the AIF.

Readers are cautioned that the foregoing lists are not exhaustive of all factors and assumptions that may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. Forward-looking information and statements are provided and made as of the date of this Annual Report and the Company does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

CURRENCY

Unless otherwise indicated, all dollar amounts in this Annual Report are in United States dollars.

TAX MATTERS

Purchasing, holding, or disposing of securities of the Registrant may have tax consequences under the laws of the United States and Canada that are not described in this Annual Report.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of our Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our CEO and CFO concluded that the Company's disclosure controls and procedures, as defined in Rule 13a-15(e), were not effective as of such date, as a result of the material weaknesses in our internal control described below.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing adequate internal control over financial reporting ("**ICFR**"). ICFR is designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's ICFR as of December 31, 2023, based on the criteria set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of December 31, 2023, the Company's ICFR was not effective because of material weaknesses identified in our ICFR discussed below, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Identified material weaknesses are as follows:

- **Information Technology General Controls ("ITGCs"):** ITGCs for financial impacting applications contained design deficiencies within logical access, change management and disaster recovery controls. The logical access issues included testing for new and modified user access provisioning, modifying access, terminated users, and periodic access reviews (including privileged access). ITGC provisioning issues increase transactional level data risk for key activity level controls downstream. System implementation changes to existing systems lack an approved policy and established approval methodology. Disaster recovery and business continuity lack an approved policy and established procedures in the event of

incident. Additionally, the Company currently lacks a methodology to test the effectiveness of disaster recovery and business continuity for all critical systems on a periodic basis. The Company also had control deficiencies with service organization control report reviews and automated job monitoring.

- **Information Produced by the Entity ("IPE") Controls:** As a result of upstream ITGC related material weaknesses, the Company's downstream financial controls had design weaknesses unable to independently verify system generated IPE. These ITGC and IPE material weaknesses impact substantially all key activity level controls at the relevant assertion levels within the financial reporting cycles impacting financial assertions within the Company's consolidated financial statements.

- **Controls over Account Reconciliation:** Since inception, the Company has experienced rapid growth both organically and from various acquisitions. In addition to the ITGC and IPE weaknesses noted above, the growth and numerous changes resulted in a lack of sufficient resources to adequately perform and maintain account reconciliation and review controls at the relevant assertion levels within the financial and reporting cycles impacting the Company's consolidated financial statements.

Though no material errors were identified from the above issues in the consolidated financial statements for the year ended December 31, 2023, these material weaknesses create a reasonable possibility that material misstatements in the financial statements would not be prevented or detected on a timely basis. Management remains committed to maintaining a strong internal control environment. In response to the identified material weaknesses, management, with the oversight of the Audit Committee, will continue to channel resources towards remediating these key issues.

Remediation of Material Weaknesses in Internal Control over Financial Reporting

Management has initiated, and will continue to implement, remediation plans related to the material weaknesses identified. Management believes these measures, and others that may be implemented, will remediate the material weaknesses in ICFR described above. Management's primary remediation efforts initiated in 2023 and continuing into 2024 are focused on improving the reconciliation processes and simplifying subledger accounts. Additionally, management has taken several steps to remediate ITGC deficiencies identified including reimplementing user access review policies and procedures for all critical systems, improving system access security through continued single sign-on ("**SSO**") enabling of non-SSO critical systems and drafting disaster recovery and business continuity plans for critical systems. We will continue to monitor and evaluate the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and are committed to taking further action and implementing additional improvements as necessary and as cost-benefit is justified.

Limitations on Effectiveness of Controls

The Company's disclosure controls, or ICFR, may not prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additional controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions in the Company's business, including increased complexity resulting from the Company's growth and acquisitions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected on a timely basis, notwithstanding the remediation of the material weaknesses.

Changes to the Company's Internal Control over Financial Reporting.

As previously reported in the Company's Annual Report on Form 40-F for the year ended December 31, 2022, management's assessment of the effectiveness of the Company's ICFR concluded that, as of December 31, 2022, the Company's ICFR was not effective as a result of material weaknesses associated manual journal entry reviews related to the general ledger system of CannaRoyalty Corp. d/b/a Origin House ("**Origin House**"), which was acquired in 2020. The Origin House general ledger was not fully integrated into the Company's general ledger system as of December 31, 2022. No material errors were identified in the consolidated financial statements for the year ended December 31, 2022, as a result of these material weaknesses. The material weaknesses however created a reasonable possibility that material misstatements in the financial statements would not be prevented or detected on a timely basis.

To address the material weaknesses in the Company's ICFR, management integrated the material operations of Origin House into the Company's primary general ledger system. Furthermore, during the second quarter of 2023, the non-integrated operations of Origin House were discontinued, as such, the previously material journal entries were no longer considered material.

Except for the material weaknesses and the remediation efforts described above, no other changes to the Company's ICFR during the year ended December 31, 2023 have materially affected, or are likely to materially affect, the Company's ICFR.

CORPORATE GOVERNANCE

The Board of Directors is responsible for the Company's corporate governance and has the following separately designated standing committees: the Nominating and Governance Committee, the Compensation Committee, the Audit Committee and the Special Committee. The Company's Audit Committee Charter is attached as Appendix "A" to the Notice of Annual and Special Meeting and Management Information Circular with respect to the

Annual and Special Meeting of Shareholders of the Issuer held on June 29, 2020, which is filed as Exhibit 99.28 to the Company's registration statement on Form 40-F filed on January 13, 2021.

AUDIT COMMITTEE

The Audit Committee is comprised of Gerald F. Corcoran, who acts as chair of this committee, Randy D. Podolsky and Robert M. Sampson. All three members of the Audit Committee are financially literate, meaning they are able to read and understand the Company's financial statements and to understand the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. The Board of Directors has determined Mr. Corcoran is a financial expert (as defined in paragraph (8)(b) of General Instruction B to Form 40-F) and qualifies as independent (as defined by the corporate governance standards of the NASDAQ Stock Market ("NASDAQ")).

PRINCIPAL ACCOUNTING FEES AND SERVICES

The aggregate fees billed by the Company's external auditors in the years ending December 31, 2023 and 2022 are set out below:

	2023	2022
Audit Fees	$ 3,081,166	$ 2,839,099
Audit-Related Fees	27,700	46,180
Total	$ 3,108,866	$ 2,885,279

Audit Fees

Audit Fees include fees for performance of the annual audit of the Company's financial statements, reviews of quarterly financial statements, review of Annual Information Form, reviews of periodic reports and reviews of other documents required by legislation or regulation.

Audit-Related Fees

Audit-Related Fees include fees related to consents and reviews of other securities filings.

Audit Committee Pre-Approval Policies

The Audit Committee has adopted specific policies and procedures for the engagement of its external auditors for the performance of non-audit services. Pursuant to such policies, the Audit Committee is required to review and preapprove all non-audit services to be performed by the external auditor. The Audit Committee may delegate this function to a member of the Audit Committee so that between meetings such member may pre-approve the non-audit services as long as such member reports the approval to the Audit Committee at the next ensuing meeting.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have a current or future effect on financial performance or financial condition, including without limitation, such considerations as liquidity and capital resources.

CONTRACTUAL OBLIGATIONS

For analysis of the Company's material cash requirements from known contractual and other obligations, see pages 15 and 17 of the MD&A, under the headings "Liquidity and Capital Resources" and "Contractual Obligations."

CODE OF ETHICS

We have adopted a Code of Conduct and Ethics (the "**Code**") that applies to our officers (including without limitation, our CEO and CFO), employees and directors of the Company and its subsidiaries, and promotes, among other things, honest and ethical conduct. The Company undertakes to provide copies of the Code without charge. A copy of the Code is available on the Governance Documents page of the Company's investor website at investors.crescolabs.com. The Code meets the requirements for a "code of ethics" within the meaning of that term in Form 40-F.

No waivers of the Code or amendments to the Code were granted to any principal officer of the Company or any person performing similar functions during the fiscal year ended December 31, 2023.

NOTICES PURSUANT TO REGULATION BTR

The Company was not required by Rule 104 of Regulation BTR to send any notices to any of its directors or executive officers during the fiscal year ended December 31, 2023.

MINE SAFETY DISCLOSURE

Not applicable.

DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

Not applicable.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Undertaking

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

The Company has previously filed with the SEC a written consent to service of process on Form F-X. Any change to the name or address of the Company's agent for service shall be communicated promptly to the SEC by amendment to the Form F-X referencing the file number of the Company.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.3	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.4	Annual Information Form of the Company for the year ended December 31, 2023
99.5	Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 2023 and 2022
99.6	Audited consolidated financial statements of the Company and notes thereto as at and for the years ended December 31, 2023 and 2022, together with the report of the Independent Registered Public Accounting Firm thereon
99.7	Consent of Marcum LLP
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Company certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRESCO LABS INC.

Date: March 15, 2024

By: /s/ Charles Bachtell
Name: Charles Bachtell
Title: Chief Executive Officer

Exhibit 99.1

RULE 13a-14(a) CERTIFICATION

I, Charles Bachtell, certify that:

1. I have reviewed this annual report on Form 40-F of Cresco Labs 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 issuer as of, and for, the periods presented in this report;

4. The issuer'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 issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: March 15, 2024

By: /s/ Charles Bachtell
Charles Bachtell
Chief Executive Officer

Exhibit 99.2

RULE 13a-14(a) CERTIFICATION

I, Dennis Olis, certify that:

1. I have reviewed this annual report on Form 40-F of Cresco Labs 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 issuer as of, and for, the periods presented in this report;

4. The issuer'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 issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: March 15, 2024

By: /s/ Dennis Olis
Dennis Olis
Chief Financial Officer

Exhibit 99.3

SECTION 1350 CERTIFICATIONS

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350 of chapter 63 of title 18 of the United States Code), the undersigned officer of Cresco Labs Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

This annual report on Form 40-F for the fiscal year ended December 31, 2023 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2024

By: /s/ Charles Bachtell
Charles Bachtell
Chief Executive Officer

SECTION 1350 CERTIFICATIONS

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350 of chapter 63 of title 18 of the United States Code), the undersigned officer of Cresco Labs Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

This annual report on Form 40-F for the fiscal year ended December 31, 2023 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2024

By: /s/ Dennis Olis
Dennis Olis
Chief Financial Officer

Exhibit 99.4

CRESCO LABS INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2023

DATED MARCH 15, 2024

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GENERAL

Reference is made to the audited consolidated financial statements (the " **Financial Statements**"), together with the auditor's report thereon, and management's discussion and analysis (the "**MD&A**") for Cresco Labs Inc. (together with its subsidiaries, as the context requires, " **Cresco**", "**Cresco Labs**" or the "**Company**") for the financial year ended December 31, 2023. Additional financial information is provided in the Financial Statements and MD&A, which are available for review under the Company's profile on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov/edgar.

Unless otherwise noted herein, information in this annual information form (the " **AIF**") applies to the business activities and operations of the Company for the year ended December 31, 2023, as updated where applicable to March 15, 2024. Financial information presented in this AIF is presented in United States ("**U.S.**") dollars ("**USD**" or "**$**"), unless otherwise indicated. All references to "C$" refer to Canadian dollars.

All references in this AIF to the Company also include references to all subsidiaries of the Company, as applicable, unless the context requires otherwise.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This AIF includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. All information, other than statements of historical facts, included in this AIF that address activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes, among others, information regarding: the Company's intention regarding cash flows from operating activities in future periods; statements relating to the business and future activities of, and developments related to, the Company after the date of this AIF, including but not limited to such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans, including new revenue streams, the completion of contemplated acquisitions by the Company, the application for additional licenses and the grant of licenses that have been applied for, the expansion of existing cultivation and production facilities, the completion of cultivation and production facilities that are under construction, the construction of additional cultivation and production facilities, the expansion into additional states within the U.S., international markets and Canada; any potential future legalization of adult-use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the U.S. and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made, in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Forward-looking information and statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including, among other things, assumptions about: development costs remaining consistent with budgets; the ability to manage anticipated and unanticipated costs; access to favorable equity and debt capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating and economic conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; stability in financial and capital goods markets; favorable production levels and costs from the Company's operations; the pricing of various cannabis products; the level of demand for cannabis

products; the availability of third-party service providers and other inputs for the Company's operations; and the Company's ability to conduct operations in a safe, efficient and effective manner. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information and statements. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, among others, risks related to voting control; risks related to the unpredictability caused by the Company's capital structure, including its up-C structure; risks related to dilution; risks related to additional financing and the ability to access debt and equity markets; risks related to no guaranteed returns; risks associated with negative cash flow from operating activities; risks related to the limited market for securities; risks associated with the Company's indebtedness; risks related to the effects of pandemics similar to the novel coronavirus pandemic ("**COVID-19**") on the business' operations and financial condition; risks related to inflation; risks related to U.S. federal regulation; risks related to the variation in state regulation; risk of U.S. federal law proceedings against the Company; risks related to anti-money laundering laws and regulation; risks related to changes in cannabis laws and regulatory uncertainty; risks related to legal, regulatory or political change; risks related to Canadian investors in the U.S. cannabis sector; risks related to volatility of the market price of the Subordinate Voting Shares ("**SVS**"); risks related to the internal controls of the Company; tax and insurance related risks; risks related to the limited operating history of the Company and the reliance on the expertise and judgment of senior management of the Company; risks related to competition; risks related to the difficulty in recruiting and retaining management and key personnel and managing growth; risks related to challenging global economic conditions; risks related to the unreliability of forecasts; risks related to the inability to innovate; website and operational risks; risks related to the reliance on third-party suppliers, manufacturers and contractors and reliance on key inputs; risks related to the failure to complete acquisitions or realize the benefits therefrom; risks related to the inability to integrate acquisitions; risks related to the acquisition of companies that may not meet anticipated development targets; risks related to the ability to obtain the necessary permits and authorizations; risks related to potential conflicts of interest; risks related to proprietary intellectual property and potential infringement by third parties; risks related to information technology ("**IT**") and cyber-attacks; risks related to trade secrets; risks related to the lack of U.S. bankruptcy protection; risks related to currency fluctuations; risks related to the Company's dividend record; risks related to insurance coverage; risks related to civil asset forfeiture; risks related to the heightened scrutiny in Canada of investments in the U.S.; risks related to the ability and constraints on marketing products; risks related to the settlements of trades, access to banks and legality of contracts; risks related to the environment; risks related to the Company as a holding company; risks related to the unfavorable tax treatment of cannabis businesses in the U.S. and the classification of the Company for U.S. tax purposes; risks related to the public opinion, consumer acceptance, publicity and perception of the cannabis industry; security risks; risks related to litigation; risks inherent in an agricultural business; risks related to rising energy costs; risks related to the Company's reliance on licenses; risks related to product liability and product recall; and risks related to the newly established legal regimes, as well as those Risk Factors discussed below.

Readers are cautioned that the foregoing lists are not exhaustive of all factors and assumptions that may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. Forward-looking information and statements are provided and made as of the date of this AIF and the Company does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

Financial Information Not in Accordance with Generally Accepted Accounting Principles in the United States ("GAAP")

In certain of its financial disclosures such as earnings releases and MD&A, the Company uses pro forma financial informatio n as well as e arnings before interest, taxes, depreciation and amortization ("**EBITDA**"), adjusted EBITDA, adjusted gross profit, adjusted gross margin and adjusted selling, general and administrative as measures of profitability, which are non-GAAP financial measures and do not have standardized definitions under GAAP. The Company provides the non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP, and may not be comparable to similar measures presented by other issuers. These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. However, such measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable GAAP financial measures. As such, these supplemental non-GAAP financial measures shall always include reconciliations to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Foreign Currency Information

The Company's expenses are primarily denominated in USD and its operations are primarily in the U.S. The Company's current exposure to exchange rate fluctuations relate primarily to the activities of its Canadian entities.

MARKET DATA AND INDUSTRY FORECASTS

This AIF includes market and industry data that has been obtained from third-party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources and as such the Company does not make any representation as to the accuracy of such information. Further, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. See also "*Cautionary Statement Regarding Forward-Looking Information*."

CORPORATE STRUCTURE

The Company, formerly known as Randsburg International Gold Corp. (" **Randsburg**"), was incorporated in the Province of British Columbia under the *Company Act* (British Columbia) on July 6, 1990. On December 30, 1997, the Company changed its name from Randsburg Gold Corporation to Randsburg International Gold Corp., and consolidated its outstanding common shares on a five (5) old for one (1) new basis. On November 30, 2018, a series of transactions were completed among Randsburg and Cresco Labs, LLC ("**Cresco LLC**") resulting in a reorganization of Cresco LLC and Randsburg, pursuant to which Randsburg became the indirect parent and sole voting unitholder of Cresco LLC (the "**Business Combination**"). The Business Combination constituted a reverse takeover of Randsburg by Cresco LLC under applicable securities laws.

Cresco LLC was formed as a limited liability company under the laws of the state of Illinois on October 8, 2013, and is governed by the Pre-Combination LLC Agreement. The Pre-Combination LLC Agreement was further amended and restated (the Amended and Restated Limited Liability Company Agreement or "**A&R LLC Agreement**") in connection with the completion of the Business Combination. Please see "*Description of Unit Capital of Cresco – A&R LLC Agreement* " for additional details as to the A&R LLC Agreement.

On November 30, 2018, in connection with the Business Combination, the Company (i) consolidated its outstanding Randsburg common shares on an 812.63 old for one (1) new basis and (ii) filed an alteration to its Notice of Articles with the British Columbia Registrar of Companies to change its name from Randsburg International Gold Corp. to Cresco Labs Inc. and to amend the rights and restrictions of its existing class of common shares, redesignate such class as the class of SVS and create the classes of Proportionate Voting Shares ("**PVS**") and Super Voting Shares ("**MVS**"). On June 29, 2020, the Company filed an alteration to its Notice of Articles with the British Columbia Registrar of Companies to create a class of Special Subordinate Voting Shares ("**SSVS**") and amend the rights and restrictions of SVS, PVS and MVS.

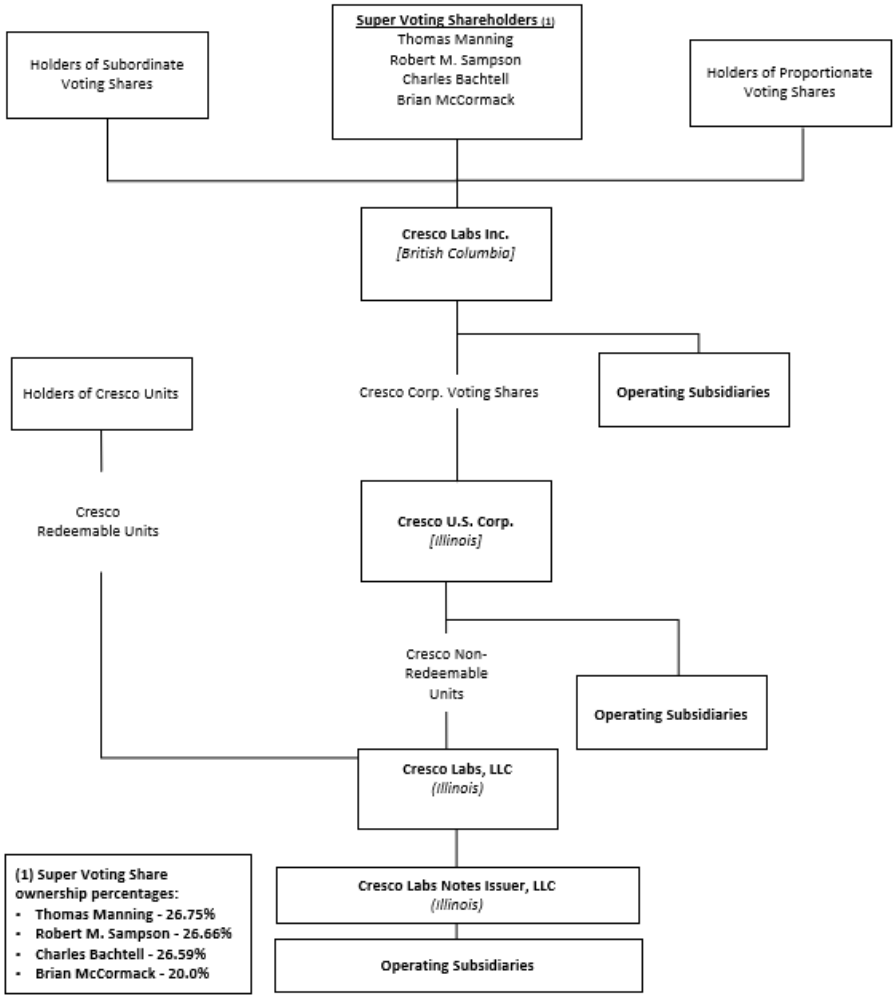
On June 3, 2022, the Company amended and restated the investment agreement originally dated as of November 30, 2018, among the holders of MVS and the Company. As amended and restated, the investment agreement provides that the Company will repurchase (the "**Share Repurchase**") all of the MVS not later than the first business day after the first annual meeting of shareholders of the Company following any future listing of the SVS on a United States national securities exchange.

At the meeting of shareholders of the Company held on July 15, 2022, the shareholders approved a special resolution that the Company's articles be altered such that following a listing of the SVS on a United States national securities exchange: (i) the Company may not issue any new MVS, (ii) any MVS repurchased by the Company must be cancelled and may not be reissued, and (iii) at the time that there are no MVS outstanding, the Company may take such appropriate action (without the need for shareholder action or approval) as may be necessary to remove the MVS from the Company's authorized share structure.

On June 1, 2023, the Company amended its articles to provide that, after a listing of the SVS on a United States national securities exchange, the Company shall not issue any additional MVS and any MVS repurchased by the Company shall be cancelled and may not be reissued as shares of such class or any other class or series. As a result of such amendments, after the completion of the Share Repurchase, no MVS will remain outstanding, and the Company will be unable to issue new MVS. Thereafter, the Company is permitted to take such actions as are necessary (without further shareholder action) to remove the MVS from the Company's authorized share structure.

The Company's corporate headquarters is located at Suite 110, 400 W. Erie Street, Chicago, IL 60654 and the registered office is located at Suite 2500, 666 Burrard Street, Vancouver, BC V6C 2X8.

Set forth below is the condensed organization chart of the Company as of March 15, 2024 .



The following are Cresco's wholly owned or effectively controlled subsidiaries included in the Company's consolidation as of March 15, 2024 :

Entity	Location	Purpose	Percentage Held
Cresco Labs Inc.	British Columbia, Canada	Parent Company	
Cali-Antifragile Corp.	California	Holding Company	100%
River Distributing Co., LLC	California	Holding Company	100%
Sonoma's Finest fka FloraCal	California	Cultivation	100%
Cub City, LLC	California	Cultivation	100%
CRHC Holdings Corp.	Ontario, Canada	Holding Company	100%
Cannroy Delaware Inc.	Delaware	Holding Company	100%
High Road Holdings LLC	Delaware	Holding Company	100%
Laurel Harvest Labs, LLC	Pennsylvania	Cultivation and Dispensary Facility	100%
JDRC Mount Joy, LLC	Illinois	Holding Company	100%
JDRC Scranton, LLC	Illinois	Holding Company	100%
Bluma Wellness Inc.	British Columbia, Canada	Holding Company	100%
Cannabis Cures Investments, LLC	Florida	Holding Company	100%
3 Boys Farm, LLC	Florida	Cultivation, Production and Dispensary Facility	100%
Farm to Fresh Holdings, LLC	Florida	Holding Company	100%
Cresco U.S. Corp.	Illinois	Holding Company	100%
MedMar Inc.	Illinois	Holding Company	100%
MedMar Lakeview, LLC	Illinois	Dispensary	88%
MedMar Rockford, LLC	Illinois	Dispensary	75%
Gloucester Street Capital, LLC	New York	Holding Company	100%
Valley Agriceuticals, LLC	New York	Cultivation, Production and Dispensary Facility	100%
Valley Agriceuticals Real Estate	New York	Holding Company	100%
JDRC Ellenville, LLC	Illinois	Holding Company	100%
CMA Holdings, LLC	Illinois	Holding Company	100%
BL Real Estate, LLC	Massachusetts	Holding Company	100%
BL Pierce, LLC	Massachusetts	Holding Company	100%
BL Uxbridge, LLC	Massachusetts	Holding Company	100%
BL Main, LLC	Massachusetts	Holding Company	100%
BL Burncoat, LLC	Massachusetts	Holding Company	100%
BL Framingham, LLC	Massachusetts	Holding Company	100%
BL Worcester, LLC	Massachusetts	Holding Company	100%
Cultivate Licensing LLC	Massachusetts	Holding Company	100%
Cultivate Worcester, Inc.	Massachusetts	Dispensary	100%
Cultivate Leicester, Inc.	Massachusetts	Cultivation, Production and Dispensary Facility	100%
Cultivate Framingham, Inc.	Massachusetts	Dispensary	100%
Cultivate Cultivation, LLC	Massachusetts	Cultivation and Production Entity	100%
GoodNews Holdings, LLC	Illinois	Licensing Company	100%
Wonder Holdings, LLC	Illinois	Licensing Company	100%
JDRC Seed, LLC	Illinois	Educational Company	100%
CP Pennsylvania Holdings, LLC	Illinois	Holding Company	100%
Bay, LLC	Pennsylvania	Dispensary	100%
Bay Asset Management, LLC	Pennsylvania	Holding Company	100%
Ridgeback, LLC	Colorado	Holding Company	100%
Encanto Green Cross Dispensary, LLC	Arizona	Holding Company	100%
Cresco Labs Texas, LLC	Texas	Holding Company	100%
Cresco Labs, LLC	Illinois	Operating Entity	62%
Cresco Labs Ohio, LLC	Ohio	Cultivation, Production and Dispensary Facility	99%
Cresco Labs Notes Issuer, LLC	Illinois	Holding Company	
Wellbeings, LLC	Delaware	CBD Wellness Product Development	100%
Cresco Labs SLO, LLC	California	Holding Company	100%
SLO Cultivation Inc.	California	Holding Company	80%
Cresco Labs Joliet, LLC	Illinois	Cultivation and Production Facility	100%

Cresco Labs Kankakee, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs Logan, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs PA, LLC	Illinois	Holding Company	100%
Cresco Yeltrah, LLC	Pennsylvania	Cultivation, Production and Dispensary Facility	100%
Strip District Education Center	Pennsylvania	Holding Company	100%
AFS Maryland, LLC	Maryland	Holding Company	100%
JDC Newark, LLC	Ohio	Holding Company	100%
Verdant Creations Newark, LLC	Ohio	Dispensary	100%
Strategic Property Concepts, LLC	Ohio	Holding Company	100%
JDC Marion, LLC	Ohio	Holding Company	100%
Verdant Creations Marion, LLC	Ohio	Dispensary	100%
Strategic Property Concepts 4, LLC	Ohio	Holding Company	100%
JDC Chillicothe, LLC	Ohio	Holding Company	100%
Verdant Creations Chillicothe, LLC	Ohio	Dispensary	100%
Strategic Property Concepts 5, LLC	Ohio	Holding Company	100%
JDC Columbus, LLC	Ohio	Holding Company	100%
Care Med Associates, LLC	Ohio	Dispensary	100%
Arizona Facilities Supply, LLC	Arizona	Holding Company	100%
Cresco Labs TINAD, LLC	Illinois	Holding Company	100%
TINAD, LLC	Illinois	Holding Company	100%
PDI Medical III, LLC	Illinois	Dispensary	100%
Cresco Labs Phoenix Farms, LLC	Illinois	Holding Company	100%
Phoenix Farms Partners, LLC	Illinois	Holding Company	100%
Phoenix Farms of Illinois Asset Management, LLC	Illinois	Holding Company	100%
Phoenix Farms of Illinois, LLC	Illinois	Dispensary	100%
JDC Elmwood, LLC	Illinois	Holding Company	100%
FloraMedex, LLC	Illinois	Dispensary	100%
Cresco Edibles, LLC	Illinois	Holding Company	100%
TSC Cresco, LLC	Illinois	Licensing	75%
Cresco HHH, LLC	Massachusetts	Cultivation, Production and Dispensary Facility	100%
Cresco Labs Nevada, LLC	Nevada	Holding Company	100%
Cresco Labs Michigan Management, LLC	Michigan	Holding Company	100%
Cresco Labs Missouri Management, LLC	Missouri	Holding Company	100%
JDRC Acquisitions, LLC	Illinois	Holding Company	100%
JDRC 7841 Grand LLC	Illinois	Holding Company	100%
JDRC Lincoln, LLC	Illinois	Holding Company	100%
JDRC Danville, LLC	Illinois	Holding Company	100%
JDRC Kankakee, LLC	Illinois	Holding Company	100%
JDRC Brookville, LLC	Illinois	Holding Company	100%
Cresco Labs Michigan, LLC (a)	Michigan	Cultivation and Production Facility	85%

(a) Legally, Cresco Labs Michigan, LLC is 85% owned by related parties of the Company.

Cresco U.S. Corp., which is wholly owned by the Company, is the sole manager of Cresco LLC; Cresco LLC is the sole owner and manager of Cresco Labs Notes Issuer, LLC.

GENERAL DEVELOPMENT OF THE BUSINESS

Cresco exists to provide high-quality and consistent cannabis-based products to consumers. Cresco blends regulatory compliance expertise with best practices from the agricultural, pharmaceutical and consumer-packaged goods industries. As of March 15, 2024, Cresco owns and/or operates cultivation, manufacturing and retail dispensary businesses across eight (8) highly regulated markets: Illinois, Pennsylvania, Ohio, California, New York, Massachusetts, Michigan and Florida. These markets, where supply and demand can be reasonably predicted and forecasted, create the foundation upon which Cresco has created the opportunity for sustainable growth.

Cresco plans to leverage the success in our current markets to expand into legalized cannabis markets in other states, while focusing on compliance, control, efficiency and product performance in the medicinal or adult-use cannabis industry.

This ownership of wholesale and retail businesses supports Cresco's strategy of distributing brands at scale by enabling Cresco to capture market share, generate brand awareness and earn customer loyalty in its operating markets by guaranteeing share-of-shelf in its own retail stores and its ability to foster mutually beneficial relationships with its third-party dispensary customers as a large supplier of a portfolio of distinct and trusted cannabis brands.

Acquisitions and Dispositions

Verdant Creations, LLC ("**Verdant**")

On February 16, 2021, the Company acquired four (4) Ohio dispensaries previously operated by Verdant, which, brought the total number of Ohio dispensaries owned by Cresco to five (5), the maximum number of retail licenses allowable under Ohio law. Total consideration for the acquisition was $25.0 million, and consisted of 0.1 million SVS issued valued at $2.0 million as of the acquisition date, cash payments of $1.5 million, settlement of a cashless exercise option on loans receivable of $10.0 million (as stated in the unit purchase option agreement), settlement of a preexisting lease arrangement of $0.1 million as a result of stated value exceeding fair value per third-party valuation and settlement of indebtedness of $11.4 million.

180 Smoke business ("**180 Smoke**")

On January 8, 2020, 180 Smoke was acquired as part of the CannaRoyalty Corp. d/b/a Origin House (" **Origin House**") acquisition. On February 22, 2021, the Company entered into a share purchase agreement with Spyder Cannabis Inc. ("**Spyder**") and agreed to the terms of a debt assignment agreement with Plant-Based Investment Corp. ("**PBIC**"). Cresco sold all of the equity interests of 180 Smoke in a cash transaction that valued 180 Smoke at an equity value of $0.000001 on a cash-free basis and sold its outstanding debt receivables with 180 Smoke of approximately C$11.6 million to PBIC for C$1.0 million in cash. On March 30, 2021, the Company divested all of its equity interest in 180 Smoke and related intercompany receivables to Spyder and PBIC for approximately $1.1 million, after certain adjustments. The sale resulted in a loss of $0.8 million, plus an additional loss of $0.3 million for accumulated foreign currency translation previously included in Other comprehensive loss in the consolidated financial statements.

Bluma Wellness, Inc. ("**Bluma**")

On January 14, 2021, the Company entered into a definitive agreement with Bluma (the " **Bluma Agreement**"), a vertically-integrated operator in Florida, pursuant to which the Company would acquire all of the issued and outstanding shares of Bluma in an all-share transaction. Under the terms of the Bluma Agreement, holders of common shares of Bluma would receive 0.0859 SVS of Cresco for each Bluma share. On March 15, 2021, Cresco agreed to extend $7.5 million to One Plant Florida ("**One Plant**"), Bluma's operating subsidiary, for the expansion of One Plant's operations in Florida and to satisfy tax liabilities relating to the settlement of vested restricted shared units. On April 14, 2021, the Company closed on the acquisition. At the time of the acquisition, Bluma operations included eight (8) dispensaries strategically located around Florida, as well as seven (7) more in permitting and/or under construction. As a result of the acquisition, the Company now holds a license to cultivate, process, transport and dispense medical cannabis in the state of Florida. Total consideration for the acquisition was $238.1 million and consisted of 15.1 million SVS issued as of the acquisition date, valued at $183.3 million, cash payments of $3.4 million to pay for the sellers' transaction fees, 4.7 million equity-classified warrants valued at $18.4 million, 0.8 million replacement shares valued at $10.0 million, deferred consideration of $1.8 million and settlement of $21.2 million of indebtedness.

Cultivate

On September 2, 2021, the Company acquired all of the issued and outstanding equity interests in Cultivate Licensing LLC and BL Real Estate LLC (collectively, "**Cultivate**"), a vertically-integrated Massachusetts operator, for total consideration of $99.3 million consisting of 4.8 million SVS valued at $46.6 million, cash payments of $1.0 million to pay for the sellers' transaction fees, contingent consideration of $29.6 million, settlement of $22.0 million of indebtedness. Cresco obtained three (3) operational dispensaries in Leicester, Worcester and Framingham, Massachusetts as well as two (2) operational cultivation and manufacturing center locations in Uxbridge and Leicester with this transaction.

Bay, LLC d/b/a Cure Pennsylvania ("**Cure Penn**")

On November 24, 2021, the Company acquired 100% of the outstanding equity interests in Cure Penn for total consideration of $89.0 million consisting of 6.2 million SVS valued at $52.6 million as of the acquisition date cash consideration of $33.3 million and cash payments of $3.1 million to pay for the sellers' transaction fees. Cresco obtained three (3) operational Cure Penn dispensaries located in Lancaster, Phoenixville and Philadelphia, Pennsylvania with this transaction.

Laurel Harvest Labs, LLC ("**Laurel Harvest**")

On December 9, 2021, the Company acquired Laurel Harvest, a Pennsylvania Clinical Registrant for total consideration of $136.7 million consisting of 8.4 million SVS valued at $65.8 million as of the acquisition date, cash consideration of $20.5 million, cash payments of $0.3 million to pay for the sellers' transaction fees, loan settlement of $3.3 million and deferred consideration of $46.7 million. At the time of the acquisition, Laurel Harvest had one (1) operational dispensary in Montgomeryville. Laurel Harvest was entitled to an additional five (5) dispensary locations throughout the Commonwealth. The Laurel Harvest cultivation and processing facility is currently under construction in Mt. Joy.

No acquisitions were completed in fiscal years 2022 or 2023. None of the acquisitions completed above met the definition of a "significant acquisition" as defined in Canadian securities law.

AFS Maryland, LLC

On June 22, 2023, the Company completed a divestiture of its AFS Maryland, LLC production facility. The Company received cash proceeds of $3.3 million for the sale of property, equipment and intangible assets and recorded a gain of $1.4 million from the completed divestiture.

Encanto Green Cross Dispensary ("**Encanto**")

On October 18, 2023 the Company closed on the sale of the assets of Encanto. The sale of the assets generated cash proceeds of $6.5 million and resulted in a net loss of $1.0 million.

Equity Financing Activities

Shelf Prospectus

On April 23, 2021, the Company's short form base shelf prospectus (the "**2021 Shelf Prospectus**") became effective with the securities commissions in each of the provinces of Canada, except Québec, and its corresponding shelf registration statement on Form F-10 (the "**Registration Statement**") became effective with the U.S. Securities and Exchange Commission ("**SEC**") under the U.S./Canada Multijurisdictional Disclosure System ("**MJDS**"). The 2021 Shelf Prospectus and Registration Statement allowed the Company to offer up to 1.0 billion of SVS, debt securities, subscription receipts, warrants and units, or any combination thereof, from time to time during the 25-month period that the 2021 Shelf Prospectus was effective (subject to MJDS eligibility). The Company filed the 2021 Shelf Prospectus in order to maintain financial strength and flexibility. The 2021 Shelf Prospectus expired in May 2023.

On August 16, 2023, the Company filed a short form base shelf prospectus (the " **2023 Shelf Prospectus**") with the securities commissions in each of the provinces of Canada, except Québec. On August 17, 2023, the Company received a receipt for the 2023 Shelf Prospectus and filed a corresponding shelf registration statement on Form F-10 (the "**2023 Registration Statement**") with the SEC under the MJDS. The 2023 Shelf Prospectus and 2023 Registration Statement allow the Company to offer SVS, debt securities, subscription receipts, warrants and units, or any combination thereof, from time to time during the 25-month period that the 2023 Shelf Prospectus is effective (subject to MJDS eligibility). The 2023 Shelf Prospectus replaced the 2021 Shelf Prospectus that had recently expired.

At-the-Market Offering

In April 2021, the Company entered into an equity distribution agreement with Canaccord Genuity Corp. Pursuant to this agreement, the Company was able, from time to time, to sell up to 100.0 million of its SVS in Canada (the "**ATM Program**"). The ATM Program was made pursuant to the 2021 Shelf Prospectus and a prospectus supplement dated April 23, 2021. The ATM Program expired in May 2023, and no shares were sold under the program.

January 2021 Offering

On January 13, 2021, the Company filed a Form 40-F with the SEC, which is a registration statement pursuant to Section 12 of the Securities and Exchange Act of 1934, as amended.

On January 14, 2021, the Company announced the commencement of a best efforts overnight marketed offering (the " **January 2021 Offering**") of SVS. On January 21, 2021, the Company closed the January 2021 Offering of 9.9 million SVS at a price of C$16.00 ($12.67) per share for total proceeds of approximately $120.7 million, net of $3.4 million in commission and other fees, with a corresponding increase to share capital of $124.1 million. The SVS were offered in each of the provinces of Canada, other than Québec, pursuant to a prospectus supplement dated January 19, 2021, to the Company's base shelf prospectus dated July 25, 2019, and in the U.S. on a private placement basis to "qualified institutional buyers" pursuant to an exemption from the registration requirements of the United States Securities Act of 1933, as amended.

Debt Financing Activities

Senior Loan

On August 12, 2021, the Company closed on an agreement for a senior secured term loan with an undiscounted principal balance of $400.0 million (as amended, the "**Senior Loan**") and an original issue discount of $13.0 million. A portion of proceeds from the Senior Loan were used to retire a pre-existing term loan that was entered into on February 2, 2020, with the remainder to fund capital expenditures and pursue other targeted growth initiatives within the U.S. cannabis sector. Under the agreement, the Company is subject to certain financial and non-financial covenants.

The Senior Loan accrues interest at a rate of 9.5% per annum, payable in cash semi-annually and has a stated maturity of August 12, 2026. The Company's effective interest rate for the Senior Loan is 11.0%.

On September 22, 2023, the Company amended the Senior Loan to modify certain terms of the original Senior Loan, and consent was provided for the Company to enter into the Mortgage Loans further discussed below.

The Company may prepay in whole or in part the Senior Loan at any time prior to the stated maturity date, subject to certain conditions, upon the payment of the outstanding principal amount (plus a specified prepayment premium) and all accrued and unpaid interest and fees.

Mortgage Loans

On September 26, 2023, JDRC Ellenville, LLC ("**Ellenville**"), an indirect subsidiary of the Company, entered into a loan agreement to borrow an undiscounted principal amount of $25.3 million (the "**Mortgage Loans**"). Borrowings under the terms of the Mortgage Loans bear an initial interest rate of 8.4% per annum, which is equal to the Federal Home Loan Bank's Five Year Classic Regular Advance Rate, plus a 375 basis point spread. The Mortgage Loans have an effective interest rate of 10.2%. The Mortgage Loans are secured by real estate in Ellenville, New York and improvements thereto, and converts to a permanent term loan on the conversion date of November 1, 2028. The Mortgage Loans contains certain affirmative and negative covenants which restrict the actions of Ellenville during the term of the loan.

U.S. Industry Background and Trends

The emergence of the legal cannabis sector in the U.S., both for medical and adult-use, has been rapid as more states adopt regulations for its production and sale. Today more than 50% of Americans live in a state where cannabis is fully legalized for adult-use[1].

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of the research, published in 2015 in the Journal of the American Medical Association, found strong evidence that cannabis can treat pain and muscle spasms.[2] The pain component is particularly important because other studies have suggested that cannabis can replace pain patients' use of highly addictive, potentially deadly opiates — meaning marijuana legalization has the potential to save lives.[3]

Polls throughout the U.S. consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of recreational adult-use cannabis. It is estimated that 88% of the U.S. voters support legalizing cannabis for medical and/or adult-use.[4] These represent large increases in public support over the past 40 years in favor of legal cannabis use.

Notwithstanding that more than half of the U.S. states have now legalized adult-use and/or medical marijuana, marijuana remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the *U.S. Controlled Substances Act* (the "**CSA**"). On August 30, 2023, the Department of Health and Human Services recommended to the Drug Enforcement Agency ("**DEA**") that marijuana be rescheduled from Schedule I to Schedule III under the CSA. The DEA review of the recommendation is still ongoing. See "*Description of the Business*" and "*Risk Factors*" below. The U.S. Department of Justice (" **DOJ**") defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." The U.S. Food and Drug Administration ("**FDA**") has not approved marijuana as a safe and effective drug for any indication.

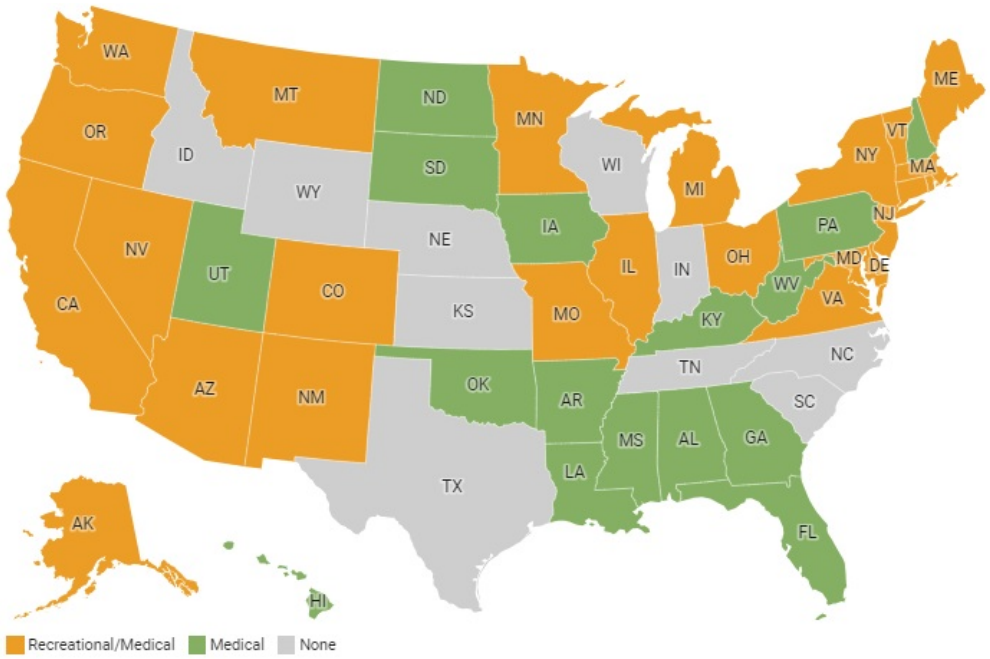
Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the *Cannabis Act* (Canada), marijuana is largely regulated at the state level in the U.S.

State laws regulating cannabis are in direct conflict with the CSA, which makes cannabis use and possession federally illegal in the U.S. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under U.S. federal law under any and all circumstances under the CSA. Although Cresco and its subsidiaries' activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with

[1] https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html#par_textimage_1574439295
[2] Grant, Igor MD (2015). *Medical Use of Cannabinoids. Journal of American Medical Association, 314: 16,* 1750-1751. doi: 10.1001/jama.2015.11429.
[3] Bachhuber, MA, Saloner B, Cunningham CO, Barry CL. (2014). Medical Cannabis Laws and Opioid Analgesic Overdose Mortality in the U.S., 1999-2010. *JAMA Intern Med.* 174(10):1668-1673. doi: 10.1001/jamainternmed.2014.4005.
[4] https://www.pewresearch.org/fact-tank/2022/11/22/americans-overwhelmingly-say-marijuana-should-be-legal-for-medical-or-recreational-use/

respect to cannabis may neither absolve Cresco and its subsidiaries of liability under U.S. federal law, nor provide a defense to any U.S. federal proceeding which may be brought against Cresco or its subsidiaries.

Current U.S. Cannabis Market



Source: https://mjbizdaily.com/map-of-us-marijuana-legalization-by-state/

Going forward, the Company expects that the U.S. cannabis industry will continue to be subject to state legislation, with additional states regulating the medical and recreational use of cannabis**.**

The Company has current operations in the states of Illinois, Pennsylvania, Ohio, California, New York, Massachusetts, Michigan and Florida. It intends to expand into other states within the U.S. that have legalized cannabis use either medicinally or recreationally.

On December 20, 2018, the 2018 Farm Bill (the "**Farm Bill**") became law in the United States. Under the Farm Bill, industrial and commercial hemp is no longer to be classified as a Schedule I controlled substance in the United States. Hemp includes the plant cannabis sativa L and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers. To qualify under the Farm Bill, hemp must contain no more than 0.3% of delta-9-tetrahydrocannabinol ("**THC**"). The Farm Bill explicitly allows interstate commerce of hemp which will enable the transportation and shipment of hemp.

DESCRIPTION OF THE BUSINESS

General

Cresco is one of the largest vertically-integrated multi-state cannabis operators in the U.S. licensed to cultivate, manufacture and sell retail and medical cannabis products primarily through Sunnyside®, Cresco Labs' national

dispensary brand and third-party retail stores. Cresco is built to become the most important company in the cannabis industry by combining the most strategic geographic footprint with one of the leading distribution platforms in North America. Employing a consumer-packaged goods ("**CPG**") approach to cannabis, Cresco's house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco®, High Supply® or Supply®, Good News®, Wonder Wellness Co.®, FloraCal® Farms or FloraCal®, Remedi™ and Mindy's™, a line of edibles created by James Beard Award-winning chef Mindy Segal. Sunnyside ®* is a wellness-focused retailer designed to build trust, education and convenience for both existing and new cannabis consumers. Recognizing that the cannabis industry is poised to become one of the leading job creators in the country, Cresco has the industry's first national comprehensive Social Equity and Educational Development ("**SEED**™") initiative designed to ensure that all members of society have the skills, knowledge and opportunity to work in and own businesses in the cannabis industry.

Rooted in the fundamentals of CPG brand building, Cresco has implemented a strategy to create and distribute a differentiated portfolio of brands that are aligned to distinct audiences, needs of states and occasions.

Cresco operates the following family of brands:

- **Cresco®** – Elevating everyday cannabis. Cresco® offers award-winning flower, liquid live resin vapes and concentrates in the most popular and consistent strains, available at dispensaries and retail locations nationwide.
- **High Supply® (or Supply®)** – High Supply® is quality cannabis, available in bulk. High Supply ® buds are expertly grown; lab-tested; and available in vape carts, vape pens, flower, popcorn, shake, pre-rolls, shorties and concentrates.
- **Good News®** – Good News® is a line of cannabis products that removes the complexity of understanding terpenes and strains by creating easy-to-understand formulations each designed to enhance a social mindset. Good News® products are easy to use, benefit forward and come in easy-to share product forms, such as, vapes and gummies.
- **Wonder Wellness Co.®** – Wonder Wellness Co.® products are designed to allow consumers the ability to control their high across a variety of effects. The Wonder Wellness Co.® line is built around manageable, micro-dose forms, with a range of ratios and botanicals across products.
- **FloraCal® Farms (or FloraCal®)** – Firmly rooted in Sonoma County, FloraCal® Farms is California's premier purveyor of premium cannabis flower. Our team of master cultivators hand select the finest genetics and tailor our small-batch, sustainable farming techniques to each cultivar's unique needs. We utilize 100% renewable energy to help produce sophisticated, terpene-rich products that invoke robust, one-of-a-kind experiences for our friends and community.
- **Remedi™** – Remedi™ products provide a consistent and trusted alternative to traditional pharmaceuticals like opioids. With familiar formats and user-friendly delivery systems, Remedi™ is designed to help patients and consumers feel comfortable with cannabis.
- **Mindy's™** – Deliciously-dosed edibles created by James Beard Award-Winning Pastry Chef, Mindy Segal. Infused with the best-quality cannabis oils, a wide variety of uniquely delicious bites are available at multiple potency levels.

With a portfolio consisting of more than 400 unique products and 5,100 unique SKUs, Cresco's products are sold in over 1,600 dispensaries across the country. Cresco has consistently demonstrated the ability to place its branded products on the shelves of most dispensaries in a targeted state. The CPG and wholesale strategy enables Cresco to maximize its points of distribution and drive revenue growth independent of the expansion of its retail presence. Cresco prioritizes wholesale in order to reach as many consumers as possible, accessing the scaled benefits of a national footprint.

Cresco owned 70 dispensaries, as of December 31, 2023, which gives it the ability to not only sell its own products but focus on educating and building trust within the surrounding communities. These dispensaries serve as a critical platform for innovation and powerful consumer insights as it shapes the future of cannabis.

On December 3, 2018, the Company began trading on the Canadian Securities Exchange (the " **CSE**") under the ticker symbol "CL."

On March 6, 2019, the Company's shares were approved to be quoted on the Over-the-Counter-Market and trade under the ticker symbol "CRLBF."

On August 13, 2019, the Company began trading on the Frankfurt Stock Exchange under the symbol "6CQ."

Significant Events or Milestones

The principal milestones that must occur during the next 12-month period for the business objectives described herein to be accomplished are as follows: hire key personnel, obtain necessary regulatory approvals, implement marketing plans and commence production and sales in Cresco's new markets, including retail stores for recreational and medical cannabis where legislation permits.

The Company has put in place a team of executives, board of advisors and consultants with various areas of expertise and experience in multiple industries including commercial agriculture, pharmaceutical, manufacturing, CPG and traditional healthcare. In the interest of progressing a professional medical dialogue and educating as many physicians as possible on the use of medical cannabis as a therapeutic treatment for patients, Cresco has organized a team of physicians to educate, train and inform medical professionals on all aspects of cannabis as medicine.

During the year ended December 31, 2023, the Company opened twelve (12) Sunnyside*® dispensaries in Florida and four (4) Sunnyside* dispensaries in Pennsylvania. The Company opened one (1) additional dispensary in Gettysburg, Pennsylvania, through March 15, 2024.

On July 20, 2023, the Company announced the expansion of a partnership with Khalifa Kush to exclusively cultivate, manufacture and distribute the cannabis brand's premium products in Massachusetts. Wiz Khalifa is the multi-platinum-selling, GRAMMY® and Golden Globe® Award-nominated recording artist behind Khalifa Kush.

On July 31, 2023, the Company announced an agreement, dated July 30, 2023, to amicably terminate the definitive arrangement agreement dated March 23, 2022, as amended on February 27, 2023, pursuant to which Cresco agreed to acquire all of the issued and outstanding shares of Columbia Care Inc. There are no penalties or fees related to the agreement to terminate the definitive arrangement agreement.

On September 7, 2023, the Company announced it is the first cannabis company to launch cannabis advertisements on Spotify, the world's most popular audio streaming subscription service with more than 551 million users and 220 million subscribers. The ad campaign, which aims to communicate the benefits of shopping at Sunnyside*® dispensary, includes 30 second audio and in-app digital banners that drive to the retailer's proprietary e-commerce platform. Advertising is supported by a volume-driving paid media campaign that includes programmatic buying, native ads, connectedTV and more.

On September 21, 2023, the Company announced the expansion of its brand portfolio in Florida to include the FloraCal ® and Cresco brands. The Company will roll out FloraCal® flower, pre-rolls, live rosin concentrates and live rosin chews as well as Cresco flower and pre-rolls at Sunnyside*® dispensaries starting next week and throughout the fall.

On October 9, 2023, the Company announced the launch of its Good News ® brand in the Commonwealth of Pennsylvania. Good News ®' first product, Sweet Troches, is a sublingual form offered in six flavors with 10mg THC.

On October 19, 2023, the Company announced the closing of the sale of its sole licensed Arizona operation to an affiliate of Mint Cannabis for an aggregate purchase price of $6.5 million in cash. In addition, the Company announced it closed on a conventional mortgage on its Ellenville, NY properties for a principal amount of up to $25.3 million with an interest rate of 8.4%.

On February 1, 2024, the Company announced the promotion of Greg Bulter to the position of President.

On February 9, 2024, the Company announced that as part of a transfer of MVS by both a current and former director of the Company: (a) Thomas J. Manning acquired from Dominic Sergi 100,000 MVS and from Charles Bachtell 33,760 MVS; and (b) Robert M. Sampson acquired from Charles Bachtell 33,308 MVS. Each purchase and sale of MVS was completed for aggregate consideration of $1.00, which were effected in accordance with the Company's articles. MVS carry enhanced voting power but have no economic rights. After giving effect to the transactions described above, as of March 15, 2024:

- Mr. Bachtell owns or controls, directly or directly, (a) 132,932 MVS (representing approximately 26.59% of the outstanding MVS) and (b) voting securities of the Company representing approximately 19.89% of the votes attaching to all classes of outstanding shares of the Company.
- Mr. Manning owns or controls, directly or directly, (a) 133,760 MVS (representing approximately 26.75% of the outstanding MVS) and (b) voting securities of the Company representing approximately 19.88% of the votes attaching to all classes of outstanding shares of the Company; and
- Mr. Sampson owns or controls, directly or directly, (a) 133,308 MVS (representing approximately 26.66% of the outstanding MVS) and (b) voting securities of the Company representing approximately 19.86% of the votes attaching to all classes of outstanding shares of the Company.

See the "*General Development of the Business – Acquisitions and Dispositions*" section, above, for a description of the Company's significant acquisitions and dispositions activity.

See the "*General Development of the Business – Equity Financing Activities*" and "*General Development of the Business – Debt Financing Activities*" sections, above, for a description of the Company's significant financing activities.

Growth Strategy

Cannabis legalization continues to expand throughout the United States, with an ever-increasing number of states approving medical and recreational sales. The U.S. market for legal cannabis sales (including both medical and adult-use) is projected to grow to $44 billion by 2027.[5] To date, twenty-four (24) states and the District of Columbia have passed laws approving the sale of recreational cannabis, with Connecticut, Missouri and Maryland commencing sales in fiscal year 2023.[6] After the passage of Ohio's ballot initiative in November 2023, more than half the U.S. population now lives in states that have legalized cannabis for recreational consumption.[7] Since the start of the decade, recreational sales have helped to generate over $1 billion in sales in retail markets per year since their respective launches.[8] The legal markets will continue to grow as existing cannabis consumption shifts from illicit channels, alcohol consumption shifts to cannabis, communities gain better access to dispensaries and a new cohort of cannabis consumers engages with the category for the first time.

Cresco plans to capitalize on the significant increase in cannabis consumption in current and future recreational markets, driving both access to new markets and building the depth of its production and retail footprints. The Company's historical focus on prioritizing the most strategic markets – those offering both appropriate regulations

[5] BDSA, USA Market Forecast Summary, December 2023. Retrieved from https://bdsa.com/cannabis-industry-intelligence
[6] https://mjbizdaily.com/map-of-us-marijuana-legalization-by-state/; BDSA, USA Market Forecast Summary, December 2023. Retrieved from https://bdsa.com/cannabis-industry-intelligence
[7] https://www.marijuanamoment.net/53-percent-of-americans-now-live-in-a-legal-marijuana-state-report-from-former-federal-officials-firm-shows
[8] See, e.g., https://www.marijuanamoment.net/illinois-sets-marijuana-sales-record-in-december-with-nearly-1-4-billion-sold-in-2021/

and sizable populations – remains a key priority in 2024. Cresco's readiness to address adult-use conversions (e.g. Ohio) while optimizing its asset base in mature markets, provides a holistic approach to responsibly growing amid an ever-changing industry landscape. As in the past, Cresco considers both organic and inorganic opportunities to expand its wholesale market leadership and best-in-class retail productivity, enabling the company to drive meaningful market positions in the markets that matter most.

While the majority of long-term growth will be fueled by recreational consumption, there are also ample opportunities to drive growth within today's medical markets. As more research centers study and support the effects of cannabis-based products in addressing therapeutic needs, management believes that the size of the U.S. medical cannabis market will also continue to grow as more states approve legal medical programs and more patients join programs. Given Cresco's existing operations in several strong medical markets (e.g., Florida, Pennsylvania and Ohio), Cresco is well-versed in operating within a diverse medical-market landscape, leveraging its experience as regulations evolve in disparate manners. Further, this expertise in medical channels also builds the foundations necessary to accelerate market growth upon the approval of recreational legalization, including the development of a portfolio geared to address the needs of all cannabis consumers, and a retail model built to support substantive increases in consumer traffic.

Regardless of each state's regulations, Cresco actively leverages its successes in its most developed markets (e.g., Illinois, Pennsylvania and Massachusetts) to create expansion strategies across its geographic footprint. Cresco looks to other burgeoning markets to complement the growth in its core, including Florida and Michigan, while poising itself to unlock growth in Ohio and New York as adult-use regulations continue to develop. At the same time, Cresco will maintain its historical focus on compliance, control, efficiency and product quality to cement itself as the most important multi-state operator within the cannabis industry. To support these ambitions, Cresco will:

- Pursue licenses, partnerships or acquisition of cannabis operations to expand and deepen its position within the most important cannabis markets.
- Complete application processes for states beginning or expanding their medical cannabis programs.
- Invest in canopy expansion, automation and facility design necessary to support demand across its footprint.
- Complement its leading wholesale positions with tactical expansion of its retail footprint (e.g., store capacity and new stores).
- Build the best portfolio of brands within the cannabis industry, supporting both today and tomorrow's cannabis consumers.

Cresco has proven its ability to become operational in new markets and establish material positions throughout its geographic footprint and plans to continue this trend.

Cultivation

We currently operate or plan to operate thirteen (13) separate cultivation facilities, totaling approximately 0.5 million in current or planned cultivation square feet, across eight (8) states (Illinois, Pennsylvania, Ohio, California, New York, Massachusetts, Michigan and Florida). We operate traditional green houses and hybrid green houses. Our multiple cultivation and extraction facilities allow us to produce cannabis products across several product categories.

Cresco currently has the following approximate cultivation square footage in each respective state of operation:

State	Current Cultivation Space (sq ft) [9]	Planned Cultivation Space (sq ft)[10]	Total
Illinois	157,900	—	157,900
Pennsylvania	75,200	—	75,200
Ohio	23,900	—	23,900
California	29,100	—	29,100
Massachusetts	69,700	—	69,700
New York	—	50,000	50,000
Michigan	39,900	—	39,900
Florida	51,000	—	51,000
Total	446,700	50,000	496,700

Designed to provide consistency of product, increase yields and minimize the possibility of crop failure, each of Cresco's cultivation facilities is equipped with traditional commercial agriculture components, automated environmental control systems and watering and feed fertigation systems. Developed over years of research, its proprietary nutritional regimen is utilized to ensure crop quality. Using organic and soluble-based plant nutritional supplements, secondary metabolites (cannabinoids/terpenes) are maximized resulting in superior flower quality, yield and consistency. Cresco has made significant investments in cultivation and processing facilities and plans to continue doing so.

Manufacturing

Cresco's laboratory instrumentation gives it the ability to formulate and develop a variety of products based on traditional pharmaceutical delivery systems – inhalation devices (vape cartridges and pens), capsules, tablets, tinctures, topical salves and edible forms with a variety of cannabinoid profiles. Cresco's food and beverage manufacturing facilities are outfitted with equipment that allows it to produce shelf-stable quality confections with consistency. It is expected that 40-50% of the raw cannabis produced at Cresco's cultivation facilities will be used at Cresco's food & beverage manufacturing facilities and laboratories to make the vaporizable, oral, topical and edible products sold under the Cresco®, High Supply® or Supply®, Good News®, Remedi™, Wonder Wellness Co.®, FloraCal® Farms or FloraCal® and Mindy's™ brands.

Dispensaries

Wholesale

Cresco collaborates with its retail partners on strategic in-store promotions, customer events and shelf space tactics to ensure maximum sell throughput. The Company takes a data-driven approach in its efforts to create an optimized sale process.

Retail

As of March 15, 2024, Cresco has an ownership interest in the following: ten (10) dispensaries in Illinois; fifteen (15) dispensaries in Pennsylvania; five (5) dispensaries in Ohio; four (4) dispensaries in New York; four (4) dispensaries in Massachusetts; and thirty-three (33) dispensaries in Florida.

[9] These figures are approximate measurements of "canopy" square footage, or square footage dedicated to live plant production.

[10] Cresco's expansion, production and cultivation plans are subject to a number of risks and uncertainties, including the need for new licenses or amendments to existing licenses, additional regulatory or municipal approvals, including zoning and other risks associated with construction and cultivation generally, See "*Risk Factors*." No assurances are given as to the precise cost or timing.

Real Estate Strategy

Within its core markets, Cresco spends time and resources in selecting real estate in premium locations with significant traffic and proximity to popular attractions (restaurants, malls, sports arenas, hotels, etc.). Cresco targets retail spaces based on the market and available real estate.

Cresco utilizes both its internal real estate and legal teams as well as a network of real estate brokers to negotiate leases, acquisitions, dispositions and sale and leaseback transactions on behalf of the Company. Cresco typically prefers five-to-ten year leases for its retail operations.

When leasing real estate is not possible, Cresco is willing to enter into purchasing arrangements.

Banking and Processing

Cresco deposits funds from its dispensary operations into its banking partners in each respective market. These state-chartered financial institutions are fully aware of the nature of Cresco's business and continue to remain supportive of Cresco's growth plans. Cresco's dispensaries currently accept only cash and debit cards and do not process credit card payments. It is anticipated that over time all forms of payment will be accepted by each of the dispensaries subject to changes in federal banking laws currently prohibiting such use.

Product Selection and Offerings

Product selection for the Company's retail operations is comprised of both Cresco manufactured and third-party brands and products in an effort to maximize demand and business performance across all relevant categories. Decisions related to product selection are made by retail and wholesale leaders from operations, finance, planning, buying, sales and analytics teams. Product selection is based on historical demand and anticipated opportunity, product quality, margin potential, consumer feedback and the ability for respective brands to scale.

Cresco's manufactured products are sold through Company-owned and managed dispensaries as well as third-party dispensaries. In the future, as production capacity increases, Cresco expects to sell bulk product, as well as new branded products to other dispensaries through both Company-owned and third-party distributors. The full extent of this will depend upon the ultimate extent of the Cresco-owned and managed retail footprint, as well as the ultimate expanded production capacity of Cresco's cultivation and production facilities.

Cresco offers or plans to offer, the following products in the following states:

State	Offering
Illinois (Currently manufactures)	Cannabis dry flower, vaporizers, concentrates, cannabis oil in oral and sublingual solutions, edibles and topicals. Product lines include THC-focused products available in flower, vapes and concentrates under the Cresco® brand; "High Supply®" products that include flower, vapes and concentrates; "Good News ®" products that include flower, vapes and edibles; "FloraCal®" products that include flower, vapes, concentrates and edibles; "Wonder Wellness Co.®" edibles; and "Remedi™" products including concentrates, tinctures and capsules. Cresco licenses the "KIVA" brand and produces edibles. Cresco also sells edibles through its partnership with James Beard Award-winning Chef Mindy Segal under the brand "Mindy's ™." Retail locations in Illinois sell a variety of these brands and their corresponding products.
Pennsylvania (Currently manufactures)	Cannabis dry flower, vaporizers, concentrates, cannabis oil in oral and sublingual solutions, topicals and ingestible products. The product lines include THC-focused products available in flower, vapes and concentrates under the "Cresco®" brand; flower, vapes and concentrates under the "High Supply®" or "Supply®" brand; "FloraCal®" products that include flower, vapes and concentrates; "Good News®" and "Wonder Wellness Co.®" branded ingestible troches; and "Remedi™" products including concentrates, tinctures, capsules and lotions. Retail locations in Pennsylvania sell a variety of these brands and their corresponding products.

State	Offering
Ohio (Currently manufactures)	Cannabis dry flower, vaporizers, concentrates and edibles. Product lines include THC-focused products available in flower, vapes and concentrates under the "Cresco®" brand; "High Supply®" or "Supply®" products that include flower, vapes and concentrates; "Good News®" products that include vapes and edibles; and "Wonder Wellness Co.®" edibles. Cresco also sells edibles through its partnership with Chef Mindy Segal under the brand "Mindy's™".
California (Currently manufactures)	Cannabis dry flower, vaporizers and edibles. The product lines include THC-focused products available in vapes under the "Cresco®" brand; flower under the "FloraCal® Farms" or "FloraCal®" brand; flower under the "High Supply®" brand; and edibles under the "Good News®" brand. Cresco also licenses the "Khalifa Kush" brand and produces flower and vaporizers. All brands are distributed by KSS and sold in licensed retail dispensaries in California.
New York (Currently manufactures)	Cannabis vapes and cannabis oil in oral solutions. The product line includes "Remedi ™" products which include vapes and capsules. Sunnyside®* retail locations in New York sell these brands and corresponding products.
Massachusetts (Currently manufactures)	Cannabis dry flower, vaporizers, concentrates, edibles and topicals. The product lines include THC-focused products available in flower, vapes and concentrates under the "Cresco®" brand; flower and vapes under the "High Supply®" brand; "FloraCal®" products that include flower, vapes, concentrates and edibles; "Good News ®" products that include vapes and edibles; and "Remedi™" products including concentrates. Cresco also sells edibles through its partnership with Chef Mindy Segal under the "Mindy's™" brand. Cresco produces flower and topicals under the "Cultivate" brand and edibles under the "Hexies" brand through the acquisition of Cultivate. Retail locations in Massachusetts sell a variety of these brands and their corresponding products.
Michigan (Currently manufactures)	Cannabis dry flower, vaporizers, concentrates and edibles. Product lines include THC-focused products available in flower, vapes and concentrates under the "Cresco®" brand; "High Supply®" products that include flower, vapes and extracts; "Good News®" products that include vape and edibles; "Wonder Wellness Co. ®" products including edibles; and "FloraCal®" products including flower, vape, extracts and edibles.
Florida (Currently manufactures)	Cannabis dry flower, vaporizers, concentrates, edibles and cannabis oil in sublingual solutions. Product lines include THC-focused products available in flower, vapes and concentrates under the "Cresco®" brand; "High Supply®" or "Supply®" products that include flower, vapes and concentrates; "FloraCal ®" products including flower, edibles and vapes; "Good News®" products such as vapes; "Remedi™" products including concentrates and tinctures; and edibles under the "Sunnyside®" brand.

Product Pricing

Cresco's prices vary based on the market conditions and product pricing of vendor partners. Cannabis and cannabis product pricing is based on operating costs, materials costs, growth time and other applicable variables. Additionally, product pricing reflects existing pricing regulations in Cresco's markets where applicable.

Inventory Management

Cresco has comprehensive inventory management procedures, which are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances and other requirements. These procedures ensure strict control over Cresco's cannabis and cannabis product inventory from delivery by a licensed distributor to sale or delivery to a consumer, or disposal as cannabis waste. Such inventory management procedures also include measures to prevent contamination and maintain the safety and quality of the products dispensed at Cresco's retail locations. Cresco understands its responsibility to the greater community and the environment and is committed to providing consumers with a safe, consistent and high-quality supply of cannabis.

Employees

As of December 31, 2023, Cresco had approximately 2,760 employees across its operating jurisdictions, primarily employed in Cresco's cultivation, manufacturing and processing operations and support thereof. Other significant departments include retail and other operations, logistics and supply chain, sales and marketing, legal and compliance and other administrative and support functions. Cresco recruits, hires and promotes individuals that are best qualified for each position, priding itself on using a selection process that recruits people who are trainable, cooperative and share its core values as a company. In addition, the safety of employees is a priority and Cresco is committed to the prevention of illness and injury through the provision and maintenance of a healthy workplace. Cresco takes all reasonable steps to ensure staff are appropriately informed and trained to ensure the safety of themselves as well as others around them.

Specialized Skill and Knowledge of Employees

To remain a leader in its field, Cresco relies on a motivated and experienced team, focused on offering the highest-quality product, in accordance with the regulations in force. The Company employs a diverse group of people for their particular administrative, operational and financial expertise. In addition, the Company employs individuals with experience in cultivation and growing of wellness and medical marijuana.

Competition

With respect to retail operations, Cresco expects to compete with other retail license holders across the markets in which it operates. Many of Cresco's competitors in those markets are small local operators as well as our peer group of publicly traded companies. In certain markets there are also a number of illegally operating dispensaries, which serve as competition. However, compliance and law enforcement entities are expected to continue the reduction of these illicit operations. In addition to physical dispensaries, Cresco also expects to compete with third-party delivery services, which provide direct-to-consumer delivery services.

In terms of cultivation and production, Cresco expects to compete with other licensed cultivators and operators in the states in which it operates. Similar to retail, there are a number of illegally operating cultivators in certain markets which will serve as competition in the near-term. It is expected that compliance and law enforcement entities will continue the reduction of these illicit operations.

Intellectual Property

Cresco has developed numerous proprietary technologies and processes. These proprietary technologies and processes include its cultivation and extraction techniques, and certain cultivation equipment and irrigation systems. While exploring the patentability of these techniques and processes, Cresco relies on non-disclosure and confidentiality arrangements and trade secret protection.

Cresco has invested significant resources towards developing recognizable and unique brands and is in the process of seeking registration of trademarks with the U.S. Patent and Trademark Office and the states in which it operates. Cresco owns or operates numerous website domains (including www.crescolabs.com, www.chooseremedi.com, www.crescocannabis.com, www.highsupplyofficial.com, www.mindysedibles.com and www.sunnyside.shop), numerous social media accounts across all major platforms and various phone and web application platforms.

Cresco's legal counsel monitors and proactively addresses potential intellectual property infringement. Additionally, Cresco maintains strict standards and operating procedures regarding its intellectual property, including the standard use of non-disclosure, confidentiality and intellectual property assignment agreements.

***Trademarks**:*

Below is a list that includes, but is not limited to, brands for which Cresco is in the process of registering or has registered trademarks at the Canadian federal level, U.S. federal level and/or in the states in which the brands are offered. For additional details on the risks associated with the lack of trademark protection please see "*Risk Factors – Intellectual Property*":

Description	Stylized Design	Rebranded Stylized Design (as applicable)
The text and stylized logo for "**Cresco**"	cresco	CRESCO
The text and stylized logo for "**Cresco Labs**"	CRESCOlabs	CRESCOLABS
The stylized logo for "**Cresco Sun**"		
The text and stylized logo for "**Remedi**"		Remedi
The stylized logo "**r**"		
The text and stylized logo for "**Mindy's Kitchen**"		
The text and stylized logo for "**Mindy's Artisanal Edibles**"		
The text and stylized logo for "**Mindy's Chef Led Artisanal Edibles**"		
The text and stylized logo for "**CY+**"		

Description	Stylized Design	Rebranded Stylized Design (as applicable)
The text and stylized logo for "**Sunnyside***"		
The stylized logo for " * "		
The text and stylized logo for "**Sunnyside**" stacked with "*"		
The text and stylized logo for "**Wonder Wellness Co.**" and "**Wonder Wellness**"		
The text and stylized logo for "**Good News**"		
The text and stylized logo for "**High Supply**"		
The text and stylized logo for "**Alta Supply**"		
The text and stylized logo for "**Continuum**"		
The stylized logo for "**Continuum**"		
The text and stylized logo for "**FloraCal Farms**" and "**FloraCal**"		
The stylized logo for "**FloraCal**"		

Description	Stylized Design	Rebranded Stylized Design (as applicable)
The text and stylized logo for "**FloraCal Farms**" and "**FloraCal**"		
The text and stylized logo for "**Origin House**"		

Cresco has successfully registered thirty-four (34) trademarks at the U.S. federal level. Additionally, Cresco has successfully registered one hundred twenty-eight (128) trademarks across eleven (11) states including Illinois, Pennsylvania, Ohio, California, New York, Massachusetts, Michigan, Florida, Maryland, Arizona and Nevada for the brands offered within each state.

Ongoing application review is occurring at the Canadian and U.S. Federal level. Cresco anticipates feedback on the remaining submitted applications to be seen on a rolling basis. As such, Cresco will continue to rely on common law protection for these brands during the trademark registration process. Moreover, Cresco will proactively seek intellectual property protection for brand expansions in current markets as well as any new market expansion. For additional details on the risks associated with the lack of trademark protection, please see "Risk Factors - Intellectual Property."

Patents

Cresco is in the process of registering two (2) patents for the proprietary technologies and processes specifically in the extraction process for producing liquid live resin. Cresco successfully registered one (1) patent in the aforementioned proprietary technologies and processes in the third quarter of 2020 and one (1) patent in the second quarter of 2021. Cresco anticipates communication from the United States Patent and Trademark Office ("**USPTO**") on the patent-pending applications in late 2024. For additional details on the risks associated with the lack of patent protection, please see "*Risk Factors – Intellectual Property*."

United States Regulatory Environment

For an overview of the United States regulatory environment and how it affects Cresco's business, please refer to the section titled " *Federal Regulatory Environment*" in the MD&A, which section is incorporated by reference herein.

While Cresco's operations are in full compliance with all applicable state laws, regulations and licensing requirements, for the reasons described above and the risks further described in the "*Risk Factors*" section below, there are significant risks associated with the business of Cresco. Readers are strongly encouraged to carefully read all of the risk factors contained in the "*Risk Factors*" section below.

State Regulatory Environment

For an overview of the regulatory landscape of each state in which the Company operates, and how it affects Cresco's business, please refer to the section titled "*The States we Operate in, their Legal Framework and How it Affects our Business* " in the MD&A, which section is incorporated by reference herein.

Illinois

Illinois Licenses

Holding Entity	Permit/License	City	Expiration Date	Description
Cresco Labs, LLC	Adult-Use Cultivation Center License License Number: 1503060739-AU	Kankakee	03/31/2024	License to operate an adult-use cultivation center
	Adult-Use Cultivation Center License License Number: 1503060740-AU	Lincoln	03/31/2024	License to operate an adult-use cultivation center
	Adult-Use Cultivation Center License License Number: 1503060741-AU	Joliet	03/31/2024	License to operate an adult-use cultivation center
	Medical Cannabis Cultivation Center Operating Permit License Number: 1503060739	Kankakee	05/18/2024	License to operate medical cannabis cultivation center
	Medical Cannabis Cultivation Center Operating Permit License Number: 1503060740	Lincoln	03/09/2025	License to operate medical cannabis cultivation center
	Medical Cannabis Cultivation Center Operating Permit License Number: 1503060741	Joliet	03/09/2025	License to operate medical cannabis cultivation center
	Industrial Hemp Processor License License Number: 1204-301	Kankakee	12/31/2024	License to process industrial hemp
	Industrial Hemp Processor License License Number: 1204-302	Joliet	12/31/2024	License to process industrial hemp
	Industrial Hemp Processor License License Number: 1204-303	Lincoln	12/31/2024	License to process industrial hemp
	Transporter License 1503060741-TR	Joliet	07/14/2024	License to transport cannabis
	Transporter License 1503060740-TR	Lincoln	07/14/2024	License to transport cannabis
	Transporter License 1503060739-TR	Kankakee	07/14/2024	License to transport cannabis

Holding Entity	Permit/License	City	Expiration Date	Description
Phoenix Farms of Illinois, LLC	Registered Medical Cannabis Dispensing Organization Certificate License: 280.000035	Champaign	04/26/2024	License to operate a medical cannabis dispensary
	Registered Adult Use Cannabis Dispensing Organization Certificate License: 284.000006	Champaign	03/31/2024	License to operate a adult use cannabis dispensary
	Registered Adult-Use Dispensing Organization Certificate License: 284.000056	Danville	03/31/2024	License to operate a adult use cannabis dispensary
PDI Medical III, LLC	Registered Medical Cannabis Dispensing Organization Certificate License: 280.000016	Buffalo Grove	12/07/2024	License to operate a medical cannabis dispensary
	Registered Adult-Use Dispensing Organization Certificate License: 284.000009	Buffalo Grove	03/31/2024	License to operate a adult use cannabis dispensary
	Registered Adult-Use Dispensing Organization Certificate License: 284.000080	Naperville	03/31/2024	License to operate a adult use cannabis dispensary
FloraMedex, LLC	Registered Medical Cannabis Dispensing Organization Certificate License: 280.000034	Elmwood Park	04/18/2024	License to operate a medical cannabis dispensary
	Registered Adult-Use Dispensing Organization Certificate License: 284.000010	Elmwood Park	03/31/2024	License to operate a adult use cannabis dispensary
	Registered Adult-Use Dispensing Organization Certificate License: 284.000061	Schaumburg	03/31/2024	License to operate a adult use cannabis dispensary

Holding Entity	Permit/License	City	Expiration Date	Description
MedMar Lakeview, LLC	Registered Medical Dispensing Organization Certificate License: 280.000005	Chicago	01/13/2025	License to operate a medical cannabis dispensary
	Registered Adult-Use Dispensing Organization Certificate License: 284.000008	Chicago	03/31/2024	License to operate a adult use cannabis dispensary
	Registered Adult-Use Dispensing Organization Certificate License: 284.000053	Chicago	03/31/2024	License to operate a adult use cannabis dispensary
MedMar Rockford, LLC	Registered Medical Cannabis Dispensing Organization Certificate License: 280.000013	Rockford	11/24/2024	License to operate a medical cannabis dispensary
	Registered Adult-Use Dispensing Organization Certificate License: 284.000007	Rockford	03/31/2024	License to operate a adult use cannabis dispensary
	Registered Adult-Use Dispensing Organization Certificate License: 284.000059	South Beloit	03/31/2024	License to operate a adult use cannabis dispensary

Illinois License and Regulations

The medical dispensary license permits Cresco to purchase cannabis and cannabis products from cultivation/processing facilities and allows the sale of medical cannabis and cannabis products to registered patients. The adult- use dispensary license permits Cresco to purchase adult-use cannabis and cannabis products from cultivation/processing facilities, craft growers and infusers, and allows the sale of adult-use cannabis and cannabis products to purchasers aged 21 or older.

The medical cultivation licenses permit Cresco to acquire, possess, cultivate, manufacture/process cannabis into edible medical cannabis products and/or medical cannabis-infused products, deliver, transfer, have tested, transport, supply or sell cannabis and related supplies to medical cannabis dispensaries. The adult-use cultivation licenses permit Cresco to acquire, possess, cultivate, manufacture/process adult-use cannabis into edible cannabis products and/or cannabis-infused products, deliver, transfer, have tested, transport, supply or sell cannabis and related supplies to dispensing organizations, craft growers, infuser organizations and transporters.

The transporting organization licenses allow Cresco to transport cannabis or cannabis-infused products. This was a new class of license created by the Cannabis Regulation and Taxation Act (“**CRTA**”), signed into law by Governor Pritzker in June 2019.

Illinois Reporting Requirements

The State of Illinois currently uses BioTrack as the state’s computerized track-and-trace (“ **T&T**”) system used to track commercial cannabis activity and movement across the distribution chain (“**seed-to-sale**”) transactions.

Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. Cresco, Phoenix Farms, LLC, PDI Medical III, LLC, FloraMedex, LLC, MedMar Lakeview, LLC and MedMar Rockford, LLC use the commercial version of BioTrack as its in-house computerized seed-to-sale software for production operations and Dutchie for its retail operations, which integrate with the state's BioTrack program and captures the required data points for cultivation, manufacturing and retail as required in the Illinois Compassionate Use of Medical Cannabis Program Act and the CRTA.

Illinois Inspection, Storage and Security Requirements

As to its cultivation facilities, Illinois regulations require Cresco to store cannabis and cannabis-infused products in a safe, vault or secured room in such a manner to prevent diversion, theft or loss. Any cannabis that is not a finished product must likewise be maintained in a secured area within the facility only accessible to authorized personnel. All locks and security equipment safeguarding the cannabis must be kept in good working order, and the storage areas must be locked and protected from unauthorized access at all times.

The cultivation facilities must also have an operational 24-hour, seven (7) days a week, closed-circuit television surveillance system on the premises that complies with certain regulatory minimum standards. Access to the surveillance area is restricted to only those people who are essential to surveillance operations, law enforcement agencies, security system service personnel and the regulator. In addition, video surveillance recordings shall be retained for 90 days at the facilities and an additional 90 days off-site.

Cresco must also maintain an alarm system at its cultivation facilities. The cultivation facilities must maintain and use a professionally monitored robbery and burglary alarm system that meets certain regulatory minimum standards. A qualified alarm system vendor must test the system annually.

With respect to its Illinois dispensaries, Cresco must store inventory on-site in a secured and restricted access area consistent with the security regulations and tracked in accordance with the inventory tracking regulations. Any containers storing medical cannabis or cannabis products that have been tampered with or opened must be stored separately until disposed; such materials can only be stored at the dispensary for one week. Dispensaries are monitored by the Illinois Department of Financial and Professional Regulation ("**IDFPR**") inspectors in addition to the Illinois State Police ("**ISP**").

The dispensaries must also implement security measures to deter and prevent entry into and theft from restricted access areas that contain cannabis and/or currency, including having a commercial-grade alarm and surveillance system installed by an Illinois licensed private alarm contractor or private alarm contractor agency. The facility must also have security measures to protect the premises, registered qualifying patients, designated caregivers, adult use customers and dispensing organization agents.

Regulatory oversight in Illinois is primarily bifurcated between two (2) agencies. Cultivation centers are licensed and monitored by the Illinois Department of Agriculture ("**IDOA**"), and dispensary facilities are licensed and monitored by the IDFPR. Both facility types also receive oversight from the ISP. At cultivation facilities, ISP performs on-site inspections at least monthly, while IDOA performs weekly scheduled on-site inspections. Dispensary facilities are inspected on a random cadence by IDFPR, generally each quarter, by a combination of both on-site physical inspections and electronic desk reviews of seed-to-sale reporting data. ISP also performs dispensary inspections monthly.

Illinois Transportation Requirements

All cannabis transported between cultivation and dispensary facilities must be transported in a properly insured, state registered delivery vehicle. Cannabis and cannabis products must be separated by individual scheduled deliveries, within a locked receptacle, with a pre-generated delivery manifest for each individual scheduled delivery.

Pennsylvania

Pennsylvania Licenses

Holding Entity	Permit/License	City	Expiration Date	Description
Cresco Yeltrah, LLC	Medical Marijuana Grower/Processor Permit Applicant ID: GP-6012-17	Brookville	06/20/2024	Permit to grow and process medical marijuana
	Medical Marijuana Dispensary Permit Applicant ID: D-5016-17	Butler	06/29/2024	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D-5016-17	Pittsburgh	06/29/2024	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D-5016-17	New Kensington	06/29/2024	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D-18-1007	Wyomissing	12/18/2024	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D-18-1007	Philadelphia	12/18/2024	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D-18-1007	Ambler	12/18/2024	Permit to operate a medical marijuana dispensary

Bay, LLC	Medical Marijuana Dispensary Permit Applicant ID: D-1069-17	Lancaster	06/29/2024	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D-1069-17	Philadelphia	06/29/2024	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D-1069-17	Phoenixville	06/29/2024	Permit to operate a medical marijuana dispensary
Laurel Harvest Labs, LLC	Medical Marijuana Grower/Processor Permit Applicant ID: CR02-GP20-1202	Mount Joy	02/20/2025	Permit to grow and process medical marijuana
	Medical Marijuana Dispensary Permit Applicant ID: CR02-D20-2202	Erie	02/20/2025	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: CR02-D20-2202	Montgomeryville	02/20/2025	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: CR02-D20-2202	Somerset	02/20/2025	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: CR02-D20-2202	Washington	02/20/2025	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: CR02-D20-2202	Altoona	02/20/2025	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: CR02-D20-2202	Gettysburg	02/20/2025	Permit to operate a medical marijuana dispensary

Pennsylvania License and Regulations

The retail dispensary permits authorize Cresco Yeltrah, LLC (" **Cresco Yeltrah**") and Bay, LLC, (" **Bay**") to purchase medical marijuana and medical marijuana products from medical growing/processing facilities and allows the sale of medical marijuana and medical marijuana products to registered patients.

The medical grower/processor permit authorizes Cresco Yeltrah to acquire, possess, cultivate, manufacture/process into edible medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell medical marijuana and related supplies to medical marijuana dispensaries.

The clinical registrant permit license held by Laurel Harvest authorizes the permittee to operate as both a grower/processor and a dispensary and enter into a research contract with an academic clinical research center that operates or partners with an acute care hospital licensed and operating in the Commonwealth. Laurel Harvest has a

contractual relationship with Temple University, which has established one of the most sophisticated cannabis research programs in the country.

Pennsylvania Reporting Requirements

Pennsylvania uses MJ Freeway as its computerized T&T system for seed-to-sale transactions. Individual permittees are required to use MJ Freeway to push data to the state to meet all reporting requirements. Cresco Yeltrah, Bay and Laurel Harvest use MJ Freeway as their in-house computerized seed-to-sale software, which integrates with the state's MJ Freeway program and captures the required data points for growing, processing and dispensing as required in the Pennsylvania medical marijuana laws and regulations.

Pennsylvania Inspection, Storage and Security

Pennsylvania regulations require the maintenance of storage areas at Cresco Yeltrah's and Laurel Harvest's grower/processor facilities in a clean and orderly condition, free from infestation. These separate and locked limited access areas are used for the grower/processor to store seeds, immature plants, mature plants and medical marijuana that is expired, damaged, deteriorated, mislabeled, contaminated, recalled or whose containers or packages have been opened or breached until such product is destroyed or otherwise disposed of.

The regulations also require Cresco Yeltrah's and Laurel Harvest's grower/processor facilities to have a commercial grade security system to prevent unauthorized entry and to prevent and detect any attempted diversion. This security must include an alarm system that covers the interior and exterior of the facility, including a silent alarm.

A dispensary must also have a locked limited access area for the storage of medical marijuana that is expired, damaged, deteriorated, mislabeled, contaminated, recalled or whose containers or packages have been opened or breached until such product is returned to the grower/processor.

Cresco Yeltrah's, Bay's and Laurel Harvest's dispensaries must have a security system with the same features as that for the grower/processor facility. This system must be professionally monitored 24-hours a day and seven (7) days a week with fixed cameras on the interior and exterior of the facilities. The surveillance system must store data for a period of four (4) years in a readily available format for investigative purposes.

Inspections of both dispensary and grower/processor sites in Pennsylvania is the responsibility of the Pennsylvania Department of Health ("**PDOH**"). Other than facility modifications, or other requested reviews, inspections are on a random cadence.

Pennsylvania Transportation Requirements

Transporting of marijuana and marijuana products between dispensaries and grower/processor locations are closely monitored by the PDOH. All delivery vehicles are registered with the regulatory body and must be properly insured. All marijuana and marijuana product for transport is properly manifested prior to leaving any facility and is held under lock-and-key during the duration of the transport.

Ohio

Ohio Licenses

Holding Entity	Permit/License	City	Expiration Date	Description
Cresco Labs Ohio, LLC	MMCPC00017	Yellow Springs	09/13/2024	Cultivation License
	MMD.0700002	Wintersville	07/01/2025	Dispensary License
	MMCPP00041	Yellow Springs	06/10/2024	Medical Marijuana Processor License
Verdant Creations Newark, LLC	MMD.0700061	Newark	07/01/2025	Dispensary License
Verdant Creation Marion, LLC	MMD.0700062	Marion	07/01/2025	Dispensary License
Care Med Associates, LLC	MMD.0700063	Cincinnati	07/01/2025	Dispensary License
Verdant Creations Chillicothe, LLC	MMD.0700064	Chillicothe	07/01/2025	Dispensary License

Ohio License and Regulations

The dispensary licenses permit Cresco to purchase medical marijuana and marijuana products from medical marijuana cultivation and/or processing facilities and allows the sale of medical marijuana and marijuana products to registered patients.

The medical cultivation and processor license permits Cresco to acquire, possess, cultivate, manufacture/process into medical marijuana products, deliver, transfer, have tested, transport, supply or sell medical marijuana and related supplies to medical marijuana dispensaries. Ohio's Division of Cannabis Control, within the Ohio Department of Commerce, is responsible for licensing and regulating medical marijuana cultivators, processors, dispensaries, and testing laboratories, and overseeing the Patient & Caregiver Registry and toll-free helpline.

Ohio Reporting Requirements

Ohio uses METRC as its computerized T&T system for seed-to-sale transactions. Licensees are required to use METRC in Ohio to push data to the state to meet all reporting requirements. Cresco Labs Ohio, LLC ("**Cresco Ohio**") integrates its in-house seed-to-sale tracking system for retail operations, Dutchie, with the commercial version of METRC, with the state's METRC software to capture the required data points as required in the Ohio medical marijuana laws and regulations.

Ohio Inspections, Storage and Security Requirements

For Cresco Ohio's dispensaries, a designated representative is responsible for providing supervision and control of medical marijuana and medical marijuana products to ensure that they are dispensed in accordance with the law and regulations. In addition, the dispensaries must have physical or electronic security over such items. Cresco Ohio's dispensaries must also maintain security (with alarms and surveillance equipment) as required by the regulations to prevent diversion and theft, as well as to protect patients, caregivers and employees. The dispensary department, restricted access areas and stock of medical marijuana must be secured by a physical barrier with suitable locks and an electronic barrier. Medical marijuana must also be stored in a secure area and tracked in the inventory tracking system. No person is permitted in this secure area unless under the personal supervision of a licensed dispensary employee. The storage area must be clean and free of infestation. Containers storing expired, damaged, deteriorated, misbranded, adulterated or opened medical marijuana shall be separated from other medical marijuana until they are properly destroyed; these materials can only be stored for one week.

The regulations permit Cresco to store medical marijuana inventory at its cultivation and processing facility in a

designated, enclosed, locked facility identified in plans and specifications that it submitted to the Ohio Department of Commerce. This storage area can only be accessible by authorized individuals. On an annual basis and as a condition to renewal of its cultivator and processor licenses, Cresco Ohio must perform a physical, manual inventory, of the medical marijuana on hand and compare it to the annual report generated by the inventory tracking system. The cultivation and processing facility must install a commercial-grade security alarm system to prevent and detect diversion, theft or loss. The facility also must maintain surveillance equipment to capture the entire facility and provide direct access to the regulator on a real-time basis. All equipment must be kept in good working order and inspected and tested on an annual basis by a third-party.

Ohio Transportation Requirements

Transport of medical marijuana and medical marijuana products must be properly manifested and be performed using vehicles which have been registered with the Medical Marijuana Control Program.

California

California Licenses

Holding Entity	Permit/License	City	Expiration Date	Description
Sonoma's Finest	Medium Indoor Cultivation (Provisional) CCL18-0002186	Unincorporated Sonoma County	03/21/2025	Cultivation: Medical Medium Indoor
	Processor (Provisional) CCL19-0000639	Unincorporated Sonoma County	06/27/2024	Processor
	Distribution C11-0001222-LIC	Unincorporated Sonoma County	06/25/2024	Distribution
Cub City, LLC	Small Indoor Cultivation (Provisional) CCL18-0002062	Santa Rosa	03/21/2025	Cultivation: Medical Small Indoor
	Nursery (Provisional) CCL22-0000377	Santa Rosa	08/23/2024	Nursery
	Distribution (Annual) C11-0001622-LIC	Santa Rosa	06/07/2024	Distribution

California License and Regulations

In the State of California, only cannabis that is grown in the state can be sold in the state. Although California is not a vertically-integrated system, the state also allows the Company to make a wholesale purchase of cannabis from, or a distribution of cannabis and cannabis product to, another licensed entity within the state.

California Reporting Requirements

The State of California uses METRC as the state's T&T system used to track seed-to-sale transactions. The system allows for other third-party system integration via application programming interface ("**API**"). Cresco utilizes an electronic system independent of METRC that integrates with METRC *via* API. T&T currently captures required data points for cultivation, distribution and retail as stipulated in the corresponding regulatory agencies' regulations.

California Inspections, Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft and loss of cannabis or cannabis products, Cresco is required to do the following:

- maintain a fully operational security alarm system;
- maintain a video surveillance system that records continuously 24 hours a day;
- ensure that the facility's outdoor premises have sufficient lighting;
- not dispense from its premises outside of permissible hours of operation;
- store cannabis and cannabis product only in areas per the premises diagram submitted to the State of California during the licensing process, or as otherwise approved;
- store all harvested cannabis and cannabis products in a secured, locked room or a vault;
- report to local law enforcement within 24 hours after being notified or becoming aware of the theft, diversion or loss of cannabis; and
- to ensure the safe transport of cannabis and cannabis products between licensed facilities, maintain a delivery manifest in any vehicle transporting cannabis and cannabis products. Only vehicles registered that meet distribution requirements, are to be used to transport cannabis and cannabis products.

The current regulatory environment has a singular oversight body for all license types, California's Department of Cannabis Control. Cultivation and distribution facilities are also regularly inspected by local municipal and county boards to ensure compliance with local zoning and other ordinances.

New York

New York Licenses

Holding Entity	Permit/License	City	Expiration Date	Description
Valley Agriceuticals, LLC	Certificate of Registration Number: MM0801M	Middletown	11/16/2025	Acquiring, possession, manufacture, sale, transporting and distributing medical marijuana
	Certificate of Registration Number: MM0802D	Brooklyn	11/16/2025	Acquiring, possession, sale, transporting, distributing and dispensing medical marijuana
	Certificate of Registration Number: MM0803D	Huntington	11/16/2025	Acquiring, possession, sale, transporting, distributing and dispensing medical marijuana
	Certificate of Registration Number: MM0804D	Bardonia	11/16/2025	Acquiring, possession, sale, transporting, distributing and dispensing medical marijuana
	Certificate of Registration Number: MM0805D	New Hartford	11/16/2025	Acquiring, possession, sale, transporting, distributing and dispensing medical marijuana

New York Regulations

The New York Licenses (" **NY Licenses**") permit the sale of medical cannabis products to any qualified patient who possesses a physician's recommendation. Under the terms of the NY Licenses, Valley Agriceuticals, LLC ("**Valley Ag**") is permitted to sell New York Department of Health ("**NYSDOH**") approved medical cannabis manufactured products to any qualified patient, provided that the patient presents a valid government-issued photo identification and NYSDOH-issued registry identification card proving that the patient or designated caregiver meets the statutory conditions to be a qualified patient or designated caregiver. Registry identification cards are valid for one year after the date the certification is signed. The card contains the recommendation from the physician and the limitation on form or dosage of medical cannabis.

Allowable forms of medical cannabis in New York State are the following: metered liquid or oil preparations, solid and semisolid preparations (e.g., capsules, chewable and effervescent tablets, lozenges), flower, topical forms and transdermal patches.

Medical cannabis may not be incorporated into food products by the " **Registered Organization**", unless approved by the Commissioner of Health.

Previously qualifying conditions in the State of New York were the following: cancer, human immunodeficiency virus infection (" **HIV**") or acquired immunodeficiency virus ("**AIDS**"), amyotrophic lateral sclerosis (" **ALS**"), Parkinson's disease, multiple sclerosis, spinal cord injury with spasticity, epilepsy, inflammatory bowel disease, neuropathy, Huntington's disease, Post-Traumatic Stress Disorder (" **PTSD**"), or chronic pain. The severe debilitating or life-threatening condition must also be accompanied by one or more of the following associated or complicating conditions: cachexia or wasting syndrome, severe or chronic pain, severe nausea, seizures or severe or persistent muscle spasms. However, in a more recent change, physicians can issue medical cannabis recommendations to people for any condition that they believe could be treated by cannabis.

In the State of New York, only cannabis that is grown and manufactured in the state can be sold in the State. New York is a vertically-integrated system for medical cannabis; however, it does allow Registered Organizations to wholesale manufactured products to one another. As such, Valley Ag has the ability to be vertically-integrated and cultivate, harvest, process, transport, sell and dispense cannabis products. Delivery is allowed from dispensaries to patients; however, the delivery plan must be pre-approved by the NYSDOH. As of the date hereof, Valley Ag has submitted and received approval for a delivery plan at its New Hartford dispensary.

Adult-use regulations, promulgated by New York's Office of Cannabis Management (" **OCM**") and approved by the Cannabis Control Board (**"CCB"**), became effective on September 27, 2023. On October 4, 2023, the OCM began accepting adult-use cannabis applications for adult-use cultivator, adult-use processor, adult-use distributor, adult-use retail, adult-use microbusiness, registered organization with dispensing or registered organization non-dispensing (**"ROND"**) license types. Valley Ag submitted its ROND application on November 21, 2023 and received CCB approval on December 8, 2023. The Company did not have any adult-use operations in New York as of December 31, 2023.

New York Reporting Requirements

At this time, the OCM does not require a specific statewide seed-to-sale tracking system. As a result, Valley Ag currently uses Dutchie and Canix for this purpose. Upon the OCM selecting a statewide system, Dutchie and Canix will implement the necessary connectivity so that the Company may continue to utilize these systems while simultaneously maintaining communications with the OCM's selected seed-to-sale tracking system.

Every month the OCM requests a dispensing report in Excel format, via email, showing all products dispensed for the month.

New York Inspections, Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft and loss of cannabis or cannabis products, Valley Ag is required to:

- Maintain a security operations plan that includes but is not limited to, perimeter alarms, video cameras, duress alarms, panic alarms, 24-hour recording capabilities, automatic voice dialer, date and time stamp embedding and the ability to remain operational during a power outage;
- Ensure that any manufacturing facility and dispensing facility maintains all security system equipment and recordings in a secure location to prevent theft, loss, destruction or alterations;
- Have a back-up alarm system approved by the department that shall detect unauthorized entry during times when no employees are present at the facility and that it shall be provided by a company supplying commercial grade equipment;
- Limit access to any surveillance areas solely to persons that are essential to surveillance operations, law enforcement agencies, security system service employees, the department or the department's authorized representative and others when approved by the department;

- Keep illuminated the outside perimeter of any manufacturing facility and dispensing facility that is operated under the registered organization's license;
- Ensure that all video recordings shall allow for the exporting of still images in an industry-standard image format (including .jpeg, .bmp and .gif);
- Keep all security equipment in full operating order and test such equipment no less than semi-annually at each manufacturing facility and dispensing facility that is operated under the registered organization's registration. Records of security tests must be maintained for five (5) years and made available to the department upon request;
- With respect to the manufacturing facility, keep it securely locked and protected from unauthorized entry at all times and maintain appropriate visitor logs;
- Ensure that all cannabis is stored in a secure area or location accessible to the minimum number of employees essential for efficient operation and in such a manner as approved by the department in advance, to prevent diversion, theft or loss;
- Return cannabis to its secure location immediately after completion of manufacture, distribution, transfer or analysis;
- Ensure that all medical cannabis is stored in such a manner as to protect against physical, chemical and microbial contamination and deterioration of the product;
- Ensure that all approved safes, vaults and any other approved equipment or areas used for the manufacturing or storage of cannabis and approved medical cannabis products are securely locked or protected from entry, except for the actual time required to remove or replace cannabis or approved medical cannabis products;
- Ensure that keys are not left in the locks or stored or placed in a location accessible to individuals who are not authorized access to cannabis or manufactured medical cannabis products;
- Ensure that all security measures, such as combination numbers, passwords or biometric security systems, are not accessible to individuals other than those specifically authorized to access cannabis or manufactured medical cannabis products;
- Prior to transporting any medical cannabis, complete a shipping manifest using a form determined by the department;
- Maintain all shipping manifests and make them available to the department for inspection upon request, for a period of five (5) years;
- Ensure that its employees, when transporting approved medical cannabis products, ensures that products are transported in a locked storage compartment not visible outside the vehicle and travel directly to his or her destination(s) and shall not make any unnecessary stops in between;
- Ensure that all approved medical cannabis product delivery times are randomized;
- Staff all transport vehicles with a minimum of two (2) employees. At least one (1) transport team member shall remain with the vehicle at all times that the vehicle contains approved medical cannabis products;
- Ensure that its transport team member shall have access to a secure form of communication with employees at the registered organization's manufacturing facility at all times that the vehicle contains approved medical cannabis products;
- Ensure its transport team member possesses a copy of the shipping manifest at all times when transporting or delivering approved medical cannabis products and produces it to the commissioner, the commissioner's authorized representative or law enforcement official upon request.

Cresco's dispensaries and processing facility in New York are licensed and supervised by the New York OCM. The regulations permit Cresco to store medical cannabis inventory at its processing facility and dispensaries in a designated, enclosed, locked vault identified in plans and specifications that are submitted to and approved by the

OCM. This storage area can only be accessible by authorized individuals. The processing facility and dispensaries must install a commercial grade security alarm system to prevent and detect diversion, theft or loss. The facilities also must maintain surveillance equipment to capture the entire facility and provide direct access to the regulator on a real-time basis. All this equipment must be kept in good working order.

Transport of medical cannabis inventory between the processing facility and dispensaries is completed using secure, OCM registered vehicles. All inventory is properly manifested using the seed-to-sale system prior to embarking on any transport.

Inspections are randomized and primarily conducted virtually as a review of seed-to-sale and dispensing data. On-site inspections are conducted at random and when a complaint has been received by the OCM.

Massachusetts

Massachusetts Licenses

Holding Entity	Permit/License	City	Expiration Date	Description
Cresco HHH, LLC	RMD-686	Fall River	11/18/2024	Medical cultivation, manufacturing and processing and it establishes and allows for dispensary operations
	MC281478	Fall River	07/17/2024	Marijuana Cultivator -Tier 4
	MP281361	Fall River	07/17/2024	Marijuana Product Manufacturer
Cultivate Cultivation, LLC	MP281305	Leicester	10/16/2024	Marijuana Product Manufacturer
	MC281266	Leicester	10/16/2024	Marijuana Cultivator
Cultivate Leicester, Inc	MR282522	Framingham	03/10/2025	Marijuana Retailer
	RMD-3193	Framingham	10/16/2024	Medical cultivation, manufacturing and processing and it establishes and allows for dispensary operations
	MC282053	Uxbridge	03/13/2025	Marijuana Cultivator
	MP281742	Uxbridge	03/13/2025	Marijuana Product Manufacturer
	MR281843	Worcester	06/12/2024	Marijuana Retailer
	MR281268	Leicester	10/16/2024	Marijuana Retailer
	RMD-485	Leicester	12/05/2024	Medical cultivation, manufacturing and processing and it establishes and allows for dispensary operations

Massachusetts Reporting Requirements

The State of Massachusetts uses METRC as the state's T&T system used to track seed-to-sale transactions. The

system allows for other third-party system integration via API. Cresco HHH, LLC, Cresco Cultivation, LLC and Cresco Cultivate Leicester, Inc, utilize Canix as their in-house seed-to-sale tracking system, which integrates with METRC via API.

Massachusetts Dispensary Requirements

A licensee shall follow its written and approved operation procedures in the operation of its dispensary locations. Operating procedures shall include: (i) security measures in compliance with the Massachusetts Regulations; (ii) employee security policies including personal safety and crime prevention techniques; (iii) hours of operation and after-hours contact information; (iv) a price list for marijuana; (v) storage protocols in compliance with state law; (vi) a description of the various strains of marijuana that will be cultivated and dispensed, and the forms that will be dispensed; (vii) procedures to ensure accurate recordkeeping including inventory protocols; (viii) plans for quality control; (ix) a staffing plan and staffing records; (x) diversion identification and reporting protocols; and (xi) policies and procedures for the handling of cash on licensed premises including storage, collection frequency and transport to financial institutions. The siting of dispensary locations is expressly subject to local/municipal approvals pursuant to state law and municipalities control the permitting application process that a licensee must comply with. More specifically, a licensee shall comply with all local requirements regarding siting, provided, however, that if no local requirements exist, a licensee shall not be sited within a radius of five hundred feet of a school, daycare center or any facility in which children commonly congregate. The 500-foot distance under this section is measured in a straight line from the nearest point of the facility in question to the nearest point of the proposed facility. Each licensee is required to enter into a Host Community Agreement ("**HCA**") with the local community in which facility is located.

Massachusetts Security Requirements

A licensee shall implement sufficient security measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the licensed premises. These measures must include: (i) allowing only registered qualifying patients, caregivers, dispensary agents, authorized persons or approved outside contractors access to the facility; (ii) preventing individuals from loitering; (iii) disposing of marijuana or byproducts in compliance with law; (iv) establishing limited access areas accessible only to authorized personnel; (v) storing all finished marijuana in a secure locked safe or vault; (vi) keeping all equipment, safes, vaults or secured areas securely locked at all times; (vii) ensuring that the outside perimeter of the facility is sufficiently lit to facilitate surveillance; and (viii) ensuring that all landscaping or foliage outside of the premises does not allow a person to conceal themselves. A licensee shall also utilize a security/alarm system that: (i) monitors all entry and exit points and windows and doors; (ii) includes a panic/duress alarm; (iii) includes system failure notifications; (iv) includes 24 hour video surveillance of all safes, vaults, sales areas, areas where marijuana is cultivated, processed or dispensed; and (v) includes date and time stamping of all records and the ability to produce a clear, color still photo. The video surveillance system shall have the capacity to remain operational during a power outage. The licensee shall also maintain a backup alarm system with all of the capabilities of the primary system, and both systems shall be in good working order at all times and shall be inspected and tested on regular intervals.

Massachusetts Transportation

Marijuana or marijuana-infused products (" **MIPs**") may only be transported by dispensary agents on behalf of a licensee: (i) between separately-owned licensee in compliance with Massachusetts Regulations; (ii) between licensee sites owned by the same non-profit entity; (iii) between a licensee and a testing laboratory; (iv) from the licensee to the destruction or disposal site; or (v) from a licensee to the primary residences of registered qualifying patients. A licensee shall staff all transport vehicles with a minimum of two (2) dispensary agents. At least one (1) dispensary agent shall remain with the vehicle at all times that the vehicle contains marijuana or MIPs. Prior to leaving the origination location, a licensee must weigh, inventory and account for, on video, all marijuana to be transported.

Marijuana must be packaged in sealed, labeled and tamper-proof packaging prior to and during transportation. In the case of an emergency stop, a log must be maintained describing the reason for the stop, the duration, the location and any activities of personnel exiting the vehicle. A licensee shall ensure that all delivery times and routes are

randomized. Where videotaping is required when weighing, inventorying and accounting of marijuana before transportation or after receipt, the video must show each product being weighed, the weight and the manifest. A licensee must document and report any unusual discrepancy in weight or inventory to the Massachusetts Cannabis Control Commission ("**CCC**"), the state's regulatory body which creates regulations for both the medical and adult-use market, and local law enforcement within 24 hours. A licensee shall report to the CCC and local law enforcement any vehicle accidents, diversions, losses or other reportable incidents that occur during transport, within 24 hours. A licensee shall retain all transportation manifests for no less than one (1) year and make them available to the CCC upon request. Any cash received from a qualifying patient or personal caregiver must be transported to a licensee immediately upon completion of the scheduled deliveries.

During transit, a licensee shall ensure that: (i) marijuana or MIPs are transported in a secure, locked storage compartment that is part of the vehicle transporting the marijuana or MIPs; (ii) the storage compartment cannot be easily removed (for example, bolts, fittings, straps or other types of fasteners may not be easily accessible and not capable of being manipulated with commonly available tools); (iii) marijuana or MIPs are not visible from outside the vehicle; and (iv) all product is transported in a vehicle that bears no markings indicating that the vehicle is being used to transport marijuana or MIPs and does not indicate the name of the licensee. Each dispensary agent transporting marijuana or MIPs shall have access to a secure form of communication with personnel at the origination location at all times that the vehicle contains marijuana or MIPs.

Massachusetts Inspections

The CCC or its agents may inspect a licensee and affiliated vehicles at any time without prior notice. Any violations found will be noted in a deficiency statement that will be provided to the licensee, and the licensee shall thereafter submit a Plan of Correction to the CCC outlining with particularity each deficiency and the timetable and steps to remediate the same. The CCC shall have the authority to suspend or revoke a certificate of registration.

Michigan

Michigan Licenses

Holding Entity	Permit/License	City	Expiration Date	Description
Cresco Labs Michigan, LLC	PR-000067	Marshall	03/04/2025	Medical Processor License
	AU-P-000127	Marshall	06/22/2024	Adult-Use Processor License
	AU-G-C-000351	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-C-000352	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-C-000353	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-C-000354	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-C-000355	Marshall	06/22/2024	Adult-Use Cultivation
	GR-C-21-001012	Marshall	03/04/2025	Medical Cultivation
	GR-C-21-001013	Marshall	03/04/2025	Medical Cultivation
	GR-C-21-001014	Marshall	03/04/2025	Medical Cultivation
	GR-C-21-001015	Marshall	03/04/2025	Medical Cultivation
	GR-C-21-001016	Marshall	03/04/2025	Medical Cultivation
	GR-C-21-001017	Marshall	03/04/2025	Medical Cultivation
	GR-C-21-001018	Marshall	03/04/2025	Medical Cultivation
	GR-C-21-001019	Marshall	03/04/2025	Medical Cultivation
	GR-C-000726	Marshall	03/04/2025	Medical Cultivation
	GR-C-000727	Marshall	03/04/2025	Medical Cultivation
	AU-G-EX-000239	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-EX-000240	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-EX-000241	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-EX-000242	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-EX-000243	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-EX-000244	Marshall	06/22/2024	Adult-Use Cultivation
	AU-G-EX-000245	Marshall	06/22/2024	Adult-Use Cultivation

Michigan Regulations

Medical products may be purchased in a retail setting from a provisioning center by registered qualified patients, registered primary caregivers connected to a registered qualifying patient (each, a "**Michigan Qualified Purchaser**"); in each case, Michigan Qualified Purchasers must present a valid registry identification card (a "**Michigan Registry ID**") issued by the Michigan Department of Licensing and Regulatory Affairs and its licensing

board ("**LARA**"). For a Michigan Qualified Purchaser to receive products, provisioning centers must deploy an inventory control and tracking system that is capable of interfacing with the statewide monitoring system to determine (a) whether a Michigan Qualified Purchaser holds a Michigan Registry ID and (b) whether the sale or transfer will exceed the then-current daily and monthly purchasing limit for the holder of the Michigan Registry ID. Adult-use products may be purchased from a retail dispensary by any individual 21 or older who provides a valid, unexpired photo identification.

In order to receive a Michigan Registry ID, an applicant must provide: a completed application dated within one (1) year of submission, a written certification from a physician with a bona-fide physician-patient relationship to the underlying patient, the application or renewal fee, contact information for the patient, caregiver (if applicable) and physician, as well as proof of Michigan residency.

For registered qualifying patients, the daily purchasing limit is two and a half (2.5) ounces of marihuana or marihuana equivalents and for registered primary caregivers, the daily purchasing limit is two and a half (2.5) ounces per underlying registered qualifying patient that the registered primary caregiver is connected with through the registration process. Finally, the licensee shall verify in the statewide monitoring system that the sale or transfer does not exceed the monthly purchasing limit of ten (10) ounces of marihuana product per month to a qualifying patient, either directly or through the qualifying patient's registered primary caregiver. Adult-use customers may possess up to two and a half (2.5) ounces outside of their home and up to fifteen (15) grams of cannabis concentrates. Michigan also allows a homegrown option, where an individual may grow up to twelve (12) marihuana plants at home for personal use.

Allowable forms of marihuana include smokable dried flower, dried flower for vaporizing and marihuana infused products, which are defined under the Michigan Medical Marihuana Act to include topical formulations, tinctures, beverages, edible substances, or similar products containing usable marihuana that is intended for human consumption in a matter other than smoke inhalation. Under the Michigan / Cannabis Regulations, marihuana-infused products shall not be considered food.

Qualifying conditions for the medical marihuana program in Michigan are the following:

- Cancer, glaucoma, positive status for HIV, AIDS, hepatitis C, ALS, Crohn's disease, agitation of Alzheimer's disease, nail patella, obsessive compulsive disorder, arthritis, rheumatoid arthritis, spinal cord injury, colitis, inflammatory bowel disease, ulcerative colitis, Parkinson's disease, Tourette's disease, autism, chronic pain, cerebral palsy or the treatment of these conditions;
- A chronic or debilitating disease or medical condition or its treatment that produces one (1) or more of the following: cachexia or wasting syndrome; severe and chronic pain; severe nausea; seizures, including but not limited to those characteristics of epilepsy; or severe and persistent muscle spasms, including but not limited to those characteristic of multiple sclerosis;
- PTSD; and/or
- Any other medical condition or its treatment approved by the department under the Michigan Cannabis Regulations.

In the state of Michigan, only cannabis that is grown and manufactured in the state can be sold in the state.

Michigan Reporting Requirements

Pursuant to the requirements of the Marihuana Tracking Act (the " **MTA**"), Michigan selected METRC as the state's third-party solution for integrated marihuana industry verification. Using METRC, regulators can track third-party inventory, permissible sales and seed-to-sale information. Additionally, provisioning centers can use the METRC API to connect their own inventory management and/or point-of-sale systems to verify the identity as well as permissible sales. Cresco Labs Michigan, LLC, utilizes Canix as its in-house seed-to-sale tracking system, which integrates with METRC via API.

Michigan Inspections

To ensure the safety and security of marihuana business premises and to maintain adequate controls against the diversion, theft and loss of marihuana or marihuana products, a licensee center is required to:

- Maintain and submit a security operations plan that includes the following at a minimum:
  - Escorts for all non-employee personnel in limited access areas;
  - Secure locks for all interior rooms, windows and points of entry and exits with commercial grade, nonresidential door locks;
  - An alarm system. Licensees will make all information related to the alarm system including monitoring and alarm activity available to LARA;
  - A video surveillance system that, at a minimum, consists of digital or network video recorders, cameras, video monitors, digital archiving devices and a color printer capable of delivering still photos;
  - 24-hour surveillance footage with fixed, mounted cameras, tamper/theft proof secured storage mediums and a notification system for interruption or failure of surveillance footage or storage of surveillance footage. All surveillance footage must be of sufficient resolution to identify individuals, have accurate time/date stamps and be stored for a minimum of 14 days unless state regulators notify that such recordings may be destroyed. Surveillance footage must cover:
    - All activity within 20 feet of all points of entry and exit to a facility;
    - Any areas where marihuana products are weighed, packed, stored, loaded and unloaded for transportation, prepared or moved within the marihuana facility;
    - Limited-access areas and security rooms. Transfers between rooms must be recorded;
    - Areas storing a surveillance system storage device with at least one (1) camera recording the access points to the secured surveillance recording area;
    - All entrances and exists to the building must be recorded from both indoor and outdoor vantage points. The areas of entrance and exit between marihuana facilities at the same location if applicable, including any transfers between marihuana facilities;
    - Point of sale areas where Michigan marihuana products are sold and displayed for sale;
    - State access to view and obtain copies of any surveillance footage through LARA or related investigators, agents, auditors and/or state police. A facility shall also provide copies of recordings to LARA upon request;
    - Logs of the following:
      - The identities of the employee or employees responsible for monitoring the video surveillance system;
      - The identity of the employee who removed the recording from the video surveillance system storage device and the time and date removed;
      - The identity of the employee who destroyed any recording.
- Maintain marihuana storage plan for provisioning centers that includes the following at a minimum:
  - A secured limited access area for inventories of products;
  - Clearly labeled containers (a) marked, labeled or tagged, (b) enclosed on all sides and (c) latched or locked to keep all contents secured within. All such containers must be identified and tracked in accordance with the MTA;
  - A locked area for chemical and solvents separate from products;
  - Separation of marihuana-infused products from toxic or flammable materials;

- A sales or transfer counter or barrier separated from stock rooms to ensure registered qualifying patients or registered primary caregivers do not have direct access to products.

Inspections in Michigan are conducted on a scheduled, annual basis by agents from the Cannabis Regulatory Agency (" **CRA**"), which is bureau within LARA. Agents may also conduct random inspections at any time during the license cycle, including virtual inspections of seed-to-sale data and security footage.

Michigan Storage & Security

All marihuana and marihuana equivalents must be stored securely at all times. All facilities, cultivation, processing and retail are required to have a designated vault area for product storage. Designated vault areas must meet minimum construction requirements in regard to construction integrity and commercial locking mechanisms. Designated vault areas include specific standards around camera coverage to include clear visibility of all areas where product is stored and moved. Medical and adult-use product must be stored separately and clearly labeled as to which inventory it is included in.

Michigan Transportation

Marihuana and marihuana equivalents may only be moved between facilities in vehicles that have been registered with the CRA. Orders are individually packaged and manifested via the state mandated seed-to-sale system prior to leaving any facility. Each order is packaged individually and is coupled with its manifest within the vehicle. The route of transport, and departure and arrival times must be exact and vehicles may not vary from their route.

Florida

Florida Licenses

Holding Entity	Permit/License	City	Expiration Date	Description
3 Boys Farms, LLC	MMTC-2017-0008	Vertically-integrated State License for all activities and locations	06/02/2024	Cultivation, manufacturing and processing and it establishes and allows for dispensary operations

Florida Reporting Requirements

At this time, the Florida Office of Medical Marijuana Use (" **OMMU**") does not require a specific statewide seed-to-sale tracking system. As a result, 3 Boys Farms, LLC currently uses Canix for production operations and Dutchie for its retail operations. Upon the OMMU selecting a statewide system, Canix and Dutchie will implement the necessary connectivity so that the Company may continue to utilize these systems while simultaneously maintaining communications with the OMMU's selected seed-to-sale tracking system.

Florida Inspections, Storage and Security

Cresco's Florida facilities – both grow/processing and dispensaries – are regulated by the OMMU, an office within the Florida Department of Health. OMMU requires a licensee to establish security systems sufficient to ensure the safety of all individuals on site as well as security of all medical marijuana and medical marijuana product.

Each site must maintain a video surveillance system which includes camera coverage of all areas within the licensed site. This includes but is not limited to coverage of all means of ingress and egress, product storage areas, sales areas and the perimeter of the facility. Cameras must be of a resolution and quality to be able to make out each individual,

during day and night hours. Footage must be retained for a pre-determined timeframe, and employees within the facility must have the ability to access the system and generate historical footage, as well as still images.

All facilities must also maintain a physical security system inclusive of locks, access control devices and audible alarms. All areas containing medical marijuana or medical marijuana product must be sufficiently secured from the public with access limited to specific credentialed employees.

Medical marijuana and medical marijuana product must be stored in a vault room whose design is submitted to and approved by OMMU. Vaults must meet specific security requirements to prevent unauthorized access or product theft/diversion. Security systems in vault areas are highly scrutinized so that all activity within the vault can be tracked at all times.

Inspections of all facility types in Florida are conducted by OMMU agents. Regular inspections happen upon the opening of new facilities and at the annual license review of each facility. Outside of those, random inspections can occur at any time, both on-site as well as desk reviews of security footage and seed to sale data.

Florida Transportation

Transportation of product between grow/process sites and dispensaries in Florida must be completed within an OMMU registered vehicle. All vehicles must maintain insurance coverage limits predetermined by OMMU. Product for delivery is segregated by individual delivery, with a prefilled manifest for each delivery accompanying. All manifests must be generated prior to leaving the grow/process facility. During deliveries, two (2) employees of the grow/process facility must stay with the vehicle at all times.

Cresco Compliance Program

Cresco's Code of Conduct is based on the Federal Sentencing Guidelines, subsequent guidance from the Office of Inspector General and applicable federal and state laws and regulations.

The Code of Conduct establishes Cresco Labs' expectations for the conduct of all employees. All employees are expected to read, understand and comply with the Code of Conduct and Company Policies. The Code of Conduct is introduced at onboarding for all new hires and is permanently posted in the Policy Library of the employee intranet. Employees are expected to raise issues, concerns and report any violations in good faith and can do so with full confidence in their actions. If an employee does not wish to be identified, an independent hotline channel is available and is managed by an independent company. Retaliation against a reporting person by anyone may be against the law and is a direct violation of the Code of Conduct. Anti-retaliation policy training is an annual training subject for all people leaders. Employees are also protected from retaliation for any participation in a company led investigation of possible violations. Cresco Labs is committed to prompt and thorough investigation of any matter that violates the Code of Conduct or any other Company Policies. All allegations of wrongdoing reported through the above referenced hotline are appropriately investigated; such investigations are overseen and reviewed by the VP of Ethics and Compliance, in consultation with appropriate parties within Human Resources, Legal, Regulatory, Security and/or Quality Assurance. All reported material incidents and trends are reviewed by the Company's Audit Committee.

Risk & Control Framework

Cresco continues to work closely with internal and external risk area experts to further develop, enhance and improve its compliance and risk management and mitigation processes and procedures in furtherance of continued compliance with the complex federal and state regulatory frameworks under which Cresco Labs operations are subject. The internal compliance program currently in place includes continued monitoring by managers and executives of Cresco and its subsidiaries to ensure that all operations conform to and comply with required laws, regulations and operating procedures. Cresco further requires its operating subsidiaries to report and disclose all instances of non-compliance, regulatory, administrative or legal proceedings that may be initiated against them.

Regulatory Compliance Program

Cresco has developed and continues to refine a robust regulatory compliance program designed to ensure operational requirements continue to be satisfied, and has worked closely with internal and external experts and counsel ("**Regulatory Counsel**") covering every jurisdiction (state and local) in which it operates to assist in the development of Standard Operating Procedures ("**SOPs**") which assist the Company in managing and monitoring its compliance with U.S. state law on an ongoing basis.

The Facility Directors, compliance and adherence team members, Regulatory Counsel, licensing professionals and government affairs representatives for each jurisdiction serve as the liaison to state and local regulators during both regular business hours and after hours. Those individuals and teams are collectively responsible for ensuring operations and employees strictly comply with applicable laws, regulations and licensing conditions and ensure that operations do not endanger the health, safety or welfare of the community. The Facility Directors, compliance and adherence team members, Regulatory Counsel, licensing professionals and government affairs representatives covering each location coordinate with each operational unit within each facility to ensure that the operation and all employees are following and complying with Cresco's security procedures and all regulatory compliance standards.

In conjunction with Cresco's Human Resources and Operations departments, the compliance and adherence teams and Quality departments help oversee and implement mandatory training for employees based on their function and role, including but not limited to the following topics:

- Compliance with state and local laws
- Dispensing procedures
- Security & safety policies and procedures
- Inventory control procedures
- Seed-to-Sale Tracking System
- Cultivation, Manufacturing & Quality Control
- Customer Complaints, Returns & Recalls procedures
- Distribution & Transportation procedures

Cresco's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Only authorized, properly trained employees are allowed to access Cresco's computerized seed-to-sale system.

Cresco's compliance and adherence team members, Regulatory Counsel, licensing professionals and government affairs representatives monitor all compliance notifications from regulators and inspectors in each market to ensure timely resolution of issues identified. Those individuals and teams maintain records of compliance notifications received from the state regulators or inspectors and how and when the issue was resolved. Cresco has a comprehensive set of SOPs that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping, among other subjects. Cresco maintains accurate records of its inventory at all licensed facilities. Adherence to Cresco's SOPs is mandatory and ensures that Cresco's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licensing and other requirements.

In addition to the above disclosure, please see "*Risk Factors*" section below for further risk factors associated with the operations of Cresco.

Seed-to-Sale Tracking Software

The Company utilizes state specified and/or approved third-party seed-to-sale tracking platforms, as required by state regulations, that integrate the inventory management program and facilitates the reporting, review and assurance of continued compliance with state and local requirements. As specified by state requirements and Cresco Labs' SOPs, daily, weekly and monthly inventory counts, as well as random inventory spot checks, are built into routine operations to ensure that physical product inventory reflects the records of the inventory management systems. Product lots are traceable from cultivation through the manufacturing and shipping processes. This traceability is tested and verified at least annually.

Product Quality

Cresco Labs ensures compliance and the integrity of our products through the implementation of an effective quality management system. Operations follow established processes and quality is measured and monitored to ensure issues are identified and addressed in a timely manner.

RISK FACTORS

MARIJUANA IS ILLEGAL UNDER U.S. FEDERAL LAW AND ENFORCEMENT OF RELEVANT LAWS IS A SIGNIFICANT RISK.

READERS ARE STRONGLY ENCOURAGED TO CAREFULLY READ ALL RISK FACTORS CONTAINED IN THIS SECTION.

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company, may also impair the operations of the Company. If any such risks occur, shareholders of the Company could lose all or part of their investment and the business, financial condition, operating results and growth plans of the Company could be materially adversely affected.

The acquisition of any of the securities of the Company is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks for an indefinite period of time and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Company shareholders should carefully evaluate the following risk factors associated with the Company's securities, along with the risk factors described elsewhere in this AIF.

The following table is intended to assist readers in identifying those parts of this AIF that address the disclosure expectations outlined in the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**") for issuers that currently have marijuana-related activities in U.S. states where such activity has been authorized within a state regulatory framework.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	*General Development of the Business* *Description of the Business – State Regulatory Environment*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*Risk Factors*
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities. Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*Risk Factors – U.S. Federal Regulation* *Risk Factors – FDA or Bureau of Alcohol, Tobacco, Firearms and Explosives regulation* *Risk Factors – Variation in State Regulations* *Risk Factors – Anti-money Laundering Laws and Regulations* *Risk Factors – Access to Banks* *Risk Factors – Investments in the United States May be Subject to Heightened Scrutiny* *Risk Factors – Constraints on Marketing Products* *Risk Factors – Intellectual Property* *Risk Factors – Lack of Access to U.S. Bankruptcy Protections* *Risk Factors – Legality of Contracts* *Risk Factors – Risk of Civil Asset Forfeiture*
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	*Risk Factors – Risks of Legal, Regulatory or Political Change* *Risk Factors – Access to Banks* *Risk Factors – Liquidity and Capital Resources*
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	Note: The major operations of the Company are only in the United States.
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Legal advice has been obtained.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*Description of the Business – State Regulatory Environment*
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.	*General Development of the Business – United States Industry Background and Trends* *Description of the Business – State Regulatory Environment* *Risk Factors – U.S. State Regulatory Uncertainty*
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	Not applicable.
	Provide reasonable assurance through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Cresco is not aware of any non-compliance.
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Not applicable.

In accordance with Staff Notice 51-352, Cresco's subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the adult-use and/or medicinal cannabis marketplace in the states of Illinois, Pennsylvania, Ohio, New York, Massachusetts, California, Michigan and Florida. In accordance with Staff Notice 51-352, Cresco will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on any license, business activities or operations will be promptly disclosed by the Company.

RISKS ASSOCIATED WITH THE BUSINESS OF THE COMPANY

U.S. Federal Regulation

MARIJUANA IS ILLEGAL UNDER U.S. FEDERAL LAW AND ENFORCEMENT OF RELEVANT LAWS IS A SIGNIFICANT RISK.

The Company could be found to be violating laws related to cannabis. For an overview of the U.S. cannabis regulatory environment, refer to the "*Federal Regulatory Environment*" section in the MD&A. Below is a summary of the potential risks related to federal and state-level laws related to the operations of the Company.

Risk of U.S. Federal Law Proceedings Against the Company

Potential proceedings under U.S. federal law could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business and operating results, as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Company or the seizure of corporate assets.

The Company continues to look to the guidelines of the DOJ Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the "**Cole Memo**") as an industry best practice and continues to do the following to ensure compliance with the Cole Memo:

- ensuring the operations of its subsidiaries are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough and other political/administrative divisions;
- the activities relating to the cannabis business adhere to the scope of the licensing obtained. Accordingly, in the states where only medical cannabis is permitted, the products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and in the states where cannabis is permitted for adult-use, the products are only sold to individuals who meet the requisite age requirements;
- the Company only works through licensed operators, which must pass a range of requirements, adhere to business practice standards and are subjected to strict regulatory oversight whereby sufficient checks and balances to prevent revenue from being distributed to criminal enterprises, gangs and cartels; and
- the Company conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

On January 4, 2018, then U.S. Attorney General Jeff Sessions formally rescinded the Cole Memo. Despite its rescission, as of December 21, 2021, federal prosecutors appear to continue to use the Cole Memo's priorities as an enforcement guide. Merrick Garland, who became Attorney General on March 10, 2021, has indicated that he would deprioritize enforcement of low-level cannabis crimes such as possession, and during his congressional testimony in February 2021, Garland stated that the Justice Department would not pursue cases against Americans complying with laws of the states that have legalized and are regulating marijuana. President Joseph R. Biden, who assumed office in January 2021, stated a policy goal of federal cannabis decriminalization, but has not publicly supported the legalization of cannabis. As of December 31, 2023, there were more than a dozen proposed congressional bills addressing myriad issues regarding the cannabis industry, from banking and tax reform to full legalization. However, none have passed into law.

The Company maintains a compliance program and standard operating procedures to help ensure compliance with the Cole Memo. However, the Company's operations remain illegal under U.S. federal law and consequently there are significant risks associated with the business of the Company.

FDA or Bureau of Alcohol, Tobacco, Firearms and Explosives ("BATFE") Regulation

Cannabis remains a Schedule I controlled substance under U.S. federal law. If the federal government reclassifies cannabis to a Schedule II or Schedule III controlled substance, it is possible that the FDA would seek to regulate cannabis under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations, including good manufacturing practices, related to the growth, cultivation, harvesting, processing and labeling of medical cannabis. Clinical trials may be needed to verify the efficacy and safety of cannabis. It is also possible that the FDA would require facilities where medical-use cannabis is grown to register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact they would have on the cannabis industry is unknown, including the costs, requirements and possible prohibitions that may be enforced. If the Company is unable to comply with the potential regulations or registration requirements prescribed by the FDA, it may have a material adverse effect on the Company's business, financial condition and operating results.

It is also possible that the federal government could seek to regulate cannabis under the U.S. BATFE. The BATFE may issue rules and regulations related to the use, transporting, sale and advertising of cannabis or cannabis products, including smokeless cannabis products.

Change of Cannabis Laws

It is possible that U.S. federal or state legislation could be enacted in the future that would prohibit the Company from selling cannabis and cannabis products or impose new restrictions on the Company's ability to operate in the U.S., which would materially adversely affect its business, financial condition and operating results.

Risk of Legal, Regulatory or Political Change

Delays in the enactments of new state or U.S. federal regulations could restrict the ability of the Company to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Company is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended or enacted with prolonged phase-in periods, the growth targets of the Company, and thus, the effect on the return of investor capital, could be detrimental. The Company is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

The Company's business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny, or further scrutiny, by the FDA, SEC, the DOJ, the Financial Industry Regulatory Advisory or other U.S. federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, financial condition and operating results would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the marijuana industry. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Company's business, financial condition and operating results.

The commercial medical and adult-use marijuana industry is immature and the Company anticipates that such regulations will be subject to change as the jurisdictions in which the Company does business matures. The Company has in place a detailed compliance program with dedicated staff who oversee, maintain and implement the compliance program and personnel. In addition to the Company's robust legal and compliance departments, the Company also has local regulatory/compliance counsel engaged in every jurisdiction in which it operates. The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Additionally, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for monitoring inventory at all stages of development and distribution. The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program, standard operating procedures and any changes to regulation in the marijuana industry.

Overall, the medical and adult-use marijuana industry is subject to significant regulatory change at both the state and federal level. The inability of the Company to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, financial condition and operating results.

WARNING TO CANADIAN INVESTORS - *Canadian Investors May be Barred from Entering the U.S.*

Todd Owen, former executive assistant commissioner for the Office of Field Operations of the U.S. Customs and Border Protection Agency ("**CBP**") has stated that Canadians who work in the marijuana industry and those who invest in the cannabis sector risk a lifetime ban on travel to the U.S. The CBP will continue to apply long-standing U.S. federal laws and regulations that treat marijuana as a banned substance and participants in the cannabis industry as drug traffickers who are inadmissible into the U.S. Although some U.S. states have eased marijuana laws, the U.S. continues to maintain a federal prohibition that applies at the border. CBP officials are not planning to go out of their way to interrogate every Canadian traveler about marijuana use. However, other factors may cause them to raise the topic. In July 2018, a venture capitalist from Vancouver, British Columbia who had invested more than $100,000 into legal American cannabis companies, was denied entry to the U.S. and barred from future entry as his investments were deemed to be assisting and abetting in the illicit trafficking of drugs.

On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal, or Canada may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States or Canada (such as the Company), who are not United States citizens face the risk of being barred from entry into the United States for life. As described above, on October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible.

Risk of Civil Asset Forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of

the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

U.S. State Regulatory Uncertainty

The rule-making process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. If the Company is unable to maintain a compliance program to manage regulatory risk, its ability to operate its business could be materially adversely affected. Notwithstanding the Company's efforts, regulatory compliance, and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could limit, restrict and ban cannabis businesses like the Company's from operating within their jurisdiction even if such activities are legal at the state level. Land use, zoning, local ordinances and similar laws could be adopted or changed impairing the Company's ability to operate its business and have a material adverse effect on the Company's business.

The Company is aware that some states are considering special taxes or fees on businesses in the cannabis industry. Illinois has, for example, imposed a license transfer surtax. The imposition additional fees and taxation on the cannabis industry by states could have a material adverse effect upon the Company's business and operating results.

The Company is required to obtain or renew government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition and operating results.

The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of funds, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and operating results.

Variation in State Regulations

Variations in state and local regulation, and enforcement in states that have legalized cannabis, may restrict cannabis-related activities, including activities related to state-regulated medical and adult-use cannabis, which may negatively impact the Company's revenues and prospective profits.

The cannabis laws of each state are not necessarily consistent with those of other states. A number of states have decriminalized cannabis to varying degrees, other states have created exemptions specifically for medical cannabis, and several have decriminalization, adult-use and medical cannabis laws. Despite the current state of the federal law and the CSA, the states of Alaska, Arizona, California, Colorado, Connecticut, Delaware, Illinois, Maryland, Massachusetts, Maine, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey, New Mexico, New York, Ohio, Oregon, Rhode Island, Vermont, Virginia, Washington and the District of Columbia, have legalized adult-use of cannabis. Adult-use sales have not yet begun in Minnesota, Ohio, Delaware or Virginia. Additionally, although

the District of Columbia voters passed a ballot initiative in November 2014, no adult-use operations exist yet because of a prohibition on using funds for regulation within a federal appropriations amendment to local District spending powers.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local government authorities will not limit the applicability of state laws within their respective jurisdictions. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by a medical cannabis card holder or that person's caregiver. Active enforcement of state laws that prohibit personal cultivation of cannabis may indirectly and adversely affect the Company's business, financial condition and operating results.

Permits and Authorizations

The Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain or maintain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company's ability to operate its business, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Licenses

The Company's ability to cultivate, store, produce and distribute medical and adult-use marijuana products in Illinois, Pennsylvania, Ohio, California, New York, Massachusetts, Michigan and Florida is dependent on maintaining its licenses in good standing with each applicable State regulator. Failure to comply with the requirements of any of its licenses or any failure to maintain any of the licenses would have a material adverse impact on the business, financial condition and operating results of the Company. The Company's (or its subsidiaries) licenses related to its ability to cultivate, store, produce and distribute medical and adult-use marijuana products (as applicable) in Illinois, Florida, Pennsylvania, Ohio, Massachusetts, Michigan, California and New York are currently in good standing.

Information Technology Systems and Cyber-Attacks

The Company is increasingly dependent on digital technology, including information systems and related infrastructure, to process and record financial and operating data, and communicate with its employees and business partners. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as preemptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Cyber incidents, including deliberate attacks or unintentional events, have increased. A cyberattack could include gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption or result in denial of service on websites. The Company's technologies, systems and networks (and those of Company suppliers) have been the target of cyber-attacks and/or information security incidents that have resulted in the unauthorized release, misuse, loss or destruction of proprietary, personal and other information or other disruption of the Company's business operations. While the Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future as a result of attacks of a similar nature or otherwise. Any such incident could result in widespread negative publicity, damage to the Company's reputation, a loss of patients and customers and disruption of the Company's business and legal

liabilities. In addition, if any of the Company's critical suppliers is the subject of a cyber or ransomware attack, the Company could experience a significant disruption in its supply chain and possibly shortages of key resources. While the Company has a formal Cyber Security Program led by Zach Marburger, Chief Information Officer, the Company's risk and exposure to these matters cannot be fully mitigated. As cyber threats continue to evolve, the Company will need to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Additionally, the Company may store and collect personal information about patients and customers and are responsible for protecting that information from privacy breaches that may occur through procedural or process failure, IT malfunction or deliberate unauthorized intrusions. Any such theft or privacy breach, or one that involved competitively sensitive or other protected information, may have a material adverse effect on the Company's business, financial condition and operating results. The Company is subject to laws, rules and regulations in the United States (such as the California Consumer Privacy Act, which became effective on January 1, 2020) and other jurisdictions relating to the collection, processing, storage, transfer and use of personal data. The Company's ability to execute transactions and to possess and use personal information and data in conducting its business subjects the Company to legislative and regulatory burdens that may require the Company to notify regulators and customers, employees and other individuals of a data security breach. Evolving compliance and operational requirements under the California Consumer Privacy Act and the privacy laws, rules and regulations of other jurisdictions in which the Company operates impose significant costs that are likely to increase over time. In addition, non-compliance could result in proceedings against the Company by governmental entities and/or significant fines, could negatively impact the Company's reputation and may otherwise adversely impact the Company's business, financial condition and operating results.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While equity awards, employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these awards and agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, financial condition and operating results.

Difficulty in Recruiting and Retaining Management and Key Personnel

The Company's future success depends on its key executive officers and its ability to attract, retain and motivate qualified personnel.

Future success largely depends upon the continued services of the Company's executive officers and management team. If one or more of the executive officers are unable or unwilling to continue in their present positions, replacements may not be readily available, if at all. Additionally, the Company may incur additional expenses to recruit and retain new executive officers. If any of the executive officers joins a competitor or forms a competing corporation, the Company's results may decline as a result. Finally, the Company does not maintain "key person" life insurance on any of its executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect the Company's business, financial condition and operating results.

The continuing ability to attract and retain highly qualified personnel is critical to the Company's success because it will need to hire and retain additional personnel as the business grows. There can be no assurance that qualified personnel will be retained or available. Due to the increasing competition for skilled personnel in the U.S. cannabis industry and the U.S. in general, it is difficult and expensive to attract, hire and retain qualified managers and employees. Because of these factors, the Company may not be able to effectively manage or grow its business, which could adversely affect its financial condition and operating results.

Internal Controls

The Company has incurred and will continue to incur expenses and, to a lesser extent, diversion of its management's time in its efforts to implement and maintain internal controls over financial reporting, including compliance with Section 404 of the Sarbanes-Oxley Act. Effective internal controls over financial reporting are necessary for the Company to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause the Company to fail to meet its reporting obligations. Any testing by the Company conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by the Company's independent registered public accounting firm, may reveal deficiencies in its internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retrospective changes to the Company's consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in the Company's reported financial information, which could have a negative effect on the trading price of the SVS.

Material weaknesses related to information technology general controls, information produced by the entity controls and controls over account reconciliation were identified, as existing as of December 31, 2023, and 2022. Remediation efforts have placed, and will continue to place, a significant burden on management and add increased pressure on our financial reporting resources and processes. The accuracy of our financial reporting may in the future be, adversely impacted if we are unable to successfully remediate material weaknesses in a timely manner, or if any additional material weaknesses in our internal control over financial reporting are identified. In addition, if our remedial efforts are insufficient, or if additional material weaknesses or significant deficiencies in our internal control occur in the future, we could be required to restate our financial statements, which could materially and adversely affect our business, results of operations and financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the material weaknesses or deficiencies, subject us to regulatory investigations and penalties, harm our reputation, cause a decline in investor confidence or otherwise cause a decline in our stock price.

The Company does not expect that its internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Industry Immaturity with Limited Comparable, Competitive or Established Industry Best Practices

As a relatively new industry with an unusual regulatory landscape, there are not many established operators in the cannabis industry whose business models we can follow or build upon. Similarly, there is limited information about comparable companies available to industry participants and potential investors to review in making business and investment decisions. Shareholders and investors should consider, among other factors, our prospects for success considering the risks and uncertainties encountered by companies, like us, that are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, which may result in material delays in the expansion or operation of our business. We may fail to successfully address these risks and uncertainties or successfully implement our operating strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could impair the value of the Subordinate Voting Shares to the extent that investors may lose their entire investment.

Limited Operating History

With its high-growth strategy, Cresco does not have a history of profitability. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with

respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Unreliability of Forecasts

Any forecasts made by the Company about its operations and the cannabis industry in general may prove to be inaccurate. Due to ongoing regulatory and policy changes in the medical and adult-use cannabis industries and unreliable levels of market supply, the market data available is limited and unreliable. The Company must rely largely on its own market research to forecast sales, as detailed forecasts are not generally obtainable from other sources in the states in which its business operates. Additionally, any market research and Company projections of estimated total retail sales, demographics, demand and similar consumer research, are based on assumptions from limited and unreliable market data. The Company's failure to achieve its projections could materially adversely affect the price of the SVS.

Goodwill and Intangible Valuation

We test goodwill for impairment at least annually. We review our goodwill and intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, including declines in stock price, market capitalization or reduced future cash flow estimates and slower growth rates in our industry. Depending on the results of our review, we may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets was determined, negatively impacting our results of operations.

During the year ended December 31, 2023, the Company determined it is more likely than not that the carrying value of the intangible assets and goodwill in Florida, New York, Massachusetts, California and Arizona were exceeded their fair value due to updated forecasts and projections, resulting in impairment charges of $151.0 million. During the year ended December 31, 2022, the Company recognized impairment charges of $140.7 million, primarily due to goodwill impairment of $89.5 million attributed to management's plan to restructure certain operations and activities within California and additional goodwill and intangible impairment charges in Massachusetts, Arizona and Maryland, as the Company determined it was more likely than not the carrying value of the intangible assets exceeded the fair values for these states. For further discussion on impairment, refer to the "*Selected Financial Information*" section in the MD&A.

Access to Banks

The Company has had, and in the future expects to continue to have, difficulty accessing the service of banks, which may make it difficult for it to operate.

Since the use of marijuana is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, U.S. banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Likewise, marijuana businesses have limited, if any, access to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues. The inability to open or maintain bank accounts or take credit cards may make it difficult for the Company to operate its businesses.

Liquidity and Capital Resources

The Company may have liquidity and access to capital risks due to its limited access to banking institutions (See " *Risk Factors – Access to Banks*") and the economic state of the cannabis industry. The lack of access to banks impairs its ability to deal with larger banks who may have easier access to more affordable capital and who have the

ability to provide same day revolver accounts. This higher cost of capital and lack of flexibility negatively impacts the Company's liquidity, especially due to its cash retention requirements associated with its senior debt facility.

Additionally, with the lack of federal changes in legislation, markets are wary of the future outlook and growth of the Company. This reduces the number of investors willing to invest in the Company as they may not want to take on the risks related to a company that transacts in a federally illegal substance and other investors willing to take the risk may not have the amount of capital needed by the Company.

Legality of Contracts

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers

Most of the directors and officers of the Company reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Company shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Company shareholders to effect service of process within Canada upon such persons.

Intellectual Property

If the Company fails to protect its intellectual property, its business could be adversely affected. Viability will depend, in part, on the Company's ability to develop and maintain the proprietary aspects of its technology to distinguish its products from its competitors' products. The Company relies on copyrights, trademarks, trade secrets and confidentiality provisions to establish and protect its intellectual property.

The Company will not be able to register any United States federal trademarks for its cannabis products due to producing, manufacturing, processing, possessing, distributing, selling and using cannabis being a crime under the CSA. The USPTO will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the common law and geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.

The Company may face future challenges and risks in registering patents, although the risk level is unclear due to the USPTO's acceptance of patents with cannabis oil and cannabinoids within the underlying processes or novel art. If the Company's patents expire, are invalidated or found to be unenforceable, or if its patent applications cannot be prosecuted fully, the Company may be subject to competition from third parties with products in the same class as its own products or devices. Further, patent protection is unavailable at the state level.

Any infringement or misappropriation of the Company's intellectual property could damage its value and limit its ability to compete. The Company may have to engage in litigation to protect the rights to its intellectual property, which could result in significant litigation costs and require a significant amount of its time. In addition, the Company's ability to enforce and protect its intellectual property rights may be limited in certain countries outside the U.S., which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by the Company.

Competitors may also harm the Company's sales by designing products that mirror the capabilities of its products or technology without infringing on its intellectual property rights. If the Company does not obtain sufficient protection for its intellectual property, or if it is unable to effectively enforce its intellectual property rights, its competitiveness could be impaired, which would limit its growth and future revenue.

The Company may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time-consuming to prosecute and there can be no assurance that the Company will have the financial or other resources to enforce its rights or be able to enforce its rights or prevent other parties from developing similar technology or designing around its intellectual property.

Although the Company believes that its technology does not and will not infringe upon the patents or violate the proprietary rights of others, it is possible such infringement or violation has occurred, or may occur, which could have a material adverse effect on the business. Because of laws disfavoring the patenting and publication of cannabis-related technologies, prior art relevant to the Company's or its competitors' patents and patent applications may not be readily identified during normal patent examination processes, resulting in the issuance of claims that might not have otherwise issues in a field with more known prior art. In addition, because patent applications take months to publish and patent applications can take years to issue, there may be currently pending applications, unknown to the Company, which may later result in issued patents that cover the Company's invention.

The Company is not aware of any infringement by it of any person's or entity's intellectual property rights. In the event that products sold by the Company are deemed to infringe upon the patents or proprietary rights of others, the Company could be required to modify its products or obtain a license for the manufacture and/or sale of such products and pay royalties or cease selling such products. In such event, there can be no assurance that the Company would be able to do so in a timely manner, upon acceptable terms and conditions, or at all and the failure to do any of the foregoing could have a material adverse effect upon the Company's business.

There can be no assurance that the Company will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. If the Company's products or proposed products are deemed to infringe or likely to infringe upon the patents or proprietary rights of others, the Company could be subject to injunctive relief and, under certain circumstances, become liable for damages, which could also have a material adverse effect on the Company's business and its operating results.

Trade Secrets

The Company's trade secrets may be difficult to protect as it depends upon the skills, knowledge and experience of its scientific and technical personnel, consultants and advisors, as well as licensors and contractors. Because of the highly competitive nature of the U.S. cannabis industry, the Company relies in part on trade secrets to protect its proprietary technology and processes. However, trade secrets are difficult to protect. The Company enters into confidentiality or non-disclosure agreements with its corporate partners, employees, consultants, outside scientific collaborators, developers and other advisors. These agreements generally require that the receiving party keep confidential and not disclose to third parties' confidential information developed by the receiving party or made known to the receiving party by the Company during the course of the receiving party's relationship with the Company. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to the Company will be the Company's exclusive property and the Company enters into assignment agreements to perfect its rights.

These confidentiality, inventions and assignment agreements may be breached and may not effectively assign intellectual property rights to the Company. Trade secrets also could be independently discovered by competitors, in which case the Company would not be able to prevent the use of such trade secrets by competitors. The enforcement of a claim alleging that a party illegally obtained and was using the Company's trade secrets could be difficult, expensive and time-consuming and the outcome would be unpredictable. In addition, courts outside the U.S. may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect the Company's competitive position.

Website

Prospective customers may be deterred from doing business with the Company with a significant nationwide online presence because of fears of U.S. federal or state enforcement of laws prohibiting possession and sale of medical or commercial use cannabis.

The Company's website is visible in jurisdictions where medicinal and/or adult-use of cannabis is not permitted and, as a result, the Company may be found to be violating the laws of those jurisdictions. The Company could lose potential customers as they could fear federal prosecution for buying its marijuana, reducing its revenue.

Competition

The Company faces intense competition from other companies, some of which have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and operating results.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of consumers of cannabis in the states in which the Company operates its business increases, the demand for products and qualified talent will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect its business, financial condition and operating results.

Managing Growth

The Company may not be able to effectively manage its growth or improve its operational, financial and management information systems, which would impair its business and operating results.

In addition, the Company intends to expand the scope of its operations and activities. If it is successful in executing its business plan, it will experience growth that could place a significant strain on its business operations, finances, management and other resources.

Factors that may place strain on the Company's resources include, but are not limited to, the following:

- the need for continued development of financial and information management systems;
- the need to manage strategic relationships and agreements with manufacturers, customers and partners; and
- difficulties in hiring and retaining skilled management, technical and other personnel necessary to support and manage the business.

Additionally, any growth may impose a significant burden on its administrative and operational resources. The need to effectively manage growth will require the Company to expand the capabilities of its administrative and operational resources and to attract, train, manage and retain qualified management and other personnel. There can be no assurance that the Company will be successful in recruiting and retaining new employees or retaining existing employees.

The Company cannot provide assurances that its management will be able to manage this growth effectively and the failure to successfully manage growth could materially adversely affecting the business, financial condition and operating results.

Inability to Innovate

If the Company is unable to continually innovate, the Company's ability to maintain its existing customers and attract new customers may be adversely affected. In the area of innovation, the Company must be able to develop new products that appeal to its customers. This depends, in part, on the technological and creative skills of the Company's personnel and on its ability to protect its intellectual property rights. The Company may not be successful in the development, introduction, marketing and sourcing of new products or innovations, that satisfy customer needs, achieve market acceptance or generate satisfactory financial returns.

The Inability to Integrate Acquisitions

Material acquisitions, dispositions and other strategic transactions involve a number of risks for the Company, including: (i) potential disruption of the Company's business; (ii) distraction of management; (iii) increased financial leverage; (iv) the anticipated benefits and cost savings of those transactions may not be realized or may take longer to realize than anticipated; (v) increased scope and complexity of our operations; and (vi) loss or reduction of control over certain assets. Multiple non-material acquisitions, dispositions or strategic transactions that occur on or about the same time, even though not individually material, may present similar risks to the Company.

Additionally, the Company has in the past and may issue in the future SVS in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are known, but believed to be immaterial, or unknown to the Company at the time of acquisition could have a material adverse effect on the Company's business, financial condition and operating results. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Failure to Complete Acquisitions or Realize Benefits Therefrom

The Company expects to complete acquisitions in the future. These acquisitions are subject to a number of customary closing conditions including in certain instances, regulatory approval and may not close for a variety of reasons including if the closing conditions are not satisfied or waived, some of which may not be within the control of the Company. In addition, even if these transactions were to be completed, they may not close on terms or within the timing currently expected and there can be no assurance that the Company's business will ultimately benefit from these transactions. The Company's acquisition strategy may result in the Company failing to realize the growth opportunities and synergies currently anticipated due to, among other things, challenges associated with integration of the operations and personnel of the Company with potential acquisition targets and the ability of the combined company to attract capital.

If one or more of these transactions do not close or are completed pursuant to terms or timelines different than expected, it could have an adverse effect on the Company's future capital plans and require the Company to reallocate funds. Failure to complete the Company's proposed or contemplated acquisitions could have a material adverse effect on the Company's business, financial condition and operating results.

Acquisition of Companies That May Not Meet Anticipated Development Targets or be Successful in the Future

The Company may acquire companies with no significant sources of operating cash flow and no revenue from operations, that are in early stages of development or that have high-risk profiles. These acquisitions will be subject to risks and uncertainties that new companies with no or limited operating history may face. In particular, there is a risk that these acquisitions will not be able to meet anticipated development targets or will not generate revenue at all. If these companies underperform or fail to continue to develop, their businesses may fail, which could have a material adverse effect on our business, financial condition and operating results.

Reliance on Third-Party Suppliers, Manufacturers and Contractors; Reliance on Key Inputs

The Company's business is dependent on a number of key inputs from third parties including raw materials and supplies related to its cultivation and production operations, as well as electricity, water and other local utilities. Due to the uncertain regulatory landscape for regulating cannabis in the U.S., the Company's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs from third parties could materially impact the business and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers in the future. If the Company becomes reliant upon a sole source supplier and it was to go out of business or suspend services, the Company might be unable to find a replacement for such source in a timely manner, on terms acceptable to the Company or at all. Similarly, if any future sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services on appropriate terms and on a timely basis could have a materially adverse impact on the Company's business, financial condition and operating results.

Lack of Access to U.S. Bankruptcy Protections

Because the use of cannabis is illegal under U.S. federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company, which would have a material adverse effect on the Company.

Operational Risk

The Company will be affected by a number of operational risks, and it may not be adequately insured for certain risks, including labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's business, financial condition and operating results. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. Moreover, while the Company has obtained insurance coverage to cover certain aspects of its business operations, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with its insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations and profitability. There is no assurance that the Company will be able to obtain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary. This lack of insurance coverage could have an adverse impact on the Company's business, financial condition and operating results.

Insurance Coverage

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

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labor disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

The Company's insurance coverage may be inadequate to cover all significant risk exposures as it will be exposed to liabilities that are unique to the products the Company offers. While the Company intends to maintain insurance for certain risks, the amount of its insurance coverage may not be adequate to cover all claims or liabilities, and it may be forced to bear substantial costs resulting from risks and uncertainties of its business. It is also not possible to obtain insurance to protect against all operational risks and liabilities. The failure to obtain adequate insurance coverage on terms favorable to the Company, or at all, could have a material adverse effect on its business, financial condition and operating results. The Company has business interruption insurance. However, a significant business disruption or natural disaster could result in substantial costs and diversion of resources.

Investments in the United States May be Subject to Heightened Scrutiny in Canada

For the reasons set forth above, the Company's existing operations in the U.S., and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not, in turn, lead to the imposition of certain restrictions on the Company's ability to operate or invest in the U.S. or any other jurisdiction, in addition to those described herein.

Government policy changes or public opinion may also result in a significant influence over the regulation of the marijuana industry in Canada, the U.S. or elsewhere. A negative shift in the public's perception of medical and adult-use marijuana in the U.S., or any other applicable jurisdiction, could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult-use marijuana, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business and operating results.

Settlements of Trades

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures and regulatory oversight of the exchanges and CDS Clearing and Depository Services Inc. ("**CDS**") as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the SVS is listed on a stock exchange, it would have a material adverse effect on the ability of holders of common shares to make and settle trades. In particular, the SVS would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the common shares through the facilities of the applicable stock exchange.

Constraints on Marketing Products

The development of the Company's business, financial condition and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the

costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Environmental Risk and Regulation

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its current or proposed production, manufacturing or sale of marijuana or marijuana products or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production, manufacturing or sale of marijuana or marijuana products, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production or manufacturing costs or reduction in levels of production, manufacturing or sale or require abandonment or delays in development.

Holding Company

The Company is a holding company and essentially all of its assets are the capital stock of its material subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. Consequently, the Company's cash flows and ability to complete current or desirable future opportunities are dependent on the earnings of its subsidiaries. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such entities and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

Anti-money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the *Bank Secrecy Act*), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* of 2001 (*USA PATRIOT Act*), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended and the rules and regulations thereunder, the *Criminal Code (Canada)* and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada.

In February 2014, the Department of the Treasury Financial Crimes Enforcement Network issued a memorandum (the " **FinCEN Memo**") providing instructions to banks seeking to provide services to marijuana-related businesses.

The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to marijuana-related businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to supplementary guidance that then Deputy Attorney General Cole issued to U.S. federal prosecutors relating to the prosecution of money laundering offenses predicated on marijuana-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo. In addition, the House of Representatives has passed the *Secure and Fair Enforcement Banking Act of 2019* (the "**SAFE Banking Act**"), which would protect banks and their employees from punishment for providing services to cannabis businesses that are legal on a state level. Despite approval by the House of Representatives in the past, it is unclear if the SAFE Banking Act will continue to be approved by the House after the change in control of the House, or be passed by the Senate and signed into law.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, affect other distributions or subsequently repatriate such funds back to Canada.

Challenging Global Economic Conditions

The Company's business, financial condition and operating results may be negatively impacted by challenging global economic conditions. A global economic slowdown would cause disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy and declining consumer and business confidence, which can lead to decreased levels of consumer spending. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or the Company may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration or severity of such disruptions in the credit and financial markets or adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on our business, financial condition and operating results.

Additionally, the U.S. has imposed and may impose additional quotas, duties, tariffs, retaliatory or trade protection measures or other restrictions or regulations and may adversely adjust prevailing quota, duty or tariff levels, which can affect both the materials that the Company uses to package its products and the sale of finished products. For example, the tariffs imposed by the U.S. on materials from China are impacting materials that the Company imports for use in packaging in the U.S. Measures to reduce the impact of tariff increases or trade restrictions, including geographical diversification of the Company's sources of supply, adjustments in packaging design and fabrication or increased prices, could increase its costs, delay its time to market and/or decrease sales. Other governmental action related to tariffs or international trade agreements has the potential to adversely impact demand for the Company's products and its costs, customers, suppliers and global economic conditions and cause higher volatility in financial markets. While the Company actively reviews existing and proposed measures to seek to assess the impact of them on the Company's business, changes in tariff rates, import duties and other new or augmented trade restrictions could have a number of negative impacts on the Company's business, including higher consumer prices and reduced demand for the Company's products and higher input costs.

Impact of Inflation

The U.S. economy is experiencing a period of high rates of inflation. The Company's ability to raise its selling prices depends on market conditions and there may be periods during which the Company may be unable to fully recover increases in its costs, which could have a material adverse effect on the Company's business, financial condition and operating results.

Health Epidemics and Diseases, such as COVID-19

A local, regional, national or international outbreak of a contagious disease, such as COVID-19, or the fear of a potential outbreak, could decrease the willingness of the general population to travel, cause staff shortages, reduced customer traffic, supply shortages and increased government regulation all of which may negatively impact the business, financial condition and results of operations of the Company. The risk of a pandemic, or public perception of the risk, could cause customers to avoid public places, including retail properties, and could cause temporary or long-term disruptions in our supply chains and/or delays in the delivery of our inventory. Further, such risks could also adversely affect the financial condition of the Company's customers, resulting in reduced spending for the products we sell. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID-19, could cause employees to avoid Company properties, which could adversely affect the Company's ability to adequately staff and manage its businesses. "Shelter-in-place" or other such orders by governmental entities could also disrupt our operations, if employees who cannot perform their responsibilities from home, are not able to report to work. Risks related to an epidemic, pandemic or other health crisis could also lead to the complete or partial closure of one or more of our stores, facilities or operations of the Company's sourcing partners. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely Cresco's business, financial condition and results of operations.

Unfavorable Tax Treatment of Cannabis Businesses

Under Section 280E, *"no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted."* This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E, therefore, has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. It results in permanent differences between ordinary and necessary business expenses deemed non-allowable under Section 280E and a higher effective tax rate than most industries and that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses. Therefore, the effective tax rate can be highly variable and may not necessarily correlate to pre-tax income or loss. Based on recently settled and open court cases before various administrative and federal courts challenging these restrictions, it does not seem likely that there will be a favorable interpretation of Section 280E for cannabis businesses.

United States Tax Classification of the Company

The Company is a Canadian corporation but is classified for U.S. federal income tax purposes as a United States corporation under Section 7874 of the U.S. Tax Code. Section 7874 of the U.S. Tax Code contains rules that can cause a non-United States corporation to be taxed as a United States corporation for U.S. federal income tax purposes. Under Section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States. (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for U.S. federal income tax purposes (such treatment is referred to as an inversion) if each of the following three (3) conditions are met: (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable U.S. Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation or United States trade or business, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, trade or business, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities.

The Company intends to be treated as a United States corporation for U.S. federal income tax purposes under Section 7874 of the U.S. Tax Code and is expected to be subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of Section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the ITA) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the United States which could have a material adverse effect on its business, financial condition and operating results. The Company may not qualify for certain U.S.-Canada income tax treaty benefits, which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Company will pay any dividends on the SVS in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the ITA will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the U.S.-Canada tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty.

Because the SVS will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a non-U.S. shareholder of common shares.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Fluctuations in Currency Exchange Rates

Fluctuations in currency rates may significantly and adversely impact the Company's financial position and operating results. The Company does not have in place a policy for managing or controlling foreign currency risks since, to date, its primary activities have not resulted in material exposure to foreign currency risk.

Consumer Acceptance of Marijuana

The Company's ability to generate revenue and be successful in the implementation of the Company's business plan is dependent on consumer acceptance and demand of Cresco products. Acceptance of Cresco products will depend on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety and reliability. If these customers do not accept Cresco products, or if such products fail to meet customers' needs and expectations adequately, the Company's ability to continue generating revenues could be reduced. A drop in the retail price of medical marijuana products may negatively impact the Company's business, financial condition and operating results.

The demand for Cresco products depends in part on the price of commercially-grown marijuana. Fluctuations in economic and market conditions that impact the prices of commercially-grown marijuana, such as increases in the supply of such marijuana and the decrease in the price of products using commercially-grown marijuana, could cause the demand for marijuana products to decline, which would have a negative impact on the Company's business, financial condition and operating results.

Unfavorable publicity or consumer perception

Management believes the medical and adult-use cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that is perceived as less favorable than, or questions earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products. The Company's dependence upon consumer perceptions means that such adverse reports, whether or not accurate or with merit, could ultimately have a material adverse effect on the Company's business, financial condition and results of operation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could also have such a material adverse effect. Although the Company uses quality control processes and procedures to ensure its consumer-packaged goods meet its standards, a failure or alleged failure of such processes and procedures could result in negative consumer perception of the Company's products or legal claims against the Company. Adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Certain of the Company's products are e-vapor or "vape" products. The use of vape products and vaping may pose health risks. According to the Centers for Disease Control, vape products may contain ingredients that are known to be toxic to humans and may contain other ingredients that may not be safe. Because clinical studies about the safety and efficacy of vape products have not been submitted to the Food and Drug Administration, consumers currently have no way of knowing whether they are safe for their intended use or what types or concentrations of potentially harmful chemicals or by-products are found in these products. It is also uncertain what implications the use of vape or other inhaled products, such as flower that is smoked, may have on respiratory illnesses such as that caused by the COVID-19 pandemic. Adverse findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of vape or other inhaled products, including adverse publicity regarding underage use of vape or other inhaled products, may adversely affect the Company.

Security Risks

As cash businesses, the premises of the cannabis dispensaries are a target for theft. While the Company has implemented security measures and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. In the event of robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Company.

As the Company's business involves the movement and transfer of cash which is collected from dispensaries and used to purchase trim, accessories, etc. or deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Company has engaged security firms to provide armed guards and security in the transport and movement of large amounts of cash. While the Company has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Risk of Litigation

From time to time in the normal course of business operations, the Company may become subject to litigation that may result in liability material to its financial statements as a whole or may negatively affect its operating results if changes to its business operations are required. The cost to defend such litigation may be significant and may require a diversion of resources. There also may be adverse publicity associated with litigation that could negatively affect

customer perception of the business, regardless of whether the allegations are valid or whether the Company is ultimately found liable. Insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of the Company's insurance coverage for any claims could adversely affect its business and the results of operations.

The Company's participation in the medical and adult-use marijuana industry may lead to litigation, formal or informal complaints, enforcement actions and inquiries by various U.S. federal, state or local governmental authorities against the Company or its subsidiaries. Litigation, complaints and enforcement actions involving the Company, or its subsidiaries could consume considerable amounts of financial and other corporate resources, which could have a negative impact on the Company's business, financial condition and operating results.

Risks Inherent in an Agricultural Business

The Company's business involves the growing of medical and adult-use marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that cannabis cultivation will be completed indoors under climate- controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Vulnerability to Rising Energy Costs

Adult-use and medical marijuana growing operations consume considerable energy, making the Company potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business, financial condition and operating results of the Company.

Product Liability

As a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that Cresco's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's business, results of operations and financial condition. A product liability claim or regulatory action against the Company could prevent or inhibit the commercialization of the Company's potential products, result in materially increased costs, adversely affect the Company's reputation with its clients and consumers generally, and have a material adverse effect on its results of operations and financial condition. Although the Company has secured product liability insurance, there can be no assurances that the Company will be able to maintain its product liability insurance on acceptable terms or with adequate coverage against potential liabilities.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company

has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company as its owner could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the FDA or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Increased costs due to being a listed public company in Canada and registered with the U.S. Securities and Exchange Commission

As a listed public company in Canada and a company registered with the U.S. SEC, the Company is subject to the reporting requirements, rules and regulations under the applicable Canadian and U.S. securities laws and the CSE. The requirements of existing and potential future rules and regulations will increase the Company's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may place undue strain on the Company's personnel, systems and resources, which could adversely affect the Company's business, financial condition and results of operations.

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Newly Established Legal Regime

The Company's business activities rely and will continue to rely on newly established and developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, the SEC, the DOJ, the Financial Industry Regulatory Advisory or other U.S. federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

RISKS ASSOCIATED WITH THE COMPANY'S INDEBTEDNESS

Substantial Indebtedness

As of December 31, 2023, the Company had $385.9 million outstanding on its Senior Loan, net of unamortized debt issuance costs, which matures on or prior to August 12, 2026, and $18.2 million outstanding on its Mortgage Loans, net of debt issuance costs, which converts to a term loan on November 1, 2028.

The Company's substantial indebtedness could have important consequences. For example, it could, among other things:

- require the Company to dedicate a substantial portion of available cash flow to pay interest on its outstanding debt, which will reduce the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;

- limit flexibility in planning for and reacting to changes in the Company's business and in the industry in which it operates;
- increase the Company's vulnerability to general adverse economic and industry conditions and to deterioration in operating results;
- limit the Company's ability to engage in strategic transactions or implement its business strategies;
- limit the Company's ability to borrow additional funds, or to refinance, repay or restructure its indebtedness on terms favorable to the Company, or at all; and
- place the Company at a disadvantage compared to any competitors that have less debt.

Any of the factors listed above could materially and adversely affect the Company's business and results of operations.

If the Company does not have sufficient cash flow to service its debt, the Company may be required to refinance all or part of its existing debt, sell assets, borrow more money or sell securities, none of which the Company can guarantee it will be able to do.

The Company expects to require substantial additional capital in the future, which may be in the form of debt. The Senior Loan contains restrictions on the ability to incur additional indebtedness. The Company's inability to generate sufficient cash flow to satisfy its debt obligations, incur additional indebtedness or to refinance its existing indebtedness on commercially reasonable terms, or at all, may materially and adversely affect its business, financial condition and operating results.

The Company's Ability to Service its Indebtedness Depends in Part on Factors Beyond its Control

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. As a result, prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond the Company's control, will affect its ability to make payments on its indebtedness.

The required repayment of the Senior Loan may be accelerated if, among other things, any governmental authority enforces a prohibition or ban on the Company's business or if certain cannabis-related licenses are revoked, suspended or canceled without replacement.

If the Company does not generate sufficient cash flow from operations to satisfy its debt service obligations, it may have to pursue alternative financing plans, such as refinancing or restructuring its indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company's ability to refinance or restructure its debt will depend on the capital markets, the prevailing regulatory environment and the Company's financial condition at such time. In addition, the terms of the Senior Loan may restrict the Company from adopting some of these alternatives. The Company's inability to generate sufficient cash flow to satisfy its debt service obligations, or to refinance its obligations on commercially reasonable terms, would have an adverse effect, which could be material, on the Company's business, financial position, results of operations and cash flows.

Restrictive Covenants

The Senior Loan contains a number of restrictive covenants imposing significant operating and financial restrictions on the Company and some or all of its subsidiaries, including restrictions that may limit the Company's ability to engage in acts that may be in its long-term best interests.

The Senior Loan includes covenants restricting, among other things, the ability of the Company and its subsidiaries to:

- incur or guarantee additional debt;
- pay dividends or make redemptions, repurchases or distributions, with respect to equity interests;

- create or incur liens;
- make loans or investments;
- engage in mergers, acquisitions, amalgamations, asset sales and sale and leaseback transactions; and
- engage in transactions with affiliates.

The Mortgage Loans include covenants restricting, among other things, the ability of the Company and its subsidiaries to:

- make investments;
- dispose of assets; and
- incur additional debt.

In addition, the Company must maintain cash and cash equivalents held on a consolidated basis by the obligors under the Senior Loan of at least $50 million.

The operating and financial restrictions and covenants in the Senior Loan, Mortgage Loans and any future financing agreements may adversely affect the Company's ability to finance future operations or capital needs or to engage in other business activities. If a default occurs under the Senior Loan or the Mortgage Loans, the lenders may, subject to certain cure periods, elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable and enforce their security interest over certain of the Company's assets. If the Company was unable to repay outstanding borrowings when due, the lenders would have the right to proceed against the collateral granted to them to secure the loans.

RISKS ASSOCIATED WITH THE SECURITIES OF THE COMPANY

MVS Voting Control

The Company's SVS are entitled to one vote per share, the PVS are entitled to 200 votes per share (subject to adjustment in accordance with the terms thereof) and the MVS are entitled to 2,000 votes per share. Due to their ownership of the MVS, along with their PVS and SVS holdings, Charles Bachtell, Robert Sampson, Thomas Manning and Brian McCormack (the "**MVS Holders**") exercise approximately 75% of the voting power in respect of the Company's outstanding shares as of March 15, 2024. Each MVS may be transferred by a MVS Holder only to the MVS Holder's immediate family members and certain related entities of the MVS Holder or, with the prior written consent of the Company, to a current member of the Company's board of directors.

Accordingly, the MVS Holders (or their permitted transferees) potentially have the ability to control the outcome of matters submitted to the Company's shareholders for approval, including the election and removal of directors and any arrangement or sale of all, or substantially all, of the assets of the Company.

This concentrated control of the Company could delay, defer, or prevent a change of control of the Company, an arrangement involving the Company, or a sale of all, or substantially all, of the assets of the Company. Conversely, this concentrated control could allow the MVS Holders to consummate a transaction that the Company's other shareholders do not support. In addition, the MVS Holders may make long-term strategic investment decisions and take risks that may not be successful and may seriously harm the Company's business, financial condition and operating results.

Charles Bachtell, Robert Sampson and Thomas Manning each owe a fiduciary duty to the Company's shareholders, due to their positions as directors, and in the case of Charles Bachtell as Chief Executive Officer of the Company, and are obligated to act honestly and in good faith with a view to the best interests of the Company, when serving in such positions. However, as shareholders, Charles Bachtell, Robert Sampson and Thomas Manning are entitled to vote the shares over which they have voting control, in their own interests, which may not always be in the interests of the other shareholders of the Company.

Potential for Conflict of Interest

All decisions to be made by such directors and officers involving the Company are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Company. In addition, such directors and officers are required to declare their interests in, and such directors are required to refrain from voting on any matter in which they may have a material conflict of interest. For a description of certain risks associated with the Company's multi-voting share class structure, see *"MVS Voting Control."*

Certain of the Company's directors and officers are, and may continue to be, or may become, involved in other business ventures through their direct and indirect participation in, among other things, corporations, partnerships and joint ventures, that are or may become competitors of the products and services the Company provides or intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors' and officers' conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in a contract or transaction or a proposed contract or transaction with the Company that is material to the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the transaction. This does not impact the directors' and officers' obligation to act honestly and in good faith with a view to the Company's best interests. However, in conflict-of-interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Unpredictability Caused by the Capital Structure and MVS Voting Control

Although other Canadian-based companies have multi-class or multiple voting share structures, the MVS Holders' voting control over the Company and the Company's capital structure, including its "**Up-C**" structure and the significant amount of outstanding equity securities of Cresco LLC, which are redeemable from time to time for PVS, could result in a lower trading price for, or greater fluctuations in, the trading price of the SVS or result in adverse publicity to the Company or other adverse consequences.

In addition, in connection with the Business Combination, the Company's subsidiary, Cresco U.S. Corp (" **Cresco Corp**"), entered into a tax receivable agreement (the "**Tax Receivable Agreement**") with Cresco LLC and certain other holders of Cresco LLC Common Units (the "**TRA Parties**"), which confers certain benefits to the TRA Parties that will not be received by the holders of SVS. Under the Tax Receivable Agreement, the TRA Parties will receive a payment from Cresco Corp that reflects a portion of the tax benefit that Cresco Corp realizes as a result of its increased share of the tax basis of the assets of Cresco LLC when a TRA Party redeems or exchanges its Cresco LLC Common Units for SVS or cash (such basis increase is referred to as the "**Basis Adjustments**"). The Tax Receivable Agreement generally requires Cresco Corp to pay 85% of the tax benefits to a TRA Party when those benefits are treated as realized under the terms of the Tax Receivable Agreement.

The payment obligations of Cresco Corp under the Tax Receivable Agreement are expected to be significant. The amount of existing tax basis and anticipated tax basis adjustments and utilization of tax attributes, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of redemptions or exchanges by the TRA Parties, the price of the SVS at the time of the redemptions or exchanges, the extent to which such redemptions or exchanges are taxable, the amount of deductions able to be realized by Cresco Corp especially due to the application of Section 280E ("**Section 280E**") of the Internal Revenue Code of 1986 as amended (the "**U.S. Tax Code**"), the amount and timing of the taxable income allocated to Cresco Corp or otherwise generated by Cresco Corp in the future, the portion of the payments under the Tax Receivable Agreement constituting imputed interest and the federal and state tax rates then applicable. While the payments under the Tax Receivable Agreement are meant to be 85% of the tax benefits received by Cresco Corp, there can be no assurance that Cresco Corp will be able to finance its obligations under the Tax Receivable Agreement when they become due. Any payments made to TRA Parties under the Tax Receivable Agreement will

generally reduce the amount of overall cash flow that might have otherwise been available to Cresco Corp (or to the Company or Cresco LLC) and, to the extent that Cresco Corp is unable to make payments under the Tax Receivable Agreement for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by Cresco Corp. There can be no assurance that Cresco Corp will be able to fund or finance its obligations under the Tax Receivable Agreement and the failure to do could have a material adverse effect on the Company's business, financial condition and operating results. In addition, the Company will not be reimbursed for any payments made to the TRA Parties under the Tax Receivable Agreement in the event that any tax benefits to the Company are subsequently disallowed by tax authorities. As a result, it is possible that Cresco Corp could make cash payments under the Tax Receivable Agreement that are substantially greater than its actual cash tax savings.

In addition, Cresco Corp's future obligations to make payments under the Tax Receivable Agreement could make the Company a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that are the subject of the Tax Receivable Agreement. Although the Company will retain 15% of the amount of the tax benefits, this and other aspects of the Company's organizational structure may adversely impact the future trading market for the SVS. In certain cases, including upon a change of control of the Company, payments under the Tax Receivable Agreement may be accelerated or significantly exceed any actual benefits that the Company realizes in respect of the tax attributes subject to the Tax Receivable Agreement, which could have a substantial negative impact on the Company's liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control.

Additional Issuance of Subordinate Voting Shares and Subsidiary Securities May Result in Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of SVS and existing shareholders will have no preemptive rights in connection with such further issuance. The Company's Board has discretion to determine the price and the terms of further issuances. Moreover, additional SVS will be issued by the Company on the conversion of the PVS in accordance with their terms. The Company may also issue SVS to finance future acquisitions. The Company cannot predict the size of future issuances of SVS or the effect that future issuances and sales of SVS will have on the market price of the SVS. Issuances of a substantial number of additional SVS, or the perception that such issuances could occur, may adversely affect prevailing market prices for the SVS. With any additional issuance of SVS, investors will suffer dilution to their voting power and the Company may experience dilution in its revenue per share.

Additionally, the subsidiaries of the Company, such as Cresco Corp and Cresco LLC, may issue additional securities, including Cresco Redeemable Shares, Cresco Redeemable Units and AO LTIP Units, FV LTIP Units or other classes or series of membership units issued in accordance with Exhibit A of the A&R LLC Agreement ("**LTIP Units**") to new or existing shareholders, members or security holders, including in exchange for services performed or to be performed on behalf of such entities or to finance future acquisitions. Any such issuances could result in substantial dilution to the indirect equity interest of the holders of SVS in the Company and materially adversely impact the market price of the SVS. Further, the sale of a substantial number of such securities, or the perception in the market that holders of a large number of securities intend to sell securities, could reduce the market price of the SVS and could impair the Company's ability to raise capital through the sale of additional equity securities.

Additional Financing

The Company expects to require substantial additional capital in the future to fund its existing operations, expand its product lines, develop its intellectual property base, increase production capabilities and expand its operations in states where it currently operates and states where it currently does not have operations. The Company may not be able to obtain additional financing on terms acceptable to it, or at all. If the Company fails to raise additional capital, as needed, its ability to continue its operations and to implement its business model and strategy could be materially adversely affected.

Even if the Company obtains financing for its near-term operations, it expects that it will require additional capital thereafter. The capital needs of the Company will depend on numerous factors including: (i) the Company's profitability; (ii) the release of competitive products by peers; (iii) the level of investment in research and development; and (iv) the amount of capital expenditures and acquisitions. There can be no assurance that the Company will be able to obtain capital in the future to meet its needs or on terms which are acceptable.

Although the Company has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to companies in the U.S. cannabis industry. Due to the current laws and regulations governing financial institutions in the U.S., banks often refuse to provide services to businesses involved in the cannabis industry, U.S. multistate operators are currently not permitted to list securities on the U.S. exchanges and U.S. investors and banks are reluctant to provide financing to U.S. multistate operators such as the Company. Consequently, it may be difficult for the Company to obtain additional financing in the U.S. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable.

No Guaranteed Return

There is no guarantee that an investment in the SVS will earn any positive return in the short, medium or long term. There is no assurance that holders of the SVS will receive cash distributions or any rate of return on, or repayment of, their investment in the SVS. In fact, an investor could lose its entire investment in the SVS.

Volatile Market Price of the Subordinate Voting Shares and Other Listed Securities

The market price of the SVS and other listed securities of the Company has been, and is likely to continue to be, highly volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of SVS or such other securities to sell their securities at an advantageous price. Market price fluctuations in the SVS or such other securities may be due to, among other factors: (i) the Company's operating results failing to meet expectations of securities analysts or investors in any period; (ii) downward revision in securities analysts' estimates; (iii) adverse changes in general market conditions or competitive, regulatory or economic trends; (iv) regulatory changes affecting the Company's industry generally and its business and operations; (v) adverse changes in the economic performance or market valuations of companies in the industry in which the Company operates; (vi) acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments; (vii) public announcements by the Company or its competitors or government and regulatory authorities of material events; (viii) operating and share price performance of the companies that investors deem comparable to the Company; (ix) and, the addition or departure of the Company's executive officers and other key personnel. These broad market fluctuations may adversely affect the market price of the SVS or such other securities.

Financial markets have, at times, historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity and convertible securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the SVS and other listed securities of the Company from time to time, may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue or arise, the Company's operations and its ability to obtain additional financing may be adversely impacted, and the trading price of the SVS and such other securities may be materially adversely affected.

Negative Cash Flow from Operating Activities

During the fiscal years ended December 31, 2023 and 2022, the Company has sustained net losses from operations. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future, which could lead to negative cash flows from operating activities. The Company has implemented cost

cutting measures in order to maintain positive cash flows from operating activities, however, the Company's operating expenses could increase as it implements initiatives to continue to grow its business or pursue acquisitions. If the Company is unsuccessful at managing its operating expenses, it may have a material adverse effect upon the Company's business, financial condition and operating results.

Dividends

The Company has no cash dividend record and does not anticipate paying any cash dividends on the SVS in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholding. The Senior Loan restricts the Company's ability to pay dividends on the SVS.

Tax

Canadian federal and provincial and U.S. federal and state tax issues should be taken into consideration prior to investing in the SVS. The Company is a holding company with most of its operations being conducted in the U.S. through U.S. subsidiaries. The return on an investor's investment is subject to taxes and to changes in Canadian and U.S. tax laws. There can be no assurance that tax laws, regulations or judicial or administrative interpretations of these laws and regulations will change in a manner that fundamentally alters the tax consequences to investors holding or disposing of the SVS.

Investors should consult their own tax advisor for advice regarding the tax issues with respect to holding the SVS for your local jurisdiction.

DIVIDENDS AND DISTRIBUTIONS

It is contemplated by the Company that it will reinvest all future earnings in order to finance the development and growth of its business. As a result, it is not contemplated that dividends will be paid on the SVS in the foreseeable future. Any future determination to pay distributions will be at the discretion of the Company's Board and will be made in accordance with applicable law and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Company's Board deems relevant. The Senior Loan restricts the Company's ability to pay dividends on the SVS. See *"Risk Factors."*

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of SVS, PVS, MVS and SSVS. As of December 31, 2023, the outstanding share capital of the Company consists of: (i) 320,757,119 SVS; (ii) 94,748 PVS (which are convertible on a 1:200 basis into 18,949,596 SVS); (iii) 500,000 MVS; and 1,589 SSVS (as-converted to SVS).

Summary of Share Provisions

Subordinate Voting Shares

Right to Notice and Vote	Holders of SVS will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of SVS will be entitled to one vote in respect of each SVS held.
Class Rights & Right of First Refusal	As long as any SVS remain outstanding, the Company will not, without the consent of the holders of the SVS by separate special resolution, prejudice or interfere with any right attached to the SVS. Holders of SVS will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of SVS, or bonds, debentures or other securities of the Company now or in the future.
Dividends	Holders of SVS will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of SVS shall, subject to the prior rights of the holders of any shares of the Company ranking in priority to the SVS (including, without restriction, the MVS) be entitled to participate ratably along with all other holders of SVS, SSVS (on an as-converted to SVS basis) and the PVS (on an as-converted to SVS basis).
Changes	No subdivision or consolidation of the SVS shall occur unless, simultaneously, the SVS, the SSVS, the PVS and the MVS are subdivided or consolidated in the same manner, or such other adjustment is made so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	In the event that an offer is made to purchase PVS and the offer is one which is required, pursuant to applicable securities legislation or the rules or conditions of listing of a stock exchange on which the PVS are then listed, to be made to all or substantially all the holders of PVS in a given province or territory of Canada to which these requirements apply, each SVS shall become convertible at the option of the holder into PVS at the inverse of the Conversion Ratio then in effect at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of SVS for the purpose of depositing the resulting PVS pursuant to the offer and for no other reason. In such event, the Company's transfer agent shall deposit the resulting PVS on behalf of the holder. Should the PVS issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the PVS resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder, into SVS at the Conversion Ratio then in effect.

Take-Over Bid Protection

In the event that a take-over bid is made for the SVS, the holders of SVS will not be entitled to participate in such offer and may not tender their shares into any such offer, whether under the terms of the SVS or under any coattail trust or similar agreement.

The MVS Holders have entered into an investment agreement with the Company whereby, upon any sale of MVS to a third-party purchaser that is not the holder's immediate family members or an affiliated entity, a transfer to another MVS Holder or an entity affiliated with the other MVS Holder, or a current member of the Company's board of

directors, such MVS will immediately be redeemed by the Company for their issue price. See *"Super Voting Shares – Investment Agreement"* below. Additionally, as noted above, the Company's articles entitle the holders of SVS to convert to PVS and tender to any take-over bid made solely to the holders of PVS.

Proportionate Voting Shares

Right to Vote	Holders of PVS will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of PVS will be entitled to one vote in respect of each SVS into which such PVS could ultimately then be converted, which for greater certainty, shall initially be equal to 200 votes per PVS (subject to adjustment at the discretion of the Company Board, depending upon the ratios necessary to preserve foreign private issuer status).
Class Rights	As long as any PVS remain outstanding, the Company will not, without the consent of the holders of the PVS and MVS by separate special resolution, prejudice or interfere with any right or special right attached to the PVS. Consent of the holders of a majority of the outstanding PVS and MVS shall be required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with the PVS. In connection with the exercise of the voting rights for the foregoing only, each holder of PVS will have one vote in respect of each PVS held.
Rights to Subscribe; Pre-Emptive Rights	The holders of PVS are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of SVS, or bonds, debentures or other securities of the Company.
Dividends	The holder of PVS shall have the right to receive dividends, out of any cash or other assets legally available therefore, *pari passu* (on an as-converted basis, assuming conversion of all PVS into SVS) as to dividends and any declaration or payment of any dividend on the SVS. No dividend will be declared or paid on the PVS unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to SVS basis) on the SVS.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of PVS will, subject to the prior rights of the holders of any shares of the Company ranking in priority to the PVS (including, without restriction, the MVS), be entitled to participate ratably along with all other holders of PVS (on an as-converted to SVS basis) and the SVS.
Changes	No subdivision or consolidation of the PVS shall occur unless, simultaneously, the SVS, the PVS and the MVS are subdivided or consolidated in the same manner, or such other adjustment is made so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	The PVS each have a restricted right to convert into 200 SVS (the " **Conversion Ratio**"), subject to adjustments for certain customary corporate changes and foreign private issuer considerations. The ability to convert the PVS is subject to a restriction that the aggregate number of SVS, PVS and MVS held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended), may not exceed forty percent (40%) (subject to adjustment) of the aggregate number of SVS, PVS and MVS issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of SVS exceeding certain levels. In addition, the Company has the right to convert the PVS into SVS in certain circumstances, including upon the registration of the SVS under the United States Securities Act of 1933, as amended.

Super Voting Shares

Right to Vote	Holders of MVS shall be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting holders of MVS shall be entitled to 2,000 votes in respect of each MVS held provided that, if at any time the aggregate number of issued and outstanding (i) Cresco Redeemable Shares in the capital of Cresco (if applicable) and (ii) Cresco Redeemable Units in the capital of Cresco (or such securities of any successor to Cresco Corp or Cresco as may exist from time to time) beneficially owned, directly or indirectly by a holder of the MVS (the "Holder") and the Holder's predecessor or transferor, permitted transferees and permitted successors and any prior transferor's transferor and any prior permitted transferee's permitted transferee (the "Holder's Group"), divided by the aggregate number of (i) Cresco Redeemable Shares (if applicable) and (ii) Cresco Redeemable Units beneficially owned, directly or indirectly by the Holders and the Holder's Group as at the date of completion of the Business Combination transaction involving, among others, the Company, Cresco Corp and Cresco be less than 50% (the "Triggering Event"), the Holder shall from that time forward be entitled to 50 votes in respect of each MVS held. The holders of MVS shall, from time to time upon the request of the Company, provide to the Company evidence as to such holders' direct and indirect beneficial ownership (and that of its permitted transferees and permitted successors) of Cresco Redeemable Shares (if applicable) and Cresco Redeemable Units to enable the Company to determine the voting entitlement of the MVS. For the purposes of these calculations, a Holder shall be deemed to beneficially own Cresco Redeemable Shares (if applicable) held by an intermediate company or fund in proportion to their equity ownership of such company or fund.
Class Rights	As long as any MVS remain outstanding, the Company will not, without the consent of the holders of the MVS by separate special resolution, prejudice or interfere with any right or special right attached to the MVS. Consent of the holders of a majority of the outstanding MVS shall be required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with the Super Voting Shares. In connection with the exercise of these voting rights, each holder of MVS will have one vote in respect of each MVS held.
Rights to Subscribe; Pre-Emptive Rights	The holders of MVS are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of SVS, or bonds, debentures or other securities of the Company not convertible into MVS, now or in the future.
Dividends	The holders of the MVS shall not be entitled to receive dividends.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the Company will distribute its assets firstly and in priority to the rights of holders of any other class of shares of the Company (including the holders of SVS and the PVS) to return the issue price of the MVS to the holders, thereof and if there are insufficient assets to fully return the issue price to the holders of the MVS, such holders will receive an amount equal to their pro-rata share in proportion to the issue price of their MVS along with all other holders of MVS. The holders of MVS shall not be entitled to receive directly or indirectly as holders of MVS any other assets or property of the Company and their sole rights will be to the return of the issue price of such MVS in accordance with this paragraph.
Changes	No subdivision or consolidation of the MVS shall occur unless, simultaneously, the MVS, PVS and the SVS are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Conversion	The holders of the MVS shall have no right of conversion.
Redemption Rights	Upon the occurrence of a Triggering Event, the Company has the right to redeem all or some of the MVS from the Holder and Holder's Group who caused the Triggering Event to occur, by providing two days prior written notice to the Holder and Holder's Group of such MVS, for an amount equal to the issue price for each MVS, payable in cash to the holders of the MVS so redeemed. The Company need not redeem MVS on a pro-rata basis among the Holders or Holder's Group. Holders of MVS to be redeemed by the Company shall surrender the certificate or certificates representing such MVS to the Company at its records office duly assigned or endorsed for transfer to the Company (or accompanied by duly executed share transfers relating thereto). Each surrendered certificate shall be canceled, and the Company shall thereafter make payment of the applicable redemption amount by certified cheque, bank draft or wire transfer to the registered holder of such certificate; provided that, if less than all the MVS represented by a surrendered certificate are redeemed then a new share certificate representing the unredeemed balance of MVS represented by such certificate shall be issued in the name of the applicable registered holder of the canceled share certificate. If on the applicable redemption date the redemption price is paid (or tendered for payment) for any of the MVS to be redeemed then on such date all rights of the holder in the MVS so redeemed and paid or tendered shall cease and such redeemed MVS shall no longer be deemed issued and outstanding, regardless of whether or not the holder of such MVS has delivered the certificate(s) representing such securities to the Company, and from and after such date the certificate formerly representing the retracted MVS shall evidence only the right of the former holder of such MVS to receive the redemption price to which such holder is entitled.
Transfer	No MVS may be transferred by the holder thereof unless such transfer is to an immediate family member or a transfer for the purposes of estate or tax planning to a company or person that is wholly beneficially owned by such holder or immediate family members of such holder or which such holder or immediate family members of such holder are the sole beneficiaries thereof, or as otherwise provided in the investment agreement referred to below. In order to be effective, any transfer shall require the prior written consent of the Company.
Investment Agreement	To supplement the rights, privileges, restrictions and conditions attached to the MVS, the Company and the initial holders of MVS, entered into an investment agreement effective as of the completion of the Business Combination, as amended on June 3, 2022, which, among other things, provides that (i) each MVS will be transferable only to the holder's immediate family members or an affiliated entity or a transfer to another MVS Holder or an entity affiliated with the other MVS Holder, (ii) upon any sale of MVS to a third-party purchaser not listed in clause (i), such MVS will immediately be redeemed by the Company for their issue price and (iii) the Company will repurchase all of the MVS not later than the first business day after the first annual meeting of shareholders of the Company following any future listing of the SVS on a United States national securities exchange.
Sunset	After a listing of the SVS on a United States national securities exchange, the Company shall not issue any additional MVS and any MVS repurchased by the Company shall be cancelled and may not be reissued as shares of such class or any other class or series.

Special Subordinate Voting Shares

Right to Vote	Holders of SSVS shall be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of SSVS will be entitled to one vote in respect of each SVS into which such SSVS could ultimately then be converted, which for greater certainty, shall initially be equal to 0.00001 of a vote per SSVS.
Class Rights	As long as any SSVS remain outstanding, the Company will not, without the consent of the holders of the SSVS by separate special resolution, prejudice or interfere with any right or special right attached to the SSVS. In connection with the exercise of these voting rights, each holder of SSVS will have one vote in respect of each SSVS.
Rights to Subscribe; Pre-Emptive Rights	The holders of SSVS are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of SVS, or bonds, debentures or other securities of the Company now or in the future.
Dividends	The holders of SSVS shall have the right to receive dividends, out of any cash or other assets legally available therefore, pari passu (on an as-converted basis, assuming conversion of all SSVS into SVS at the Special Conversion Ratio) as to dividends and any declaration or payment of any dividend on the SVS. No dividend will be declared or paid on the SSVS unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to SVS basis) on the SVS and the PVS.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of SSVS will, subject to the prior rights of the holders of any shares of the Company ranking in priority to the SSVS (including, without restriction, the MVS), be entitled to participate ratably along with all other holders of SVS (on an as-converted to SVS basis), the PVS (on an as-converted to SVS basis) and the SVS.
Changes	The SSVS may be subdivided or consolidated by resolution of the directors (or a committee thereof) without the simultaneous subdivision or consolidation of the SVS, the PVS and the MVS in the same manner, provided that the Special Conversion Ratio is correspondingly adjusted and the voting rights of the SSVS are correspondingly adjusted such that the aggregate number of votes held by all holders of SSVS prior to subdivision or consolidation is equal to the aggregate number of votes held by all holders of SSVS following the subdivision or consolidation.
Ownership Restrictions	The SSVS may only be beneficially owned or controlled, directly or indirectly, by a person or persons who are not specified U.S. persons.
Transfer Restrictions	No SSVS or any rights or interests therein may be transferred legally, beneficially or in any other manner by the holder thereof without the prior written consent of the Company Board (or a committee thereof), which may be withheld in its sole discretion.

Redemption Rights	The Company has the right to redeem all or some of the SSVS from any holder thereof at any time by providing two days prior written notice (the "Redemption Notice") to such holder for either: (i) cash, at a price per SSVS equal to the Special Conversion Ratio (as may be adjusted in accordance with its terms) multiplied by the average volume-weighted average trading price of the SVS on the CSE (or such other stock exchange or quotation system the SVS are then principally listed or quoted) for the 10 trading days immediately prior to the date of the Redemption Notice; or (ii) SVS at the Special Conversion Ratio, as may be adjusted in accordance with its terms. The Company need not redeem SSVS on a pro-rata basis among the holders of SSVS.
Conversion	Holders of SSVS have a restricted right to convert into 0.00001 SVS per SSVS (the "Special Conversion Ratio"), subject to customary adjustments for certain corporate changes. The ability to convert the SSVS is subject to the prior written consent of the Company Board or a committee thereof. The Company may require each holder of SSVS to convert all, and not less than all, of the SSVS at the applicable Special Conversion Ratio, if at any time all the following conditions are satisfied (or otherwise waived by special resolution of holders of SSVS): (A) the Company is no longer a "foreign private issuer" (as determined in accordance with Rule 3b-4 of the U.S. Exchange Act); or (B) the Company Board (or a committee thereof) determine that the SSVS are no longer necessary or required.

DESCRIPTION OF SHARE CAPITAL OF CRESCO

The share capital of Cresco consists of Cresco Voting Shares and Cresco Redeemable Shares.

Holders of Cresco Voting Shares are entitled to receive notice of, attend and vote at meetings of the security holders of Cresco Corp (other than meetings at which only holders of another class or series of shares are entitled to vote separately as a class or series). Each Cresco Voting Share entitles the holder thereof to one vote on all matters upon which holders of Cresco Voting Shares are entitled to vote.

Holders of Cresco Redeemable Shares are entitled to exchange or redeem their Cresco Redeemable Shares for PVS pursuant to the terms specified in the articles of incorporation of Cresco Corp. Cresco Redeemable Shares do not entitle the holders thereof to receive notice of, attend or vote at meetings of the security holders.

A holder of Cresco Redeemable Shares (other than the Company) has the right to cause Cresco Corp to redeem its Cresco Redeemable Shares. If a holder of Cresco Redeemable Shares (other than the Company) exercises its redemption or exchange right, Cresco Corp will repurchase for cancellation each such Cresco Redeemable Share submitted for redemption or exchange in consideration for either PVS (currently, at a ratio of 1 PVS for every 200 Cresco Redeemable Shares exchanged) or a cash amount equal to the cash settlement amount applicable to such Cresco Redeemable Share, as determined by Cresco Corp; provided that Cresco Corp may assign to the Company its rights and obligations to effect a redemption or exchange directly with the redeeming holder. For further details on the rights attached to PVS, please see **–** *"Proportionate Voting Shares"* above. For greater certainty, Cresco Corp or Cresco may elect to deliver SVS (currently, on a 1:1 basis) in lieu of the PVS for the Cresco Redeemable Shares exchanged.

DESCRIPTION OF UNIT CAPITAL OF CRESCO

Management of Cresco

Following consummation of the Business Combination, Cresco Corp became the sole manager of Cresco LLC and has the exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Cresco LLC, subject to the terms of the A&R LLC Agreement and applicable laws.

A&R LLC Agreement

The following is a summary of the material provisions set forth in the A&R LLC Agreement to be entered into between Cresco LLC and each of the Cresco Members.

Duration

Cresco LLC has perpetual existence and will continue as a limited liability company until and unless Cresco LLC is terminated or dissolved in accordance with the A&R LLC Agreement and the Illinois Limited Liability Company Act, as amended ("**ILLCA**").

Purpose of Cresco LLC

The principal purpose and business of Cresco LLC shall be to engage in any lawful act or activity for which a limited liability company may be organized under the ILLCA and to conduct such other activities as may be necessary, advisable, convenient or appropriate to promote or conduct the business of Cresco LLC as set forth herein, including, but not limited to, entering into partnership agreements in the capacity of a general or limited partner, becoming a member of a joint venture or a limited liability company, participating in forms of syndication for investment, owning stock in corporations and the incurring of indebtedness and the granting of liens and security interests on the real and personal property of Cresco LLC.

Management: The Manager

Cresco Corp is the sole manager of Cresco LLC and manages all of Cresco LLC's operations and activities in accordance with the A&R LLC Agreement. Cresco Corp has the capacity and authority to act as the manager of Cresco LLC.

Subject to the terms of the A&R LLC Agreement and the ILLCA, Cresco Corp has the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Cresco LLC. Among other things, Cresco Corp is empowered to negotiate, execute and perform all agreements, conveyances or other instruments on behalf of Cresco LLC, and to mortgage, charge or otherwise create a security interest over any or all of the property of Cresco LLC or its subsidiaries and to sell property subject to such a security interest.

The A&R LLC Agreement provides that, where Cresco Corp is permitted or required to take any action or to make a decision in its "sole discretion", "discretion", with "complete discretion" or any other grant of similar authority and latitude under the A&R LLC Agreement in managing Cresco's operations and activities, Cresco Corp entitled to consider only such interests and factors as it desires, including its own interests, and shall, to the fullest extent permitted by the ILLCA, have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of, or factors affecting, Cresco or the other Cresco Members.

Despite the foregoing, Cresco Corp is only able to take certain types of actions (as set forth in the A&R LLC Agreement) if the same are approved, consented to or directed by a majority of the Cresco Members.

Capital Structure of Cresco LLC, Cresco Corp and Cresco

Upon the closing of the Business Combination, the capital of Cresco LLC initially consisted of three (3) classes of units: the interest of Cresco Corp is to be represented by Common Units with the number of issued Common Units immediately following the Business Combination to be equal to the respective number of SVS issued and outstanding, provided that such Common Units held by Cresco Corp shall not entitle Cresco Corp to any exchange or redemption rights with respect to such Common Units. The interests of other Cresco Members are represented by Common Units, pursuant to which all such other Cresco Members are entitled to certain exchange rights and redemption rights, as provided in the A&R LLC Agreement. Such Common Units held by such other Cresco Members are referred to herein as "**Cresco Redeemable Units**." The A&R LLC Agreement shall also authorize the

issuance of LTIP Units to persons who provide services for or on behalf of Cresco LLC, which such LTIP Units shall entitle the holder to certain rights and privileges, including the right to convert such LTIP Units to Common Units, subject to certain restrictions, qualifications and limitations, each as provided in the A&R LLC Agreement.

When the Company issues SVS, it may contribute all or a portion of the net proceeds to Cresco Corp in exchange for additional shares of Cresco Corp stock. Upon receipt of any such net proceeds from the Company, Cresco Corp will generally contribute such net proceeds to Cresco LLC as a capital contribution on account of its Common Units. In the event that a new class of shares in the capital of the Company is created, Cresco Corp may create a corresponding new class of Cresco LLC Units that has corresponding distribution rights to such new class of Company shares and will cause Cresco LLC to issue new units of such class to Cresco Corp. The Company may contribute all or a portion of the net proceeds from the issuance of any such shares to Cresco Corp and Cresco Corp, upon receipt of such proceeds, will generally contribute such net proceeds to Cresco LLC in exchange for units of Cresco LLC.

If the Company proposes to redeem, repurchase or otherwise acquire any SVS for cash, the A&R LLC Agreement requires that Cresco Corp cause Cresco LLC to redeem a corresponding number of Common Units held by Cresco Corp at an aggregate redemption price equal to the aggregate purchase or redemption price of the SVS being repurchased or redeemed by the Company (plus any expenses related thereto) and upon such other terms as are the same for the redemption by the Company, and the A&R LLC Agreement further requires that Cresco Corp, immediately prior to such redemption, repurchase or acquisition by the Company, but immediately following the redemption by Cresco, to redeem a corresponding number of shares of Cresco Corp stock held by the Company at an aggregate redemption price equal to the aggregate purchase or redemption price of the SVS being repurchased or redeemed by the Company (plus any expenses related thereto) and upon such other terms as are the same for the redemption by the Company.

In the event that any change is effected in the share capital of the Company, Cresco LLC shall undertake all actions requested by Cresco Corp, including a reclassification, distribution, division or recapitalization of the Common Units to maintain at all times the same ratios between the number of SVS, the number of Cresco Corp shares and the number of Common Units issued and outstanding immediately prior to any such reclassification, consolidation, split, dividend of securities or other recapitalization including, without limitation, also effecting a reclassification, consolidation, split, dividend of securities or other recapitalization with respect to, as applicable, the SVS, Cresco Corp shares and Common Units.

Exchange Mechanism

A holder of Common Units (other than Cresco Corp) has the right to cause Cresco LLC to redeem its Common Units. If a holder of Common Units (other than Cresco Corp) exercises its exchange right, Cresco LLC will repurchase for cancellation each such Common Unit submitted for exchange in consideration for either PVS (at a ratio of 1 PVS for every 200 Common Units exchanged) or a cash amount equal to the cash settlement amount applicable to such Common Unit, as determined by Cresco Corp, provided that Cresco Corp shall have the right to complete such exchange directly with the redeeming holder or may assign to the Company its rights and obligations to effect an exchange directly with the redeeming holder. For greater certainty, Cresco LLC may elect to deliver SVS (currently, on a 1:1 basis) in lieu of the PVS for the Common Units exchanged.

Any holder that causes Cresco LLC to redeem its Common Units pursuant to the terms of the A&R LLC Agreement and otherwise fails to comply with the documentation requirements of U.S. Tax Code Section 1446, including the requirement that such holder provides to Cresco a properly completed IRS Form W-9 or satisfy another exception as permitted within U.S. Tax Code Section 1446, prior to the effective time of any such redemption or exchange, will generally be subject to U.S. withholding tax equal to ten percent (10%) of the fair market value of the PVS or the cash, as applicable, to be delivered to such holder pursuant to such redemption or exchange.

Additional Common Units; No Preemptive Rights

Except as described above, the A&R LLC Agreement authorizes Cresco Corp to cause Cresco LLC to issue additional Common Units and securities convertible or exchangeable into Common Units on any terms and conditions of offering and sale as Cresco Corp in its discretion may determine, including with respect to acquisitions by Cresco LLC of additional assets or equity interests in corporations, partnerships, limited liability companies and other entities and with respect to executive compensation. Unless otherwise determined by Cresco Corp, no person or entity shall have preemptive, preferential or any other similar right with respect to the issuances of any interest in Cresco LLC.

LTIP Units

Cresco may issue LTIP Units to new or existing Cresco Members in exchange for services performed or to be performed on behalf of Cresco. LTIP Units are intended to qualify as "**profits interests**" for U.S. federal income tax purposes in Cresco. Two initial series of LTIP Units designated as AO LTIP Units and FV LTIP Units, respectively, will be established. The number of LTIP Units, AO LTIP Units and FV LTIP Units that may be issued by Cresco shall not be limited.

LTIP Units may, in the sole discretion of Cresco Corp, be issued subject to vesting, forfeiture and additional restrictions on transfer pursuant to the terms of an award, vesting or other similar agreement. The terms of any such award, vesting or similar agreement may be modified by Cresco Corp from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant award, vesting or similar agreement or by the terms of any plan pursuant to which the LTIP Units are issued, if applicable.

Unless otherwise specified in the relevant award, vesting or similar agreement, upon the occurrence of any event specified in such an agreement resulting in either the forfeiture of any LTIP Units or the repurchase thereof by Cresco at a specified purchase price, then, upon the occurrence of the circumstances resulting in such forfeiture or repurchase by Cresco, the relevant LTIP Units shall immediately and without any further action be treated as canceled and no longer outstanding for any purpose or as transferred to Cresco.

Upon the occurrence of certain events, including (A) Cresco making a distribution on all outstanding Common Units in Units; (B) Cresco subdividing the outstanding Common Units into a greater number of Units or combining the outstanding Common Units into a smaller number of Units; or (C) Cresco issuing any Units in exchange for its outstanding Common Units by way of reclassification or recapitalization, then Cresco shall make a corresponding adjustment to the LTIP Units to maintain the same correspondence between the Common Units and LTIP Units as existed prior to the occurrence of any such actions.

A holder of LTIP Units shall have the right, at his or her option, at any time to convert all or a portion of his or her vested LTIP Units as follows:

- an AO LTIP Unit that has become a vested LTIP Unit shall be converted into a number (or fraction thereof) of fully paid and non-assessable Common Units, giving effect to all adjustments (if any) made pursuant to terms of the A&R LLC Agreement equal to the applicable conversion factor as provided in the A&R LLC Agreement; and
- a FV LTIP Unit that has become a vested LTIP Unit shall be converted into a number (or fraction thereof) of fully paid and non-assessable Common Units, giving effect to all adjustments (if any) made pursuant to the terms of the A&R LLC Agreement equal to the applicable conversion factor as provided in the A&R LLC Agreement.

If Cresco LLC or Cresco Corp is a party to any transaction (including without limitation a merger, consolidation, unit exchange, self-tender offer for all or substantially all Common Units or other business combination or reorganization, or sale of all or substantially all of Cresco's assets, but excluding any transaction which constitutes an event requiring an adjustment to the LTIP Units to maintain the same correspondence between the Common Units and the LTIP Units, as described above) as a result of which Common Units shall be exchanged for or

converted into the right, or the holders of Common Units shall otherwise be entitled to receive cash, securities or other property or any combination thereof, then Cresco Corp shall, immediately prior to such transaction, insure the conversion of the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with such transaction or that would occur in connection with such transaction if the assets of Cresco were sold at the applicable price of such transaction or, if applicable, at a value determined by Cresco Corp in good faith using the value attributed to the Common Units in the context of the such transaction (in which case the date of the forced LTIP Unit conversion shall be the effective date of such transaction and the conversion shall occur immediately prior to the effectiveness of such transaction).

LTIP Units are not redeemable at the option of Cresco LLC; provided, however, that the foregoing shall not prohibit Cresco from repurchasing LTIP Units from the holder thereof if and to the extent that such holder agrees to sell such LTIP Units.

Except as otherwise set forth in the relevant award, vesting or similar agreement or other separate agreement, and subject to the terms and conditions set forth in the A&R LLC Agreement, on or at any time after an applicable LTIP Unit conversion date each LTIP Unitholder has the right to require Cresco to redeem all or a portion of the Common Units into which such LTIP Unit holder's LTIP Units were converted in exchange for cash, unless the terms of the A&R LLC Agreement, the relevant award, vesting or similar agreement or other separate agreement entered into between Cresco and the LTIP Unit holder expressly provide that such Common Units are not entitled to such redemption right.

Except as otherwise provided in the A&R LLC Agreement, holders of LTIP Units shall not have the right to vote on any matters submitted to a vote of the Cresco Members.

Subject to the terms of the relevant award, vesting or similar agreement or other documentation pursuant to which LTIP Units are granted, except in connection with the exercise of a redemption, a holder of LTIP Units may not transfer all or any portion of his or her LTIP Units without the prior written consent of Cresco Corp, which consent may be given or withheld in Cresco Corp's sole and absolute discretion.

Transfer of Common Units

Except as permitted by the A&R LLC Agreement, no holder of Common Units may transfer any interest in such Common Units. The A&R LLC Agreement permits a transfer of Common Units pursuant to (i) the prior written approval of Cresco Corp; (ii) certain transactions that cause a change of control of Cresco LLC; (iii) the exercise of exchange or redemption rights by any holder of Common Units; or (iv) certain other limited circumstances. Prior to transferring any Common Units (other than pursuant to certain transactions that cause a change of control of Cresco LLC) the transferring holder of Common Units will cause the transferee to execute a joinder to the A&R LLC Agreement and any other agreements required pursuant to the terms of the A&R LLC Agreement. Any transfer or attempted transfer of any Common Units in violation of any provision of the A&R LLC Agreement shall be void and Cresco LLC shall not record such transfer on its books or treat any purported transferee as the owner of such Common Units for any purpose.

In no event shall any transfer of Common Units be effective to the extent that such transfer could, in the reasonable determination of Cresco Corp:

- result in a violation of the United States Securities Act of 1933, as amended, or any other applicable federal, state or foreign laws;
- cause an assignment under the United States Investment Company Act of 1940, as amended;
- be a violation of or a default (or an event that, with notice or the lapse of time or both, would constitute a default) under, or result in an acceleration of any indebtedness under, any promissory note, mortgage, loan agreement, indenture or similar instrument or agreement to which Cresco LLC or Cresco Corp is a party; provided that the payee or creditor to whom Cresco LLC or Cresco Corp owes such obligation is not an affiliate of Cresco LLC or Cresco Corp;

- be a transfer to a person who is not legally competent or who has not achieved his or her majority under applicable law (excluding trusts for the benefit of minors);
- cause Cresco LLC to lose its status as a partnership for U.S. federal income tax purposes or, without limiting the generality of the foregoing, be affected on or through an "established securities market" or a "secondary market or the substantial equivalent thereof," as such terms are used in Section 1.7704-1 of United States Treasury Regulations;
- cause Cresco LLC or any Cresco Member or Cresco Corp to be treated as a fiduciary under the United States Employee Retirement Income Security Act of 1974, as amended;
- cause Cresco LLC (as determined by Cresco Corp in its sole discretion) to be treated as a "publicly traded partnership" or to be taxed as a corporation pursuant to Section 7704 of the U.S. Tax Code or successor provision of the U.S. Tax Code; or
- result in Cresco LLC having more than one hundred (100) partners, within the meaning of Treasury Regulations Section 1.7704-1(h)(1) (determined pursuant to the rules of Treasury Regulations Section 1.7704-1(h)(3)) in any taxable year that is not a "restricted taxable year" (as defined in the A&R LLC Agreement).

Any holder that transfers its Common Units pursuant to the terms of the A&R LLC Agreement and otherwise fails to comply with the documentation requirements of U.S. Tax Code Section 1446, including the requirement that such holder provides to Cresco a properly completed IRS Form W-9 or satisfy another exception as permitted within U.S. Tax Code Section 1446, prior to the effective time of any such transfer, will generally be subject to U.S. withholding tax equal to ten percent (10%) of the fair market value of the consideration to be delivered to such holder pursuant to such redemption or exchange.

Power of Attorney

Each Cresco Member who is an individual, including those persons who become Cresco Members in connection with receiving any Common Units, automatically and irrevocably will appoint Cresco Corp, with full power of substitution, as that Cresco Member's agent to execute and file documents or instruments required for, among other things, but subject in each case to the other provisions of the A&R LLC Agreement, the A&R LLC Agreement (or a joinder thereto), all instruments that Cresco Corp deems appropriate or necessary to reflect any amendment, change, modification or restatement of the A&R LLC Agreement, all conveyances and other instruments or documents which Cresco Corp deems appropriate or necessary to reflect the dissolution or liquidation of Cresco LLC pursuant to the terms of the A&R LLC Agreement, all instruments relating to the admission, withdrawal or substitution of a Cresco Member pursuant to the terms of the A&R LLC Agreement, and any other ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the reasonable judgment of Cresco Corp, to evidence, confirm or ratify any vote, consent, approval, agreement or other action made or given by the Cresco Members in accordance with the terms of the A&R LLC Agreement.

Capital Contributions

Following the issuance of the Common Units to the Cresco Members pursuant to the adoption of the A&R LLC Agreement, the Cresco Members will not be required to make further contributions to Cresco LLC.

Neither Cresco LLC nor Cresco Corp is liable for the return of any capital contribution made by a Cresco Member to Cresco LLC.

Limited Liability of the Cresco Members

Subject to the provisions of the ILLCA and of similar legislation in other jurisdictions of the United States and the A&R LLC Agreement: (i) the liability of each Cresco Member for the debts, liabilities and obligations of Cresco LLC will be limited to the Cresco Member's capital contribution, plus the Cresco Member's share of any undistributed income of Cresco LLC; and (ii) following payment of a Cresco Member's capital contribution, such

Cresco Member may be required to return amounts previously distributed to such Cresco Member in accordance with the ILLCA and the laws of the State of Illinois.

Limitation on Authority of the Cresco Members and Limited Liability

The A&R LLC Agreement states that a Cresco Member (in its capacity as a Cresco Member) does not have the authority or power to do any of the following:

- act for or on behalf of Cresco LLC;
- to do any act that would be binding upon Cresco LLC;
- make any expenditure on behalf of Cresco LLC;
- seek or obtain partition by court decree or operation of law of any Cresco LLC property; or
- own or use particular or individual assets of Cresco LLC.

The A&R LLC Agreement provides that Cresco LLC will indemnify each Cresco Member for all liabilities incurred by the Cresco Member that arises solely by reason of such Cresco Member being a member of Cresco LLC.

Tax Distributions in Accordance with Cresco Labs LLC Agreement

Subject to the provisions set forth in the A&R LLC Agreement, Cresco Corp may cause distributions to be made by Cresco LLC as follows: (i) "distributable cash" (as defined in the A&R LLC Agreement) or other funds or property legally available to the extent permitted by the ILLCA and applicable law, to the Cresco Members pro rata in accordance to each Cresco Member's proportionate ownership interest in Cresco LLC in amounts on terms as Cresco Corp will determine; and (ii) not less than five (5) business days prior to the due date of a U.S. federal income tax return for an individual calendar year taxpayer, cash in an amount equal to the excess of each Cresco Member's "assumed tax liability" (as defined in the A&R LLC Agreement) over distributions previously made to such Cresco Member with respect to each such taxable period.

In no case will Cresco LLC be required to make a distribution if such distribution would violate the ILLCA or any other applicable law.

Amendment of the A&R LLC Agreement

The A&R LLC Agreement may be amended or modified by Cresco Corp as determined to be necessary or advisable, in the sole discretion of Cresco Corp, in connection with the adoption, implementation, modification or termination of certain equity plans by the Company. Subject to the right of Cresco Corp to amend the A&R LLC Agreement in connection with the adoption, implementation, modification or termination of certain equity plans by the Company, unless otherwise specified in the A&R LLC Agreement that a specific amendment requires the approval or action of certain persons, the A&R LLC Agreement may only be amended with the consent of Cresco Corp and Cresco Members holding a majority of the outstanding Common Units.

Merger, Sale or Other Disposition of Assets

Cresco Corp shall have the power and authority to effectuate the sale, lease, transfer, exchange or other disposition of any, all or substantially all of the assets of Cresco LLC (including the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by Cresco LLC) or the merger, consolidation, reorganization or other combination of Cresco LLC with or into another entity.

Treatment of Cresco LLC as a Partnership for U.S. Federal Income Tax Purposes

The Cresco Members intend that Cresco LLC be treated as a partnership for U.S. federal and, if applicable, state or local income tax purposes. Each Cresco Member and Cresco LLC will file all tax returns and will otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

Dissolution

Cresco LLC will dissolve, and its affairs will be wound up, upon the occurrence of any of the following:

- the decision of Cresco Corp together with the holders of a majority of the then-outstanding Common Units entitled to vote to dissolve Cresco LLC;
- a dissolution of Cresco LLC under the ILLCA; or
- the entry of a decree of judicial dissolution of Cresco LLC under the ILLCA.

Except as otherwise provided in the A&R LLC Agreement, Cresco LLC is intended to have perpetual existence. The withdrawal of a Cresco Member shall not cause a dissolution of Cresco LLC and Cresco LLC shall continue in existence subject to the terms and conditions of the A&R LLC Agreement.

Procedure on Dissolution

Upon dissolution of Cresco LLC, the procedure is as follows:

1. the liquidators shall cause a proper accounting to be made by a recognized firm of certified public accountants of Cresco LLC's assets, liabilities and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;
2. the liquidators shall cause the notice described in the ILLCA to be mailed to each known creditor of and claimant against Cresco LLC in the manner described thereunder;
3. the liquidators shall pay, satisfy or discharge from Cresco LLC funds, or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash fund for contingent liabilities in such amount and for such term as the liquidators may reasonably determine): first, all expenses incurred in liquidation; and second, all of the debts, liabilities and obligations of Cresco LLC; and
4. all remaining assets of Cresco LLC shall be distributed to the Cresco Members in accordance with the terms of the A&R LLC Agreement by the end of the taxable year during which the liquidation of Cresco LLC occurs (or, if later, by ninety (90) days after the date of the liquidation), which shall constitute a complete return to the Cresco Members of their capital contributions to Cresco LLC, a complete distribution to the Cresco Members of their interest in Cresco LLC and all of Cresco LLC's property. To the extent that a Cresco Member returns funds to Cresco LLC, it has no claim against any other Cresco Member for those funds.

Withdrawal and Removal of the Manager

Cresco Corp may resign as the sole manager of Cresco LLC at any time by giving written notice to the Cresco Members. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Cresco Members and the acceptance of the resignation shall not be necessary to make it effective. The Cresco Members have no right under the A&R LLC Agreement to remove or replace Cresco Corp as the sole manager of Cresco LLC. Vacancies in the position of manager occurring for any reason will be filled by Cresco Corp (or, if Cresco Corp has ceased to exist without any successor or assign, then by the holders of a majority in interest of the voting capital stock of Cresco Corp immediately prior to such cessation).

Indemnification

Under the A&R LLC Agreement, in most circumstances, Cresco LLC will indemnify and hold harmless any person to the fullest extent permitted under the ILLCA, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement only to the extent that such amendment, substitution or replacement permits Cresco LLC to provide broader indemnification rights than Cresco LLC is providing immediately prior to such amendment, substitution or replacement), against all expenses, liabilities and losses (including attorneys' fees, judgments, fines, excise taxes or penalties) reasonably incurred or suffered by such person (or one or more of such person's affiliates) by reason of the fact that such person is or was a Cresco Member or is or was serving at the request of Cresco LLC as the manager, an officer, an employee or another agent of Cresco LLC or is or was serving at the request of Cresco LLC as a manager, member, employee or agent of another limited-liability company, corporation, partnership, joint venture, trust or other enterprise; provided, however, that no such person shall be indemnified for actions against Cresco LLC, the Manager or Managers or any other Cresco Members, or which are not made in good faith and not or in a manner which he or she reasonably believed to be in or not opposed to the best interests of Cresco LLC, or, with respect to any criminal action or proceeding other than by or in the right of Cresco LLC, had reasonable cause to believe the conduct was unlawful, or for any present or future breaches of any representations, warranties or covenants by such person or its affiliates as provided in the A&R LLC Agreement or other agreements to which Cresco LLC is a party.

Expenses, including attorneys' fees, incurred by any such person in defending a proceeding shall be paid by Cresco LLC as they are incurred and in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of such person to repay such amount if it is ultimately determined by a court of competent jurisdiction that such person is not entitled to be indemnified by Cresco LLC.

Cresco LLC will maintain directors' and officers' liability insurance, or make other financial arrangements at its expense, to protect any person indemnified pursuant to the A&R LLC Agreement against certain expenses, liabilities or losses described in the A&R LLC Agreement whether or not Cresco LLC would otherwise have the power to indemnify such person against such expenses, liabilities or losses under the provisions of the A&R LLC Agreement. Cresco LLC shall use its commercially reasonable efforts to purchase directors' and officers' liability insurance (including employment practices coverage) with a carrier and in an amount determined necessary or desirable as determined in good faith by Cresco Corp.

Books and Records

Cresco LLC shall keep, or cause to be kept, appropriate books and records with respect to Cresco LLC's business, including all books and records necessary to provide any information, lists and copies of documents required to be provided to each person who was a Cresco Member during each fiscal year of Cresco LLC as is reasonably necessary for the preparation of such person's U.S. federal and applicable state income tax returns.

Tax Matters

All decisions to make or refrain from making any tax elections are determined by Cresco Corp. Cresco Corp is authorized to represent Cresco LLC, at Cresco LLC's expense, in connection with all examinations of Cresco LLC's affairs by tax authorities, including resulting administrative and judicial proceedings. Each Cresco Member agrees to cooperate with Cresco Corp and to do or refrain from doing any or all things with regard to all things reasonably required by Cresco Corp to conduct such proceedings. Cresco Corp shall keep all Cresco Members fully advised on a current basis of any contacts by or discussions with the tax authorities, and the Cresco Members shall have the right to observe and participate through representatives of their own choosing (at their sole expense) in any tax proceedings.

TAX RECEIVABLE AGREEMENT

In connection with the Business Combination, Cresco Corp entered into a tax receivable agreement with Cresco LLC, the Cresco Members and the Cresco LTIP Unitholders. Cresco Corp expects to obtain an increase in its share

of the tax basis of the assets of Cresco LLC when a Cresco Member receives cash or SVS in connection with a redemption or exchange of such Cresco Member's Common Units for SVS or cash.

The Tax Receivable Agreement provides for the payment by Cresco Corp to Cresco Members and Cresco LTIP Unitholders of 85% of the amount of tax benefits, if any, that Cresco Corp actually realizes, or in some circumstances is deemed to realize, as a result of the redemption and exchange transactions described above. This includes increases in the tax basis of the assets of Cresco LLC arising from such transactions, tax basis increases attributable to payments made under the Tax Receivable Agreement and deductions attributable to imputed interest and other payments of interest pursuant to the Tax Receivable Agreement. Cresco Corp expects to benefit from the remaining 15% of tax benefits, if any, that Cresco Corp may actually realize.

Cresco LLC generally treats such acquisition of Common Units as a direct purchase by Cresco Corp of Common Units from a Cresco Member for U.S. federal income and other applicable tax purposes, regardless of whether such Common Units are surrendered by a Cresco Member to Cresco Corp or the Company upon the exercise by Cresco Corp of its election to acquire such Common Units directly or the exercise by Cresco Corp to assign its rights to acquire such Common Units directly to the Company. Basis Adjustments may have the effect of reducing the amounts that Cresco Corp may otherwise owe in the future to various tax authorities. The Basis Adjustments may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The actual Basis Adjustments, as well as any amounts paid to the Cresco Members under the Tax Receivable Agreement, will vary depending on a number of factors, including:

- the timing of any subsequent redemptions or exchanges—for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of Cresco LLC at the time of each redemption or exchange;
- the price of SVS at the time of redemptions or exchanges—the Basis Adjustments, as well as any related increase in any tax deductions, is directly related to the price of SVS at the time of each redemption or exchange;
- the extent to which such redemptions or exchanges are taxable—if a redemption or exchange is not taxable for any reason, increased tax deductions will not be available; and
- the amount and timing of Cresco Corp's income—the Tax Receivable Agreement generally will require Cresco Corp to pay 85% of the tax benefits as and when those benefits are treated as realized under the terms of the Tax Receivable Agreement. If Cresco Corp does not have taxable income, it generally will not be required (absent a change of control or other circumstances requiring an early termination payment) to make payments under the Tax Receivable Agreement for that taxable year because no tax benefits will have been actually realized. However, any tax benefits that do not result in realized tax benefits in a given taxable year will likely generate tax attributes that may be utilized to generate tax benefits in previous or future taxable years. The utilization of any such tax attributes will result in payments under the Tax Receivable Agreement.

Cresco LLC has in effect an election under Section 754 of the U.S. Tax Code effective for each taxable year in which a redemption or exchange of Common Units for SVS or cash occurs. These Tax Receivable Agreement payments are not conditioned upon any continued ownership interest in either Cresco LLC or the Company by any Cresco Member. The rights of each Member under the Tax Receivable Agreement are assignable to transferees of its Common Units (other than Cresco Corp as transferee pursuant to subsequent redemptions or exchanges of the transferred Common Units), subject to the satisfaction of certain requirements.

For purposes of the Tax Receivable Agreement, cash savings in income and franchise taxes will be computed by comparing Cresco Corp's actual income and franchise tax liability to the amount of such taxes that Cresco Corp would have been required to pay had there been no Basis Adjustments and had the Tax Receivable Agreement not been entered into. The Tax Receivable Agreement will generally apply to each taxable year in which the Tax Receivable Agreement remains effective, beginning with the first taxable year ending after the completion of the Business Combination. There is no maximum term for the Tax Receivable Agreement; however, the Tax Receivable Agreement may be terminated by Cresco Corp pursuant to an early termination procedure that requires Cresco Corp

to pay the Cresco Members and Cresco LTIP Unitholders an agreed-upon amount equal to the estimated present value of the remaining payments to be made under the Tax Receivable Agreement (calculated based on certain assumptions, including regarding tax rates and utilization of the Basis Adjustments).

The payment obligations under the Tax Receivable Agreement are obligations of Cresco Corp and not of Cresco LLC. The actual timing and amount of any payments that may be made under the Tax Receivable Agreement will vary. Any payments made by Cresco Corp to Cresco Members and Cresco LTIP Unitholders under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to Cresco Corp (or to the Company or Cresco LLC) and, to the extent that Cresco Corp is unable to make payments under the Tax Receivable Agreement for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by Cresco Corp.

Decisions made by Cresco Corp in the course of running its business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may influence the timing and amount of payments that are received by a Cresco Member or Cresco LTIP Unitholder under the Tax Receivable Agreement. For example, the earlier disposition of assets following a transaction that results in a Basis Adjustment will generally accelerate payments under the Tax Receivable Agreement and increase the present value of such payments.

The Tax Receivable Agreement provides that if (i) Cresco Corp materially breaches any of its material obligations under the Tax Receivable Agreement; (ii) certain mergers, asset sales, other forms of business combinations, or other changes of control were to occur; or (iii) Cresco Corp elects an early termination of the Tax Receivable Agreement, then Cresco Corp's (or its successor's) obligations under the Tax Receivable Agreement would accelerate and become due and payable, based on certain assumptions, including an assumption that Cresco Corp would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement.

As a result, (i) Cresco Corp could be required to make cash payments to the Cresco Members and Cresco LTIP Unitholders that are greater than the specified percentage of the actual benefits it ultimately realizes in respect of the tax benefits that are subject to the Tax Receivable Agreement, and (ii) if Cresco Corp elects to terminate the Tax Receivable Agreement early, Cresco Corp would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, Cresco Corp's obligations under the Tax Receivable Agreement could have a material adverse effect on its or the Company's liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that Cresco Corp will be able to finance its obligations under the Tax Receivable Agreement.

Payments under the Tax Receivable Agreement will be based on the tax reporting positions that Cresco Corp determines. If any such position is subject to a challenge by a taxing authority the outcome of which would reasonably be expected to materially affect a recipient's payments under the Tax Receivable Agreement, then Cresco Corp will not be permitted to settle or fail to contest such challenge without the consent (not to be unreasonably withheld or delayed) of each Cresco Member that directly or indirectly owns at least 10% of the outstanding Common Units and LTIP Units. Cresco Corp will not be reimbursed for any cash payments previously made to any Cresco Member pursuant to the Tax Receivable Agreement if any tax benefits initially claimed by Cresco Corp are subsequently challenged by a taxing authority and ultimately disallowed. Instead, in such circumstances, any excess cash payments made by Cresco Corp to a Cresco Member or Cresco LTIP Unitholder will be netted against any future cash payments that Cresco Corp might otherwise be required to make under the terms of the Tax Receivable Agreement. However, Cresco Corp might not determine that it has effectively made an excess cash payment to the Cresco Members or Cresco LTIP Unitholders for a number of years following the initial time of such payment and, if Cresco Corp's tax reporting positions are challenged by a taxing authority, it will not be permitted to reduce any future cash payments under the Tax Receivable Agreement until any such challenge is finally settled or determined. As a result, it is possible that Cresco Corp could make cash payments under the Tax Receivable Agreement that are substantially greater than its actual cash tax savings.

Payments are generally due under the Tax Receivable Agreement within a specified period of time following the filing of Cresco Corp's U.S. federal income tax return (filed as a subsidiary of Cresco Labs Inc. pursuant to Section 1501 of the U.S. Tax Code) for the taxable year with respect to which the payment obligation arises, although interest on such payments will begin to accrue at a rate of the Secured Overnight Financing Rate ("**SOFR**") plus 100 basis points from the due date (without extensions) of such tax return. Any late payments that may be made under the Tax Receivable Agreement will continue to accrue interest at SOFR plus 500 basis points until such payments are made, including any late payments that Cresco Corp may subsequently make because Cresco Corp did not have enough available cash to satisfy its payment obligations at the time at which they originally arose.

SUPPORT AGREEMENT

Pursuant to the support agreement entered into by and among the Company, Cresco Corp and Cresco LLC (the " **Support Agreement**"), the Company will agree that, so long as any Common Units not owned by Cresco Corp or its affiliates are outstanding or Common Units are issuable pursuant to the exercise, conversion or exchange of any outstanding securities of Cresco LLC, the Company shall:

- take all such actions and do all such things as are reasonably necessary or desirable to enable and permit Cresco LLC, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of a redemption of Common Units by a holder thereof in respect of each issued and outstanding Common Unit upon a redemption of such Common Units by Cresco LLC and, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to enable and permit Cresco LLC to cause to be delivered PVS, SVS and/or amounts in cash, as applicable, to the holders of Common Units in accordance with the provisions of the A&R LLC Agreement, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions with respect to such Common Units (if any);
- take all such actions and do all such things as are reasonably necessary or desirable to enable and permit Cresco Corp, if it elects to effect an exchange of Common Units directly with the holder thereof, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of the redemption or exchange of Common Units by a holder thereof and, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to enable and permit Cresco Corp to cause to be delivered PVS, SVS and/or amounts in cash, as applicable, to the holders of Common Units in accordance with the provisions of the A&R LLC Agreement, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions with respect to such Common Units (if any);
- if Cresco Corp so elects, take all such actions and do all things as are reasonably necessary or desirable to effect the exchange of Common Units directly with the holder thereof, in accordance with applicable law, take all such actions and do all such things as are necessary or desirable to cause to be delivered directly PVS, SVS and/or amounts in cash, as applicable, to the holders of Common Units in accordance with the provisions of the A&R LLC Agreement, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions with respect to such Common Units (if any); and
- ensure that Cresco Corp does not exercise its vote as the manager of Cresco LLC to initiate the voluntary liquidation, dissolution or winding up of Cresco LLC nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of Cresco LLC.

The Company will further agree that, so long as any Cresco Redeemable Shares (if and when issued) not owned by the Company or its affiliates which are redeemable or exchangeable for PVS (or SVS, at the election of Cresco Corp and/or Cresco) are outstanding or any Cresco Redeemable Shares are issuable pursuant to the exercise, conversion or exchange of any outstanding securities of Cresco Corp, the Company shall:

- take all such actions and do all such things as are reasonably necessary or desirable to enable and permit Cresco Corp, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of a redemption of Cresco Redeemable Shares by a holder thereof in respect of each issued and outstanding Cresco Corp Redeemable Share upon the redemption of such Cresco Redeemable

Shares by Cresco Corp and, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to enable and permit Cresco Corp to cause to be delivered PVS, SVS and/or amounts in cash, as applicable, to the holders of Cresco Redeemable Shares in accordance with the articles of incorporation and bylaws of Cresco Corp, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions with respect to such Cresco Redeemable Shares (if any);

- upon the election of Cresco Corp for the Company to effect an exchange directly with a holder of Cresco Redeemable Shares, take all such actions and do all things as are reasonably necessary or desirable to effect the exchange of Cresco Redeemable Shares directly with the holder thereof, in accordance with applicable law, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to cause to be delivered directly PVS, SVS and/or amounts in cash, as applicable, to the holders of Cresco Redeemable Shares in accordance with the provisions of the articles of incorporation of Cresco Corp, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions (if any) with respect to such Cresco Redeemable Shares; and
- ensure that Cresco Corp is not voluntarily liquidated, dissolved or wound up nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of Cresco Corp.

The Support Agreement provides that in the event that a tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to PVS and/or SVS is proposed by the Company or is proposed to the Company or its shareholders and is recommended to the Company Board, or is otherwise effected or to be effected with the consent or approval of the Company Board, and the Common Units are not redeemed by Cresco LLC or purchased by Cresco Corp or the Company pursuant to the terms of the A&R LLC Agreement or the Cresco Redeemable Shares (if and when issued) are not redeemed by Cresco Corp or purchased by Cresco Corp or the Company pursuant to the terms of the articles of incorporation of Cresco Corp, the Company will use its reasonable efforts in good faith to take all such actions and do all such things as are necessary or desirable to enable and permit holders of Common Units (other than Cresco Corp and its affiliates) and Cresco Redeemable Shares (other than the Company and its affiliates) to participate in such offer to the same extent and on an economically equivalent basis as the holders of PVS and/or SVS, without discrimination. Without limiting the generality of the foregoing, the Company will use its reasonable efforts in good faith to ensure that holders of Common Units and Cresco Redeemable Shares (if and when issued) may participate in each such offer without being required to redeem Common Units as against Cresco LLC and Cresco Redeemable Shares against Cresco Corp (or, if so required, to ensure that any such retraction, shall be effective only upon, and shall be conditional upon, the closing of such offer and only to the extent necessary to tender or deposit to the offer). Nothing in the Support Agreement will limit the ability of the Company (or any of its subsidiaries including, without limitation, Cresco Corp or Cresco LLC) to make ordinary market purchases of SVS in accordance with applicable laws and regulatory and stock exchange requirements.

The Support Agreement provides that while any Common Units (or other rights pursuant to which Common Units may be acquired upon the exercise thereof) other than Common Units held by Cresco Corp or its affiliates are outstanding, and at all times while any Cresco Redeemable Shares (or other rights pursuant to which Cresco Redeemable Shares may be acquired upon the exercise thereof) other than Cresco Redeemable Shares held by the Company or its affiliates are outstanding, the Company will make available such number of PVS and/or SVS (or other shares or securities into which PVS and/or SVS may be reclassified or changed) without duplication equal to the sum of (i) the number of Common Units issued and outstanding from time to time; (ii) the number of Common Units issuable upon the exercise of all rights to acquire Common Units outstanding from time to time; (iii) the number of Cresco Redeemable Shares issued and outstanding from time to time; and (iv) the number of Cresco Redeemable Shares issuable upon the exercise of all rights to acquire Cresco Redeemable Shares outstanding from time to time in addition to any additional PVS and/or SVS as may be required to enable and permit the Company to meet its obligations under the A&R LLC Agreement, the Tax Receivable Agreement and under any other security or commitment pursuant to which the Company may be required to deliver PVS and/or SVS to any person, to enable and permit Cresco Corp to meet its obligations under each of the A&R LLC Agreement and the Tax Receivable Agreement with respect to the delivery of PVS and/or SVS and payment of the tax benefits contemplated under the Tax Receivable Agreement and to enable and permit Cresco LLC to meet its obligations under the Support Agreement and under the A&R LLC Agreement.

With the exception of changes for the purpose of (i) adding to the covenants of any or all of the parties; (ii) making such amendments or modifications not inconsistent with the Support Agreement as may be necessary or desirable with respect to matters or questions arising thereunder; or (iii) curing or correcting any ambiguities or defect or inconsistent provision or clerical omission or mistake or manifest errors (provided, in the case of (i), (ii) or (iii) that the board of directors of each of the Company and Cresco Corp and the manager of Cresco LLC are of the good faith opinion that such amendments are not prejudicial to the rights or interests of the holders of Common Units or Cresco Redeemable Shares), the Support Agreement may not be amended except by agreement in writing executed by Cresco LLC, Cresco Corp, and the Company and approved by the holders of a majority of the Common Units in accordance with the terms of the A&R LLC Agreement and a majority of the Cresco Redeemable Shares in accordance with the terms of the articles of incorporation and the bylaws of Cresco Corp.

MARKET FOR SECURITIES

Subordinate Voting Shares - Trading Price and Volume

The issued and outstanding SVS are listed and posted for trading on the CSE under the symbol “CL.” The following table sets forth the reported intraday high and low prices and monthly trading volumes of the SVS from January 1, 2023, up to December 31, 2023 (source: Yahoo).

Period	High Trading Price (in C$)	Low Trading Price (in C$)	Volume
January 2023	$2.85	$2.20	6,219,631
February 2023	$2.64	$2.30	3,787,128
March 2023	$2.76	$2.02	5,843,762
April 2023	$2.38	$1.77	6,159,690
May 2023	$2.65	$1.93	13,022,948
June 2023	$2.43	$1.96	6,149,459
July 2023	$2.52	$2.02	3,321,106
August 2023	$2.28	$1.35	10,153,651
September 2023	$3.78	$2.09	17,575,405
October 2023	$2.95	$1.45	5,205,932
November 2023	$2.48	$1.52	7,548,965
December 2023	$2.70	$1.73	4,689,295

Issuances of Cresco Securities Other than SVS

Issuance of Special Subordinate Voting Shares			
Date Issued	Number of Special Subordinate Voting Shares	Issue Price per Unit (C$)	Aggregate Issue Price (C$)
June 29, 2023	95,072,461	.0000213	2,025

CONSOLIDATED CAPITALIZATION

The following table summarizes the long-term notes payable and loans payable and share capital of Cresco and the Company as of December 31, 2023.

THE COMPANY	
($ in thousands)	
Total Long-term notes payable and loans payable	**$497,713**
Security	**Total**
Subordinate Voting Shares[(1)]	320,757,119
Proportionate Voting Shares[(2)]	18,949,596
Cresco Redeemable Units[(3)]	96,699,208
Special Subordinate Voting Shares	1,589
Shares Outstanding (on an as-converted to Subordinate Voting Share basis)	**436,407,512**
Options[(4)]	24,102,795
Restricted share units	6,861,649
Super Voting Shares[(5)]	500,000
Fully-Diluted Outstanding[(6)]	**467,871,956**

(1) SVS includes 209,782 net shares pending issuance or cancellation

(2) As discussed above under the heading "Description of the Securities", in order to maintain foreign private issuer status, certain US resident members of Cresco will receive PVS rather than SVS on a 1:200 basis. PVS carry voting and economic rights proportionate to SVS. Each PVS is convertible into 200 SVS. This table presents the PVS on an as-converted basis.

(3) Cresco Redeemable Units are convertible to PVS on a 200:1 basis and such PVS are convertible into SVS on a 1:200 basis.

(4) 24,102,795 options outstanding at a weighted average exercise price of $4.45 per SVS. 12,655,329 SVS reserved for future grants.

(5) Each carrying 2,000 votes. In the aggregate, the MVS represent approximately 75% voting control and are not convertible into SVS or other equity securities of the Company.

(6) Fully-Diluted Outstanding shares assumes conversion of all outstanding instruments which could have a dilutive effect (currently or in the future).

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of the Company's directors and executive officers, the person's name, age, state and country of residence, position with the Company, principal occupation(s) during the last five (5) years, and, if an existing officer of Cresco prior to the Business Combination, the date on which the person became such an officer. The Company's directors are elected annually and, unless re-elected, will retire from office at the end of the next annual general meeting of shareholders.

Directors and Officers

Name and State and Country of Residence	Age	Position(s) with the Company	Cresco Officer/Director Since	Principal Occupation(s)[1]	Number of Securities of Company Directly or Indirectly Held[2]
Charles Bachtell[6] Chicago, IL, United States	45	Chief Executive Officer and Director	03/2015	Chief Executive Officer, Cresco	16,372,915 / 3.70%
Dennis Olis Chicago, IL, United States	61	Chief Financial Officer	07/2020	Chief Financial Officer, Cresco	197,236 / 0.04%
John Schetz, Chicago, IL, United States	47	General Counsel	06/2018	General Counsel, Cresco	94,801 / 0.02%
Gregory Butler Chicago, IL, United States	44	President	02/2020	President, Cresco	81,817 / 0.02%
Angie Demchenko Chicago, IL, United States	43	Chief People Officer	07/2019	Chief People Officer, Cresco	62,845 / 0.01%
Jason Erkes Chicago, IL, United States	54	Chief Communications Officer	09/2018	Chief Communications Officer, Cresco	280,969 / 0.06%
Zach Marburger Chicago, IL, United States	38	Chief Information Officer	01/2019	Chief Information Officer, Cresco	123,536 / 0.03%
Carol Vallone[5][6][7] Manchester-by-the-Sea MA, United States	67	Director	07/2020	Director	110,091 / 0.02%
Robert M. Sampson[3] Chicago, IL, United States	48	Director	05/2015	EVP - CrossCountry Mortgage	10,986,388 / 2.48%
John R. Walter[5][7] Naples, FL, United States	77	Director	03/2017	Chairman, Ashlin Management Company	359,631 / 0.08%

Name and State and Country of Residence	Age	Position(s) with the Company	Cresco Officer/Director Since	Principal Occupation(s)[1]	Number of Securities of Company Directly or Indirectly Held[2]
Gerald Corcoran[3][6] Winnetka, IL, United States	68	Director	03/2017	CEO & Chairman of the Board of R.J. O'Brien & Associates, LLC	1,144,236 / 0.26%
Thomas Manning[6] Evanston, IL, United States	68	Director and Chairman	10/2016	Chairman, Cresco Board	233,760 / 0.05%
Randy D. Podolsky[3][4] Lincolnshire, IL, United States	69	Director	12/2016	Real Estate – Podolsky & Associates, Ltd	988,433 / 0.22%
Michele Roberts[4][7] New York, NY, United States	67	Director	06/2020	Director	20,000 / 0.00%
Marc Lustig Vancouver, BC Canada	50	Director	01/2020	Director	40,773 / 0.01%
Tarik Brooks[4] Los Angeles, CA United States	48	Director	05/2021	Executive President Combs Enterprises	108,091 / 0.02%

Notes:
(1) For prior occupations of each director and officer for the last 5 years, if applicable, please see biographies below.
(2) Includes as-converted holdings of PVS, SVS, MVS, SSVS and Cresco LLC Redeemable Units. Excludes all options outstanding and unvested restricted stock units.
(3) Denotes members of the audit committee for the Company. The Company's audit committee meets the composition requirement for "venture issuers" as set out in NI 52-110.
(4) Denotes member of the nominating and governance committee of the Company.
(5) Denotes member of the compensation committee of the Company.
(6) Denotes member of the executive committee.
(7) Denotes member of the special committee regarding corporate organizational structure.

As of the date of this AIF, the directors and executive officers of the Company (as listed in this AIF), as a group, beneficially owned, or controlled or directed, directly or indirectly, on a non-diluted basis, a total of (i) 3.4 million SVS, representing approximately 1.0% of the total number of outstanding SVS, (ii) 1.4 million PVS (as-converted), representing approximately 6.1% of the total number of outstanding PVS, (iii) 1,589 SSVS (as-converted), representing all of the outstanding SSVS, (iv) 0.4 million MVS, representing 80.0% of the total number of outstanding MVS, and (v) 26.0 million Cresco LLC Redeemable Units, representing approximately 27.2% of the total number of outstanding Cresco LLC Redeemable Units.

Biographies
The following are brief profiles of the Company's executive officers and directors.

Charles Bachtell, *Chief Executive Officer and Director*

Charles Bachtell serves as a director and the Company's Chief Executive Officer. Prior to joining the Company, Mr. Bachtell served for eight (8) years as the Executive Vice President and General Counsel of Guaranteed Rate. Mr.

Bachtell's past experience as an attorney brings with him legal expertise in both corporate governance and regulatory compliance. Mr. Bachtell is a founding member of the Illinois Cannabis Bar Association and cannabis industry trade associations in IL, PA and OH. He is the current Chairman of the National Cannabis Roundtable. Mr. Bachtell also serves as an adjunct Professor at Northwestern University Pritzker School of Law, where he teaches a course on the legal and regulatory issues in the emerging cannabis industry.

Dennis Olis, *Chief Financial Officer*

Dennis Olis serves as the Company's Chief Financial Officer. He has more than 20 years of operational management, financial planning and analysis, accounting, financial reporting, tax, internal audit, treasury and mergers and acquisitions experience. Prior to joining the Company, Mr. Olis served as the Chief Financial Officer of AllScripts, and prior to his service as Chief Financial Officer at AllScripts, he held a variety of senior finance and operations positions at Motorola Inc.

John Schetz, *General Counsel*

John Schetz serves as the Company's General Counsel. Prior to joining the Company, Mr. Schetz served as Executive Vice President, General Counsel and Secretary of Stericycle, Inc., where he was responsible for global legal affairs. Prior to his tenure at Stericycle, Mr. Schetz was a partner in the Corporate Department of McDermott Will & Emery LLP in Chicago. Mr. Schetz's experience as a partner in a large law firm and as chief legal officer of a multinational public company brings to the Company a broad and deep understanding of legal and business matters across multiple industries.

Gregory Butle*r, President*

Greg Butler serves as the Company's President. Prior to joining the Company, Mr. Butler served as Operational Partner at MINIMAL, a global award-winning design firm, overseeing MNML Ventures, the creative capital accelerator of MINIMAL. Prior to his service at MINIMAL, Mr. Butler worked at MillerCoors where he led the Miller Family of brands, a $2 billion portfolio, overseeing more than $225 million in annual spend. Mr. Butler brings to the Company a strong background in driving brand growth for top-tier CPG companies and business growth and capital management strategic advising for leading private equity portfolio companies.

Angie Demchenko, *Chief People Officer*

Angie Demchenko is responsible for overseeing all aspects of human resources, its practices and operations to meet the needs of the constantly evolving business. Previously, she served as Vice President, Head of Human Resources for Starwood Retail Partners, the retail real estate arm of Starwood Capital Group and leading operator of shopping malls and lifestyle centers. In addition, she was the Vice President, Human Resources for General Growth Properties, one of the largest shopping mall owners in the U.S. prior to its acquisition by Brookfield Property Partners, and Senior Vice President, Human Resources for Jones Lang LaSalle, a Fortune 500 commercial real estate services firm.

Jason Erkes, *Chief Communications Officer*

A seasoned communications strategist, Jason Erkes joined Cresco Labs' leadership team in 2018 after serving as a consultant since the Company's inception in 2013. He is responsible for directing the Company's internal and external communications strategy. He has been a journalist, political advisor, entrepreneur, turnaround expert, community leader and philanthropist throughout his career. In 2020, he was named one of the Top 10 Most Influential Communications Professionals to Watch in Cannabis by Green Market Report.

Zach Marburger, *Chief Information Officer*

Zach Marburger is the Company's Chief Information Officer. He is responsible for overseeing the technological and data infrastructure throughout the organization and designing, scaling and implementing technological systems and

data platforms to optimize the customer experience. As an entrepreneur, he was previously involved in Colorado's cannabis technology industry. He was the founder and CEO of Whaxy, a startup offering software tools like menu management and online ordering for cannabis retail dispensaries and businesses. It was acquired by cannabis technology platform MassRoots in 2016. In addition, he was also the co-founder and CEO of Topple Track, a startup providing a scalable, self-serve, content monitoring platform for musicians and record labels, which was acquired by Symphonic Distribution in 2015.

Carol Vallone, *Director*

Carol Vallone serves as a director of the Company. Ms. Vallone serves as chair of the board of trustees at McLean Hospital, a freestanding psychiatric hospital and the largest psychiatric affiliate of Harvard Medical School. She also serves on the board of trustees at Massachusetts General Hospital Institute of Health Professions, and on the finance committee at Mass General Brigham. Additionally, Ms. Vallone serves on the board of directors of the Bain Capital Double Impact portfolio company, Arosa; as an Advisory Director for the private investment firm Berkshire Partners; and as an advisory board member of the healthcare-focused venture growth firm, Longitude Capital. She has also served as CEO and board member of multiple tech-enabled services companies, and as a board member of private and public healthcare, e-commerce and financial services organizations.

Robert M. Sampson, *Director*

Robert Sampson serves as a director of the Company. Mr. Sampson has more than 20 years of operating experience in large business, including 12 years in the heavily regulated mortgage industry, having served as Chief Operating Officer at Guaranteed Rate, a retail mortgage bank. As the former Chief Operating Officer of Cresco, Mr. Sampson oversaw the construction of two 40,000 square foot cement precast structures and one 30,000 square foot hybrid greenhouse structure and was responsible for all facility operations and systems including the design and implementation of fertigation and irrigation systems, inventory control systems, compliance process procedures, audits, security and IT. Mr. Sampson is currently Executive Vice President of CrossCountry Mortgage, a mortgage firm based in Cleveland.

John R. Walter, *Director*

John R. Walter serves as a director of the Company. Mr. Walter is Chairman of Ashlin Management Company, a private investment and management services firm. He is the retired President and Chief Operating Officer of AT&T Corporation, a position he held from 1996 to 1997, and retired Chairman and Chief Executive Officer of R.R. Donnelley & Sons Company, a position he held from 1989 through 1996. Mr. Walter also serves as the Chairman of The Conservancy of Southwest Florida. Mr. Walter served as a Director of Manpower Inc. from 1998 to 2019 and served as Non-Executive Chairman of the company from 1999 to 2001. He previously served on the boards of other companies, including ecoAmerica, Innerworkings, Echo Global Logistics, VASCO Data Securities, Media Bank, LLC, Groupon, Deere & Company, Abbott Laboratories, Inc., AT&T Corporation, Target Corporation and Jones Lang LaSalle. Mr. Walter is on the Board of Trustees for Steppenwolf Theater, Northwestern University and The Naples Children & Education Foundation.

Gerald Corcoran, *Director*

Gerry Corcoran serves as a director of the Company. Mr. Corcoran has served as Chief Executive Officer of R.J. O'Brien & Associates, LLC since 2000 and Chairman of the Board since 2007. In July 2014, Mr. Corcoran was elected Chairman of the FIA (formerly Futures Industry Association) and he served in that position until March 2016. Following that time, he was elected Treasurer of the FIA Board of Directors, serving in that role until March 2017. Corcoran serves on the FIA's Executive Committee. He has been a member of FIA's Board of Directors since March 2008 and served as Vice Chairman from March 2013 until July 2014. He also serves on the Board of Directors of the National Futures Association, the self-regulatory organization for the futures industry.

Thomas Manning, ***Chairman and Director***

Thomas Manning serves as the Chairman of the Board of Directors of the Company. Mr. Manning is the former Chairman and Chief Executive Officer of Dun & Bradstreet, a leading provider of corporate information and analytics. Mr. Manning serves as a director of CommScope and ChinData. He is also a Senior Fellow at Harvard University's Advanced Leadership Initiative, an executive-in-residence at the Booth School of Business at the University of Chicago and a former adjunct faculty member at the University of Chicago Law School for 5 years, where he taught corporate governance, private equity, innovation and US-China relations. He was based in Hong Kong for nearly 20 years and served as CEO of Cerberus Capital Asia, Capgemini Asia and Ernst & Young Consulting Asia and as a senior partner at Bain & Company. During the past decade, he served on the boards of various publicly listed Chinese companies, including Bank of Communications, Gome Electrical Appliances, AsiaInfo-Linkage, iSoftStone and Clear Media. Earlier in his career, he was extensively involved in the medical field as the founder and CEO of a biomedical device company and a founder of McKinsey's health care consulting practice.

Randy D. Podolsky, ***Director***

Randy D. Podolsky serves as a director of the Company. He has served the entrepreneurial, corporate, institutional and not-for-profit commercial real estate clients for over 40 years and served as Managing Principal of his firm from 1986 to 2015. Now operating under the name of Riverwoods Development Partners, Mr. Podolsky provided personalized transaction and contract negotiation and advisory services to financial institutions, users, owners and not-for-profits for all facets of commercial real estate. Mr. Podolsky recently served as a board member and chair of the real estate committee of the Waukegan Port District, which owns and operates Waukegan Harbor & Marina, the Port of Waukegan and Waukegan National Airport. Mr. Podolsky is an active volunteer member of the U.S. Coast Guard Auxiliary since 1991 and served as the elected District Commodore of the Ninth Western Region in 2009 and 2010.

Michele Roberts, ***Director***

Ms. Roberts serves as a director of the Company. From 2014 to 2022, Ms. Roberts has served as the Executive Director of the National Basketball Players Association (the "**NBPA**"), working on behalf of NBA players to ensure their rights are protected and are fairly compensated for the value they bring to the sport and their impact on society. Prior to joining the NBPA, she was a trial lawyer with Skadden, Arps, Slate, Meagher & Flom. Her practice focused on complex civil and white-collar criminal litigation before state and federal courts and in administrative proceedings. Ms. Roberts is a Fellow of the American College of Trial Lawyers. She worked for eight (8) years in the office of the Public Defender Service for the District of Columbia, where she was named Chief of the Trial Division and served as counsel in more than 40 jury trials. Ms. Roberts is a frequent lecturer and presenter to both the bench and bar on a variety of topics related to litigation and trial practice. She taught trial advocacy as an adjunct member of the faculty at Harvard Law School and was an instructor with the National Institute of Trial Advocacy.

Marc Lustig, ***Director***

Marc Lustig serves as a director of the Company. Mr. Lustig was the founder and Chief Executive Officer of Cannabis Royalties & Holdings Corp. (Origin House), a leading distributor of cannabis products including its owned brands in California and other markets. Following the acquisition of Origin House by Cresco in January 2020, Mr. Lustig oversaw capital markets activities for Cresco, including executing on the Company's capital strategy, until he left such role in mid-2021. He was also responsible for managing relationships with Cresco's various capital markets stakeholders. In addition to being a director of the Company, Mr. Lustig is the Chairman of Trichome Financial Corp., Chairman of IMC Cannabis and is a director of Pharmacielo Ltd and Aequus Pharmaceuticals.

Tarik Brooks, ***Director***

Tarik Brooks serves as a director of the Company. Mr. Brooks has served as the President of Combs Enterprises since August 2020. Before becoming President of Combs Enterprises, Mr. Brooks held other executive roles at

Combs Enterprises, including Chief Operating Officer from June 2019 to July 2020, Vice President, Office of the Chairman from February 2018 to May 2019 and Chief of Staff, Office of the Chairman from May 2017 to December 2017. Prior to Combs Enterprises, he was a Senior Management Associate for Bridgewater Associates from November 2013 to March 2017.

Cease Trade and Bankruptcy

None of the Company's directors or executive officers has, within the 10 years prior to the date of this AIF, been a director, chief executive officer or chief financial officer of any company (including the Company) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the Company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

None of the Company's directors or executive officers has, within the 10 years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such director or executive officer, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of the Company has: (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

To the best of the Company's knowledge, there are no known existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company as a result of their outside business interests except that certain of the Company's or its subsidiaries' directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

PROMOTERS

No person or company has been within the two years immediately preceding the date of this AIF, a promoter of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the Company's knowledge, there are no legal proceedings or regulatory actions material to the Company to which it is a party, or has been a party to, or of which any of its property is or was the subject matter of and no such proceedings or actions are known by the Company to be contemplated.

There have been no material penalties or sanctions imposed against the Company by a court or regulatory authority, and the Company has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and elsewhere in this AIF no director, executive officer or unitholder or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the voting securities of the Company, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction within the three years before the date of this AIF which has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Marcum LLP and the transfer agent and registrar for the SVS, PVS, SSVS and MVS is Odyssey Trust Company at its principal offices in Calgary, Alberta.

MATERIAL CONTRACTS

The Company is a party to the following material contracts:

- Support Agreement entered into by and among the Company, Cresco Corp and Cresco LLC (see the " *Description of Capital Structure – Support Agreement*" section for greater detail.);
- Tax Receivable Agreement entered into by and among Cresco Corp, Cresco LLC, the Cresco Members and the Cresco LTIP Unitholders (see the "*Description of Capital Structure – Tax Receivable Agreement* " section for greater detail.);
- A&R LLC Agreement (see the " *Description of Capital Structure – Description of Unit Capital of Cresco – A&R LLC Agreement* " section for greater detail.);
- Senior Secured Term Loan Agreement entered into by and among the Company, a third-party administrative agent, and a syndicate of lenders (see the "*General Development of the Business – Debt Financing Activities* " section for greater detail.); and
- Mortgage Loans agreement entered into by and among the JDRC Ellenville, LLC, a subsidiary of the Company and a third-party lender (see the "*General Development of the Business – Debt Financing Activities* " section for greater detail.).

INTERESTS OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of a filing made by the Company under National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") or as having prepared or certified a report or valuation described or included in a filing made by the Company under NI 51-102 holds any beneficial interest, direct or indirect, in any securities or property of Cresco or of an associate or affiliate of Cresco and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of Cresco or of an associate or affiliate of Cresco and no such person is a promoter of Cresco or an associate or affiliate of Cresco. Marcum LLP is independent of the Company under the standards of the Public Company Accounting Oversight Board and the rules and regulations of the United States Securities and Exchange Commission.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Company's management information circular dated May 24, 2023, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov/edgar. Additional financial information is provided in the Financial Statements and MD&A, which are also available on SEDAR+ and EDGAR. Additional information relating to the Company can also be found under the Company's profile on SEDAR+ and EDGAR.

GLOSSARY

The following is a glossary of certain general terms used in this AIF including in the summary hereof. Terms and abbreviations used in the financial statements appended to this AIF are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**180 Smoke**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**2021 Shelf Prospectus**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**2023 Shelf Prospectus**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**2023 Registration Statement**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**AIDS**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**AIF**" has the meaning ascribed thereto under the heading *"General."*

"**ALS**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**AO LTIP Unit**" means a unit of Cresco LLC which is designated as an " **Appreciation Only LTIP Unit**" in the applicable vesting agreement or other documentation pursuant to which such AO LTIP Unit is granted or issued, having the rights, powers, privileges, restrictions, qualifications and limitations set forth in Exhibit A to the A&R LLC Agreement in respect of the holder thereof, as well as any applicable vesting agreement or other documentation pursuant to which such AO LTIP Unit is granted or issued.

"**API**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**A&R LLC Agreement**" means the Amended and Restated Limited Liability Company Agreement of Cresco LLC, entered into by Cresco LLC and each of the members of Cresco LLC on November 30, 2018.

"**ATM Program**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**Basis Adjustments**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**BATFE**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**Bluma**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**Bluma Agreement**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**Business Combination**" means the business combination among Randsburg and Cresco LLC pursuant to which Cresco LLC completed a reverse take-over of Randsburg.

"**Canadian Securities Administrators**" refers to an umbrella organization of Canada's provincial and territorial securities regulators.

"**CBD**" means Cannabidiol.

"**CBP**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**CCC**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**CDS**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**CEO**" means Chief Executive Officer.

"**Cole Memo**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**Common Unit**" means those units designated by Cresco LLC after Cresco LLC effected a recapitalization of its outstanding unit capital in connection with the Business Combination, whereby under such recapitalization all previously issued Cresco LLC Units were combined into a single class of non-voting units of Cresco LLC.

"**Company**" has the meaning ascribed thereto under the heading *"General."*

"**Company Board**" means the board of directors of the Company as the same is constituted from time to time.

"**Conversion Ratio**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**COVID-19**" has the meaning ascribed thereto under the heading *"Cautionary Statement Regarding Forward-Looking Information."*

"**CPG**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**CRA**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Cresco**" has the meaning ascribed thereto under the heading *"General."*

"**Cresco Corp**" means Cresco U.S. Corp., a corporation existing under the laws of the state of Illinois.

"**Cresco Labs**" has the meaning ascribed thereto under the heading *"General."*

"**Cresco LLC**" means Cresco Labs, LLC, a limited liability company existing under the laws of the state of Illinois.

"**Cresco LLC Units**" means the Class A units, Class B units, Class C units, Class D units, Class E units and Class F units in the capital of Cresco LLC existing prior to the recapitalization of Cresco LLC in connection with the completion of the Business Combination.

"**Cresco LTIP Unitholder**" means the holders of the LTIP Units.

"**Cresco Members**" means the holders of Cresco LLC Units.

"**Cresco Ohio**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Cresco Redeemable Shares**" means the non-voting common shares in the capital of Cresco.

"**Cresco Redeemable Units**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**Cresco Voting Share**" means the voting common shares in the capital of Cresco.

"**Cresco Yeltrah**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**CRTA**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**CSA**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**CSE**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Cultivate**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**Cure Penn**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**DEA**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**DOJ**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization as reported in the financial records of the Company, or the financial records of any other company, or segment thereof, against whom the performance of the Company is being compared.

"**Ellenville**" has the meaning ascribed thereto under the heading *"Debt Financing Activities."*

"**Encanto**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**Farm Bill**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**FDA**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**Financial Statements**" has the meaning ascribed thereto under the heading *"General."*

"**FinCEN Memo**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**FV LTIP Unit**" means a unit of Cresco LLC which is designated as a " **Full Value LTIP Unit** " in the applicable vesting agreement or other documentation pursuant to which such FV LTIP Unit is granted or issued, having the rights, powers, privileges, restrictions, qualifications and limitations set forth in Exhibit A to the A&R LLC Agreement in respect of the holder thereof, as well as any applicable vesting agreement or other documentation pursuant to which such FV LTIP Unit is granted or issued.

"**GAAP**" refers to Generally Accepted Accounting Principles in the U.S. These are the accounting principles, standards, and procedures issued by the Financial Accounting Standards Board (FASB) and must be followed for companies file their financial statement with the SEC (Securities and Exchange Commission).

"**HCA**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**HIV**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Holder**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**Holder's Group**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**IDFPR**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**IDOA**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**ILLCA**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**ISP**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**IT**" has the meaning ascribed thereto under the heading *"Cautionary Statement Regarding Forward-Looking Information."*

"**January 2021 Offering**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**LARA**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Laurel Harvest**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**LIBOR**" means the London Inter-bank Offered Rate.

"**LTIP Units**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**MD&A**" has the meaning ascribed thereto under the heading *"General."*

"**MDOH**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**METRC**" an end-to-end tracking and tracing software for marijuana plants and products provided by Franwell Inc.

"**Michigan Cannabis Regulations**" a comprehensive licensing and tracking scheme comprised of the Michigan Medical Marihuana Act, the Medical Marihuana Facilities Licensing Act and the Marihuana Tracking act.

"**Michigan Qualified Purchaser**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Michigan Registry ID**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**MIPs**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**MJDS**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**MJ Freeway**" means MJ Freeway Inc. a corporation providing cloud-based, seed-to-sale, cannabis compliance software for marijuana businesses including retail, delivery, wholesale, cultivation and manufacturing.

"**Mortgage Loans**" has the meaning ascribed thereto under the heading *"Debt Financing Activities."*

"**MOU**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**MTA**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**MUMP**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**MVS**" means the non-participating Super Voting Shares in the capital of the Company.

"**MVS Holder**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**NBPA**" has the meaning ascribed thereto under the heading *"Directors and Executive Officers."*

"**NY Licenses**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**NYSDOH**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**OCM**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**One Plant**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**OMMU**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Origin House**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**PBIC**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**PDOH**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Pre-Combination LLC Agreement**" means the Cresco LLC limited liability company agreement dated October 8, 2013, as amended and restated as of March 28, 2015, and as further amended and restated as of March 17, 2018, and as of July 1, 2018.

"**Profits Interests**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**Proportionate Voting Shares**" means the Proportionate Voting Shares in the capital of the Company.

"**PTSD**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**PVS**" has the meaning ascribed thereto under the heading *"Corporate Structure."*

"**Randsburg**" has the meaning ascribed thereto under the heading *"Corporate Structure."*

"**Registered Organization**" means an organization allowed to hold vertically-integrated licenses and service qualified patients and caregivers, under the Compassionate Care Act, enacted by the New York Legislature and Governor in July 2014.

"**Registration Statement**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**Regulatory Counsel**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**SAFE Banking Act**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**SEC**" means the U.S. Securities & Exchange Commission.

"**Section 280E**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**SEED**™" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**seed-to-sale**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Senior Loan**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**Share Repurchase**" has the meaning ascribed thereto under the heading *"Corporate Structure."*

"**SKU**" means stock-keeping unit.

"**SOFR**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**SOPs**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Special Conversion Ratio**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**Spyder**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**SSVS**" means the special subordinate voting shares in the capital of the Company.

"**Staff Notice 51-352**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**Subordinate Voting Share**" means the Subordinate Voting Shares in the capital of the Company.

"**Super Voting Shares**" means the non-participating Super Voting Shares in the capital of the Company.

"**Support Agreement**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**SVS**" means the Subordinate Voting Shares in the capital of the Company.

"**T&T**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Tax Receivable Agreement**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**THC**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

"**Treasury Regulations**" refers to the United States Treasury Regulations issued by the United States Internal Revenue Service, a bureau of the United States Department of the Treasury.

"**Triggering Event**" has the meaning ascribed thereto under the heading *"Description of Capital Structure."*

"**TRA Parties**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**Up-C**" refers to a newly formed parent company, organized as a corporation, and it subsidiary, the pre-public offering operating entity, structured as an LLC.

"**U.S.**" has the meaning ascribed thereto under the heading *"General."*

"**USD**" has the meaning ascribed thereto under the heading *"General."*

"**USPTO**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**U.S. Tax Code**" has the meaning ascribed thereto under the heading *"Risk Factors."*

"**Valley Ag**" has the meaning ascribed thereto under the heading *"Description of the Business."*

"**Verdant**" has the meaning ascribed thereto under the heading *"General Development of the Business."*

Exhibit 99.5

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

This management discussion and analysis ("***MD&A***") of the financial condition and results of operations of Cresco Labs Inc. (the* "***Company,***" "***Cresco Labs,***" "***we***," *or* "***our***"*) is dated March 15, 2024 and has been prepared as of and for the years ended December 31, 2023 and 2022. It is supplemental to, and should be read in conjunction with, the Company's audited Consolidated Financial Statements and accompanying notes as of and for the years ended December 31, 2023 and 2022, and the Company's Annual Information Form for the year ended December 31, 2023, filed on SEDAR+ and EDGAR. The Company's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (*"***GAAP***"). Financial information presented in this MD&A is presented in United States (* "***U.S.***"*) dollars (*"***USD***" *or* "***$***"*) unless otherwise indicated.*

The Company has provided certain supplemental non-GAAP financial measures in this MD&A. Where the Company has provided such non-GAAP financial measures, we have also provided a reconciliation to the most comparable GAAP financial measure. Please see the information under the heading "*Non-GAAP Financial Measures*" *for additional information on the Company's use of non-GAAP financial measures.*

This MD&A contains certain "*forward-looking statements*" *and certain* "*forward-looking information*" *as defined under applicable U.S. securities laws and Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading* "*Cautionary Statement Regarding Forward-Looking Information,*" *located at the beginning of the Company's Annual Information Form for the year ended December 31, 2023, filed on SEDAR+ and EDGAR. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information. Please refer to the discussion of risks and uncertainties set out under the heading* "*Risk Factors,*" *located within the Company's Annual Information Form for the year ended December 31, 2023, filed on SEDAR+ and EDGAR.*

OVERVIEW OF THE COMPANY

Cresco Labs was incorporated in the Province of British Columbia on July 6, 1990 and is licensed to cultivate, manufacture and sell cannabis and cannabis-based products. As of December 31, 2023, the Company operates in and/or has subsidiaries located in California, Florida, Illinois, Massachusetts, Michigan, New York, Ohio and Pennsylvania.

Cresco Labs is primarily engaged in the business of cultivating medical-grade cannabis, manufacturing medical- grade products derived from cannabis cultivation and distributing such products to medical or adult-use consumers in legalized cannabis markets. Cresco Labs exists to provide high-quality and consistent cannabis-based products to consumers. Cresco Labs' business focuses on regulatory compliance while working to develop condition-specific strains of cannabis and non-invasive delivery methods (alternatives to smoke inhalation) to provide controlled-dosage medicinal cannabis relief to qualified patients and consumers in legalized cannabis markets. As of December 31, 2023, the Company was operating three (3) adult-use and medical cannabis cultivation and manufacturing centers, five (5) adult-use and medical dispensary locations and five (5) adult-use dispensary locations in Illinois; two (2) medical cannabis growing and processing facilities and fourteen (14) medical dispensary locations in Pennsylvania; one (1) medical cannabis cultivation and processing center and five (5) medical dispensary locations in Ohio; one (1) adult-use and medical cannabis cultivation facility in California; three (3) adult-use and medical cannabis cultivation and manufacturing centers, one (1) medical dispensary location, one (1) adult-use dispensary location and two (2) adult-use and medical dispensary locations in Massachusetts; one (1) medical cannabis manufacturing facility and four (4) medical dispensary locations in New York; one (1) adult-use and medical cannabis facility and processing center in Michigan; and one (1) medical cannabis cultivation and manufacturing facility and thirty-three (33) medical dispensary locations in Florida.

For additional information on wholly-owned or effectively controlled subsidiaries and affiliates of Cresco Labs, refer to Note 2 under the heading "*Basis of Consolidation*" of the Company's Consolidated Financial Statements for the years ended December 31, 2023 and 2022.

During 2019, the Company announced a new dispensary brand, Sunnyside *®[1]. Sunnyside* was created to accelerate industry growth by shifting consumer expectations and perceptions around shopping for cannabis from intimidation and doubt to curiosity and acceptance through a new trial and marketing approach. During 2023, the Company opened twelve (12) Sunnyside* dispensaries in Florida and four (4) dispensaries in Pennsylvania. As of December 31, 2023, the Company operated ten (10) Sunnyside* dispensaries in Illinois, fourteen (14) dispensaries in Pennsylvania, five (5) dispensaries in Ohio, four (4) dispensaries in Massachusetts, four (4) dispensaries in New York and thirty-three (33) dispensaries in Florida. During the first quarter of 2024, the Company opened one (1) additional Sunnyside* location in Gettysburg, Pennsylvania, bringing the total number of dispensaries in the state to fifteen (15). The Company's portfolio of owned cannabis consumer-packaged goods includes Cresco®[1], High Supply®[2], Mindy's™, Good News®[2], Remedi™, Wonder Wellness Co.®[2] and FloraCal® Farms[2]. The Company distributes and markets these products both to third-party licensed retail cannabis stores across the U.S. and to Cresco Labs' owned retail stores.

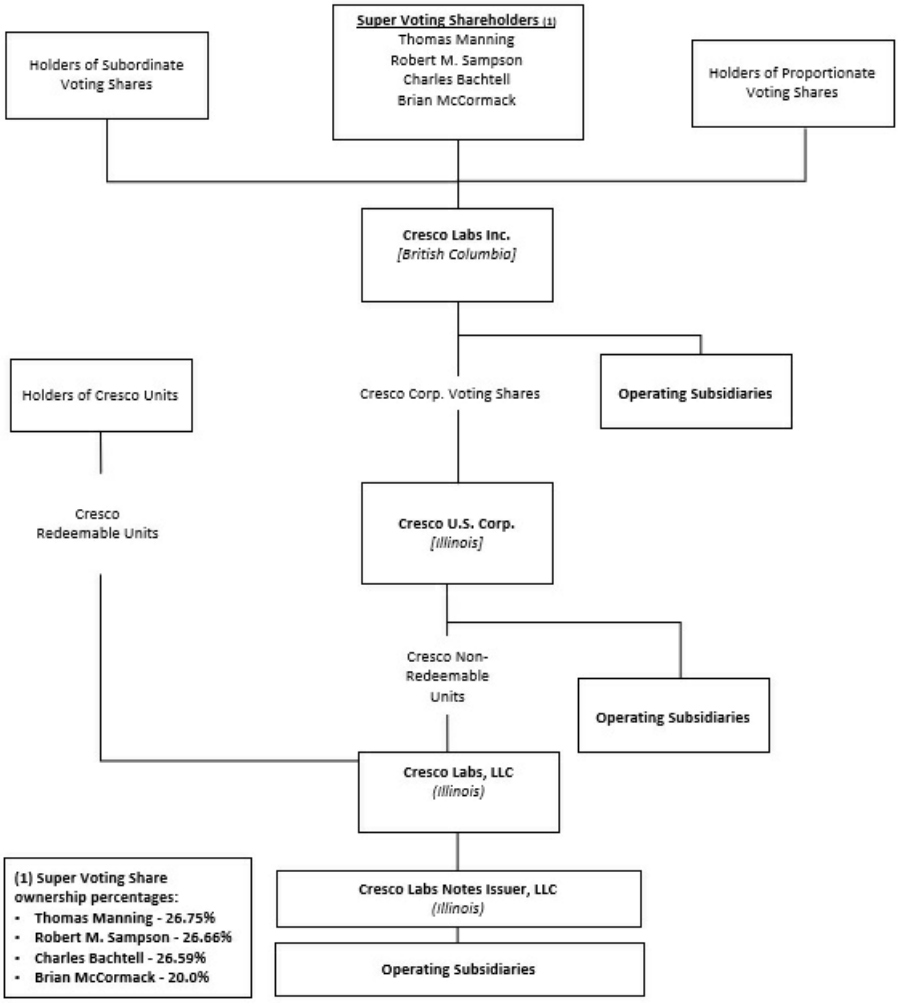
Cresco Labs' corporate headquarters is located at Suite 110, 400 W. Erie St, Chicago, IL 60654 and the registered office is located at Suite 2500, 666 Burrard Street, Vancouver, BC V6C 2X8. The Company employs approximately 2,760 people across the organization as of December 31, 2023.

[1]The Sunnyside*® (inclusive of the stand-alone asterisk mark) and Cresco® brands maintain federal trademark registrations for websites pertaining to medical cannabis and cannabis educational services, as well as multiple state trademark registrations.

[2] The High Supply®, Good News®, Wonder Wellness Co.® and FloraCal® Farms brands maintain federal trademark registrations for apparel and multiple state trademark registrations.

CORPORATE STRUCTURE

Set forth below is the condensed organization chart of the Company as of March 15, 2024 .



RECENT DEVELOPMENTS

During the fourth quarter of 2023, the Company completed the sale of assets at our Encanto Green Cross Dispensary in Arizona. Assets included finished inventory products, property and equipment, license and other certain intangible assets. Liabilities included current and long-term leases. The transaction closed on October 18, 2023 following receipt of required regulatory approvals.

On September 26, 2023, JDRC Ellenville, LLC ("**Ellenville**") an indirect subsidiary of the Company entered into a loan agreement to borrow an undiscounted principal amount of $25.3 million (the "**Mortgage Loans**"). Borrowings under the terms of the Mortgage Loans bear an initial interest rate of 8.4% per annum, which is equal to the Federal Home Loan Bank Five Year Classic Regular Advance Rate, plus a 375 basis point spread. The Mortgage Loans have an effective interest rate of 10.2%. The Mortgage Loans are secured, among other things, by real estate in Ellenville, New York and improvements thereto, and converts to a permanent term loan on the conversion date of November 1, 2028.

On September 22, 2023, the Company amended the senior secured term loan (the "**Amended Senior Loan**") pursuant to which certain terms of the original Senior Loan were modified and consent was provided for the Company to among other things, enter into the Mortgage Loans.

On August 17, 2023, the Company received a receipt for a short form base shelf prospectus with the securities commissions in each of the provinces of Canada, and filed a corresponding shelf registration statement on Form F-10 with the U.S. Securities and Exchange Commission ("**SEC**") under the U.S. and Canadian Multijurisdictional Disclosure System. The base shelf prospectus replaces the 2021 base shelf prospectus that had recently expired. The Company has no immediate plans to raise funds under the base shelf prospectus.

During the second quarter of 2023, the Company sold a production facility in Maryland. Certain assets related to the sale were disposed of during the second quarter of 2023.

On March 23, 2022, the Company announced it had entered into a definitive arrangement agreement (as amended, the " **Arrangement Agreement**") with Columbia Care Inc. (" **Columbia Care**") to acquire all of the issued and outstanding shares of Columbia Care pursuant to a statutory plan of arrangement in an all-share transaction (the "**Columbia Care Transaction** "). On June 30, 2023, it was announced that the Company will not be able to complete the necessary divestitures required to obtain regulatory approvals to close the Columbia Care Transaction by the outside date of June 30, 2023 that was specified in the Arrangement Agreement. On July 30, 2023, the Company and Columbia Care mutually agreed to terminate the Arrangement Agreement, including all divestitures associated with the Columbia Care Transaction.

COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

For the years ended December 31, 2023 and 2022, approximately 60.3% and 56.4%, respectively, of our revenue was derived from Company-owned retail dispensary locations. Revenue from the wholesale of cannabis products represents the remaining 39.7% and 43.6%, respectively, for the same periods.

Gross profit

Gross profit is calculated as revenue less cost of goods sold (" **COGS**"). COGS includes the direct costs attributable to the cultivation and production of the products sold and is comprised of the following:

- Direct labor costs: Include all salaries, benefits and taxes for all employees at the cultivation and manufacturing facilities.
- Direct supplies: Include direct material costs for maintenance of the plant, supplies and nutrients, production expenses, packaging costs and equipment used to process marijuana.
- Facility expenses: The facility expenses for the cultivation operations is the cost for the facility, utilities, property taxes, maintenance and costs associated with monitoring the security systems.

- Other operating expenses: Include all costs associated with the facility itself including insurance, community benefit fees, professional services related to licenses and compliance, uniforms, employee training programs, tracking and inventory management systems, product testing, business development, information technology, license renewal fees and certain excise taxes.

In addition to market fluctuations, cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis products. The changes in regulatory environments may create fluctuations in gross profit over comparative periods. Additionally, gross profit may include the cost of inventory required to be marked to fair value as part of purchase accounting in a business combination.

*Selling, general and administrative expenses ("**SG&A**")*

SG&A consist of salary and benefit costs of employees, consulting and professional fees, advertising and marketing, legal, accounting fees, office and retail operation costs, share-based compensation, certain excise taxes, technology, insurance, security, travel and entertainment, and rent expense.

Selling costs generally correlate to revenue. As a percentage of sales, we expect SG&A to generally decrease as our revenue increases due to efficiencies associated with scaling the business, while market conditions and investments in growing the business may contribute to increases as a percentage of sales in some periods.

For the three months and years ended December 31, 2023 and 2022, SG&A was comprised of the following:

($ in thousands)	**2023**	**2022**	**2023**	**2022**
	(unaudited)			
Payroll and employee costs	$ 31,253	$ 38,650	$ 141,177	$ 157,034
Facility expenses	4,169	6,714	19,739	27,260
Depreciation and amortization	9,978	6,015	24,538	20,635
Excise taxes	3,223	3,769	14,829	17,752
Share-based compensation	2,278	4,319	12,924	19,664
Rental fees	3,263	3,329	13,208	10,738
Consulting and professional fees	3,620	8,281	12,206	25,229
Legal	27	2,164	8,267	11,794
Selling and marketing expenses	616	2,928	8,296	15,575
Computer and software expense	1,927	5,846	9,038	13,595
Business insurance	2,170	2,592	9,217	8,666
Accounting	1,704	1,265	7,294	4,367
Travel and employee expenses	685	1,013	3,005	4,318
Loss on sale of asset	—	678	—	2,406
Other expenses	4,110	2,965	15,434	11,620
Total SG&A	**$ 69,023**	**$ 90,528**	**$ 299,172**	**$ 350,653**

Other income, net

Other income, net consists mainly of reoccurring gains (losses) on investments, foreign currency as well as ad hoc expenses such as gain (loss) on lease termination and gain (loss) on disposition of assets. These gains (losses) do not generally correlate to revenue and do not include interest expense, net, which when added to Other income, net, sum to Total other expense, net discussed in the "*Selected Financial Information*" section below.

For the three months and years ended December 31, 2023 and 2022, Other income, net consisted of the following:

($ in thousands)	**2023**	**2022**	**2023**	**2022**
	(unaudited)			
Unrealized gain on derivative liabilities - warrants	$ —	$ —	$ —	$ 1,184
Realized loss on financial instruments	(94)	—	(94)	(5,698)
(Loss) gain on provision - loan receivable	(57)	(54)	(314)	572
Unrealized loss on investments held at fair value	16	(447)	(406)	(4,609)
Gain on disposal of assets	411	31	762	14,711
Gain on conversion of investment	—	—	—	22
(Loss) gain on foreign currency	(236)	1,195	(303)	931
(Loss) gain on lease termination	—	(367)	1,263	4,876
Other income, net	10	2,163	832	3,238
Total Other income, net	**$ 50**	**$ 2,521**	**$ 1,740**	**$ 15,227**

Income Taxes

The Company is classified for U.S. federal income tax purposes as a U.S. corporation under Section 7874 of the Internal Revenue Code (" **IRC**"). The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the cannabis industry, the Company is subject to the limits of IRC Section 280E for U.S. federal income tax purposes as well as state income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to the cost of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. However, certain states including California, Illinois, Maryland, Massachusetts, Michigan and New York do not conform to IRC Section 280E and, accordingly, the Company generally deducts all operating expenses on its income tax returns in these states.

SELECTED FINANCIAL INFORMATION

The Company reports results of operations of its affiliates from the date that control commences, either through the purchase of the business, through a management agreement or through other arrangements that grant such control. The following selected financial information includes only the results of operations after the Company established control of its affiliates. Accordingly, the information included below may not be representative of the results of operations if such affiliates had included their results of operations for the entire reporting period. For discussion of our fiscal 2022 results of operations and comparison with fiscal 2021 results of operations, please refer to "Management's Discussion and Analysis of Financial Conditions and Results of Operations" filed on SEDAR+ on March 21, 2023 and on EDGAR on March 22, 2023.

Summary of Unaudited Quarterly Results

($ in thousands)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues, net	$ 188,237	$ 190,559	$ 197,887	$ 194,202	$ 199,580	$ 210,484	$ 218,226	$ 214,391
Income (loss) from operations	27,099	(107,756)	(10,752)	3,586	(143,479)	16,240	22,677	20,267
Net income (loss) attributable to Cresco Labs Inc.	2,635	(115,572)	(36,534)	(26,051)	(161,337)	(9,788)	(13,541)	(27,381)
Basic and Diluted EPS	$ 0.01	$ (0.34)	$ (0.12)	$ (0.09)	$ (0.54)	$ (0.03)	$ (0.05)	$ (0.09)

Three Months Ended December 31, 2023 Compared to the Three Months Ended December 31, 2022

The following tables set forth selected consolidated financial information for the periods indicated that are derived from our Consolidated Financial Statements and the respective accompanying notes prepared in accordance with GAAP.

The selected unaudited consolidated financial information set out below may not be indicative of the Company's future performance:

	Three Months Ended December 31,			
($ in thousands)	2023	2022	$ Change	% Change
Revenues, net	$ 188,237	$ 199,580	$ (11,343)	(5.7) %
Cost of goods sold	92,091	111,876	(19,785)	(17.7) %
Gross profit	96,146	87,704	8,442	9.6 %
Selling, general and administrative	69,023	90,528	(21,505)	(23.8) %
Impairment loss	24	140,655	(140,631)	(100.0) %
Total operating expenses	69,047	231,183	(162,136)	(70.1) %
Total other expense, net	(14,281)	(13,383)	(898)	6.7 %
Income tax benefit	(7,950)	(23,761)	15,811	(66.5) %
Net income (loss)[1]	**$ 4,868**	**$ (180,623)**	**$ 185,491**	(102.7) %

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

Revenues, net

Revenue for the three months ended December 31, 2023 decreased $11.3 million, or 5.7%, compared to the three months ended December 31, 2022. The decrease in revenue was primarily driven by price compression in Illinois and Ohio, increased competition in the Pennsylvania wholesale market, and the Company's reduced California operations compared to the prior year period. The decrease was partially offset by retail growth in Pennsylvania and Florida driven by new store openings compared to the prior year period.

COGS and Gross profit

COGS for the three months ended December 31, 2023, decreased $19.8 million, or 17.7%, compared to the three months ended December 31, 2022. The decrease was primarily attributable to lower sales, reduced California and Arizona operations, and overall production related efficiencies.

Gross profit increased by $8.4 million, or 9.6%, for the three months ended December 31, 2023, compared to the three months ended December 31, 2022. The increase in gross profit was primarily driven by the restructure of the California operations and production related efficiencies. As a percentage of revenue, net, gross profit was 51.1% and 43.9% for the three months ended December 31, 2023 and 2022, respectively. The increase in gross profit as a percentage of revenue, net was driven by a higher percentage of total sales generated from higher margin states and production related efficiencies.

SG&A

Selling, general and administrative expenses for the three months ended December 31, 2023 decreased $21.5 million, or 23.8%, compared to the three months ended December 31, 2022. The decrease was primarily attributable to a reduction in payroll and employee costs, including incentive compensation, due to restructuring activities, lower consulting and legal fees related to 2022 spend for the Columbia Care Transaction, as well as overall cost control initiatives.

Impairment loss

Total impairment for the three months ended December 31, 2023 decreased $140.6 million compared to the three months ended December 31, 2022. The decrease was due to $140.7 million of impairment charges related management's commitment to a plan to restructure certain operations and activities in California, as well as impairments to goodwill, indefinite-lived intangible assets and leases recorded to Arizona, Massachusetts and Maryland reporting units based on changes in cash flow forecasts and projections recorded in the fourth quarter of 2022.

Total other expense, net

Total other expense, net for the three months ended December 31, 2023 increased $0.9 million, or 6.7%, compared to the three months ended December 31, 2022, primarily driven by a decrease in Other Income, net due to a one time sales tax recovery received in the fourth quarter of 2022, offset by an decrease in Interest expense, net due to the Company making the final payment of Laurel Harvest Labs, LLC ("**Laurel Harvest**") deferred consideration in the second quarter of 2023.

Provision for income taxes

Income tax expense for the three months ended December 31, 2023 decreased $15.8 million, or 66.5%, compared to the three months ended December 31, 2022. This decrease was primarily due to the valuation allowance recorded against net deferred tax assets related to the California operations in the fourth quarter of 2022 and a decrease to the tax receivable agreement of $2.9 million in the fourth quarter of 2023.

Net income (loss)

The Company generated $4.9 million of net income for the three months ended December 31, 2023, compared to a net loss of $180.6 million for the three months ended December 31, 2022. The change is primarily related to impairment charges in the fourth quarter of 2022.

Three years selected financial information

	Year Ended December 31,		
($ in thousands)	**2023**	**2022**	**2021**
Revenues, net	$ 770,885	$ 842,681	$ 821,682
Loss from operations	(87,823)	(84,295)	(217,351)
Net loss attributable to Cresco Labs Inc.	(175,522)	(212,047)	(319,597)
Basic and Diluted EPS	$ (0.54)	$ (0.71)	$ (1.22)

	December 31,	December 31,	December 31,
($ in thousands)	**2023**	**2022**	**2021**
Total Assets	$ 1,358,467	$ 1,583,692	$ 1,780,463
Non-current lease liabilities[(1)]	163,811	173,345	133,691
Total non-current financial liabilities	497,713	476,891	465,079

(1) December 31, 2022 balances have been updated to reflect current year presentation changes. See *Critical Accounting Polices* for additional information.

During the year ended December 31, 2023, the Company saw reductions in revenue compared to the prior year primarily due to increased competition and price promotions in Illinois, along with reduced operations in California, Arizona and Maryland. During the year ended December 31, 2022, the Company generally saw continued growth in the states where it operated in 2021, with the notable exceptions of California, where revenue declined due to a strategic shift to discontinue certain third-party brand sales to focus on Cresco-owned brands, and Illinois, where revenue declined due to price compression and increased market competition. The 2023 and 2022 results above include $151.0 million and $140.7 million of impairment charges, respectively, which are further explained in the *Impairment loss* section below.

Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

The following tables set forth selected consolidated financial information for the periods indicated that are derived from our Consolidated Financial Statements and the respective accompanying notes prepared in accordance with GAAP.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	Year Ended December 31,			
($ in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Revenues, net	$ 770,885	$ 842,681	$ (71,796)	(8.5) %
Costs of goods sold	408,519	435,668	(27,149)	(6.2) %
Gross profit	362,366	407,013	(44,647)	(11.0) %
Selling, general and administrative	299,172	350,653	(51,481)	(14.7) %
Impairment loss	151,017	140,655	10,362	7.4 %
Total operating expenses	450,189	491,308	(41,119)	(8.4) %
Total other expense, net	(59,079)	(42,610)	(16,469)	38.7 %
Income tax expense	(32,950)	(88,938)	55,988	(63.0) %
Net loss[1]	**$ (179,852)**	**$ (215,843)**	**$ 35,991**	(16.7) %

[1]Net loss includes amounts attributable to non-controlling interests.

Revenues, net

Revenue for the year ended December 31, 2023 decreased $71.8 million, or 8.5%, compared to the year ended December 31, 2022. The decrease in revenue was primarily driven by increased competition and price promotions in Illinois, decreased wholesale sales in Pennsylvania, along with reduced operations in California, Arizona and Maryland compared to the prior year. This was partially offset by retail growth in Pennsylvania and Florida driven by the opening of additional stores during 2023, along with additional wholesale revenue generated in Michigan driven by increased production capacity.

COGS and Gross profit

COGS for the year ended December 31, 2023 decreased $27.1 million, or 6.2%, compared to the year ended December 31, 2022. The decrease was primarily attributable to lower sales, reduced California, Arizona and Maryland operations, offset by an increase in sales and expanded facility costs in Michigan in 2023 and increased sales in Florida.

Gross profit decreased by $44.6 million, or 11.0%, for the year ended December 31, 2023, compared to the year ended December 31, 2022. The decrease in gross profit was primarily driven by decreased sales. As a percentage of Revenue, net, Gross profit was 47.0% and 48.3% for the year ended December 31, 2023 and December 31, 2022,

respectively. The decrease in gross profit as a percentage of revenue, net was driven by a price compression and lower fixed cost absorption on lower revenue in 2023.

SG&A

Selling, general and administrative expenses for the year ended December 31, 2023 decreased $51.5 million, or 14.7% compared to the year ended December 31, 2022. The decrease was primarily attributable to reductions in payroll and employee costs, including incentive compensation due to restructuring activities, lower consulting and legal fees related to 2022 spend for the Columbia Care Transaction, as well as overall cost control initiatives.

Impairment loss

Total impairment for the year ended December 31, 2023 increased $10.4 million compared to the year ended December 31, 2022. During the year ended December 31, 2023, the Company determined it is more likely than not that the Arizona, California, Florida, Massachusetts and New York reporting units' carrying value exceeded their fair value due to updated forecasts and projections for these reporting units. As a result, $151.0 million of impairment charge reducing the carrying value of intangible assets and goodwill were recognized in the Consolidated Statements of Operations. The increase in impairment in 2023 was offset by $140.7 million of impairment charges recorded during 2022, primarily relating to management's commitment to a plan to restructure certain operations and activities within the California reporting unit as well as impairments to goodwill, indefinite-lived intangible assets and leases recorded to the Arizona, Massachusetts and Maryland reporting units based on changes in cash flow forecasts and projections.

Total other expense, net

Total other expense, net for the year ended December 31, 2023 increased $16.5 million, or 38.7%, compared to the year ended December 31, 2022. The increase in expense was primarily driven by a one-time gain recognized in 2022 related to related to the sale and leaseback transactions at the Brookville, Pennsylvania facility.

Provision for income taxes

Income tax expense for the year ended December 31, 2023, decreased $56.0 million, or 63.0%, compared to the year ended December 31, 2022. The decrease was primarily due to the impact of additional states decoupling from IRC Section 280E, lower year to date gross profit, and a decrease to deferred tax liabilities resulting from impairment charges recognized mainly in Florida and New York.

Net loss

Net loss for the year ended December 31, 2023, decreased $36.0 million compared to the year ended December 31, 2022. The decrease in net loss was primarily driven by lower operating expenses and less income tax expense, offset by lower revenue.

NON-GAAP FINANCIAL MEASURES

Earnings before interest, taxes, depreciation and amortization (“ **EBITDA**”**)** and Adjusted EBITDA are non-GAAP financial measures and do not have standardized definitions under GAAP and may not be comparable to similar measures presented by other issuers. The Company has provided the non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspectives and insights when analyzing the core operating performance of the business. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for, or as an alternative to and should only be considered in conjunction with, the GAAP financial measures presented herein. Accordingly, the Company has included below reconciliations of the supplemental non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

($ in thousands)	Three Months Ended December 31, 2023	2022	$ Change	% Change	Year Ended December 31, 2023	2022	$ Change	% Change
Net income (loss)[1]	$ 4,868	$ (180,623)	$ 185,491	(102.7) %	$ (179,852)	$ (215,843)	$ 35,991	(16.7) %
Depreciation and amortization	20,252	14,462	5,790	40.0 %	62,512	51,930	10,582	20.4 %
Interest expense, net	14,331	15,904	(1,573)	(9.9) %	60,819	57,837	2,982	5.2 %
Income tax expense	7,950	23,761	(15,811)	(66.5) %	32,950	88,938	(55,988)	(63.0) %
EBITDA (non-GAAP)	**$ 47,401**	**$ (126,496)**	**$ 173,897**	(137.5) %	**$ (23,571)**	**$ (17,138)**	**$ (6,433)**	37.5 %
Other income, net	(50)	(2,521)	2,471	(98.0) %	(1,740)	(15,227)	13,487	(88.6) %
Fair value mark-up for acquired inventory	—	—	—	— %	—	5,466	(5,466)	(100.0) %
Adjustments for acquisition and other non-core costs	4,434	12,714	(8,280)	(65.1) %	31,570	35,732	(4,162)	(11.6) %
Impairment loss	24	140,655	(140,631)	(100.0) %	151,017	140,655	10,362	7.4 %
Share-based compensation	3,017	5,271	(2,254)	(42.8) %	16,356	23,221	(6,865)	(29.6) %
Adjusted EBITDA (non-GAAP)	**$ 54,826**	**$ 29,623**	**$ 25,203**	**85.1 %**	**$ 173,632**	**$ 172,709**	**$ 923**	**0.5 %**

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

Adjusted EBITDA (non-GAAP)

Adjusted EBITDA, a non-GAAP financial measure, excludes depreciation and amortization; interest expense, net; income taxes; other income, net; share-based compensation; adjustments for acquisition and other non-core costs and adjustments for the fair value mark-up for acquired inventory. Non-core costs include non-operating costs such as costs related to restructuring, loss on sale of assets, unique legal expenses and other expenses that are mostly one-time in nature. Adjusted EBITDA was $54.8 million for the three months ended December 31, 2023, compared to $29.6 million for the three months ended December 31, 2022. The increase in adjusted EBITDA of $25.2 million is primarily due to a reduction in payroll and employee costs due to restructuring activities, along with a decrease in operating expenses due to cost control initiatives. Adjusted EBITDA was $173.6 million for the year ended December 31, 2023, compared to $172.7 million for the year ended December 31, 2022. The increase in adjusted EBITDA of $0.9 million is primarily driven by a reduction in payroll and employee costs due to restructuring activities, along with a decrease in operating expenses due to cost control initiatives.

CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Company's Consolidated Financial Statements under GAAP requires management to make estimates, judgments and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised for the current as well as future periods that are affected.

We believe that our accounting policies and estimates that require the most significant judgments and assumptions are discussed below.

i. Goodwill and Indefinite-Lived Intangible Asset Impairment

The Company relies on a number of factors, including historical results, business plans, forecasts, market data and discount rates. An estimated fair value is determined using the present value of estimated future cash flows under this methodology, and any excess of recorded goodwill over estimated fair value is written off through impairment expense. Key estimates include perpetual growth rates ranging from 2.0% to 3.0% and discount rates ranging between 13.0% and 18.5% based on the pre-tax weighted average cost of capital of each reporting unit and other peers in the industry weighted-average cost of capital, and forecasts. Changes in the conditions for these judgments can significantly affect the assessed value of goodwill and indefinite-lived intangible assets. We completed our annual evaluation for impairment of goodwill and indefinite-lived intangible assets during the fourth quarter of 2023. The evaluation indicated that the fair value estimates of our reporting units exceeded their carrying values by sufficient margins and no additional impairments were required.

ii. Impairment of Long-lived Assets

The Company measures impairment by comparing the carrying value to the estimated fair value of long-lived assets, which is primarily by using the projected future cash flows based on forecasted data. Long-lived assets include, but are not limited to, property and equipment, right of use assets, and definite-lived intangible assets. When impairment exists, the related assets are written down to fair value.

iii. Income Tax

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Our most significant permanent and temporary differences relate to Section 280E, amortization and impairment charges. The Company reviews the adequacy of these provisions at the end of the reporting period. In addition to uncertain tax positions discussed below, our most significant underlying assumptions reviewed is the estimated timing and realization of deferred tax assets and related valuation allowance. However, it is possible that at some future date an additional liability could result from audits by taxing authorities, and it is possible that there could be non-income based tax or other liabilities (including distribution liabilities to non-controlling interest holders which are based on income taxes) that result from these audits. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Any impact to non-income-based taxes and other liabilities are evaluated in accordance ASC 450 *Contingencies*.

Uncertain tax positions are recognized and measured using a two-step process: (1) determine whether a benefit may be recognized and (2) measure the amount of the benefit. Tax benefits from uncertain tax positions may be recognized only if it is more likely than not that the tax position is

sustainable based on its technical merits. Uncertain tax positions are evaluated at the individual tax position level. The tax benefit is measured by using a cumulative probability model: the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Any interest or penalties related to uncertain tax positions are recognized within Income taxes payable in the Consolidated Balance Sheets. During the second quarter of 2023, Illinois decoupled from the application of IRC Section 280E for any cannabis establishment operating in the state of Illinois and licensed under the Cannabis Regulation and Tax Act and/or Compassionate Use of Medical Cannabis Program Act beginning for taxable years beginning on or after January 1, 2023.

iv. Contingencies

The Company is subject to lawsuits, investigations and other claims related to employment, commercial, regulatory and other matters that arise out of operations in the normal course of business. At each reporting period, the Company reviews the status of each significant matter and assesses the potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable, and the amount can be reliably estimated, such amount is recognized in other accrued expenses.

Contingent liabilities are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

v. Inventory

In calculating final inventory values, management compares the inventory cost to estimated net realizable value. The net realizable value of inventories represents the estimated selling price of inventory in the ordinary course of business, less all estimated costs of completion and costs necessary to complete the sale. The determination of net realizable value requires significant judgment including consideration of factors such as shrinkage, the aging of and future demand for inventory and the future selling price the Company expects to realize by selling the inventory. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. As a result, the actual amount received on sale could differ from estimates. Periodic reviews are performed on the inventory balance and the impact of changes in inventory reserves is recorded in Cost of goods sold.

vi. Expected Credit Loss ("ECL") on Receivables

The Company calculates ECLs in accordance with ASC 326 Financial Instruments - Credit Losses using the Current ECL methodology. The Company develops a provision matrix and measures the expected credit losses based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors. In developing a provision matrix, the Company (1) determines the appropriate groupings of receivables into categories of shared credit risk characteristics, (2) determines historical loss rates, (3) considers forward-looking macro-economic factors and adjusts historical loss rates to reflect relevant future economic conditions, (4) calculates expected credit losses and (5) concludes on the accounting implications. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, temporary, qualitative adjustments may be made using expert credit judgment. The allowance the Company records, if any, is the sum of these probability-weighted outcomes.

The critical accounting estimates below do not represent a material estimate in the preparation of our 2023 consolidated financial statements; however, these estimates have in the past been and are likely in the future to be significant based on our current policies.

(i) Business Combinations and Asset Acquisitions

Determination of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business. The classification can have a significant impact on the accounting on and subsequent to the acquisition date.

(ii) Share-Based Compensation

In determining the fair value of share-based awards for the purpose of calculating compensation expense, key estimates such as the rate of forfeiture of awards granted, the expected life of options, the volatility of the Company's stock price and the risk-free interest rate are used. For awards with performance conditions, additional estimates for the probability of achievement of performance-based goals are also necessary.

(iii) Fair Value Measurements

Fair value is defined as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on a specified date. The Company estimates fair value of financial instruments in accordance ASC 820 *Fair Value Measurement*, using quoted market prices whenever available and utilizing standard pricing models in situations where quoted market prices are not available.

Changes in Accounting Polices

On October 1, 2023, the Company elected to change its accounting policy related to the computation of short-term versus long-term lease liabilities. Previously, the current portion of the lease liability was determined by summing the present value of lease payments for the next 12 months. Under the new methodology, the current portion of the lease liability is now calculated by summing the next 12 months lease liability reduction. The Company implemented the change to better leverage automated lease accounting software and further streamline its month-end and quarter-end close processes. Both methodologies are allowable under GAAP. The change was applied retrospectively, and all prior periods presented in the consolidated financial statements have been adjusted in accordance with the updated policy.

Recently Issued Accounting Standards

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) — Improvements to Income Tax Disclosures* . The ASU expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The ASU requires that an entity disclose specific categories in the effective tax rate reconciliation as well as provide additional information for reconciling items that meet a quantitative threshold. Further, the ASU requires certain disclosures of state versus federal income tax expense and taxes paid. The amendments in this ASU are required to be adopted for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. Early adoption is permitted. The amendments should be applied on a prospective basis with retrospective application permitted. The Company is currently assessing the impact of the disclosure requirements on our consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) — Improvements to Reportable Segment Disclosures*. This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments in this ASU retrospectively to all prior periods presented in the financial statements. The Company is currently assessing the impact of the disclosure requirements on its consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC Disclosure Update and Simplification Initiative*. The amendments in this update represent changes to clarify or improve disclosure and presentation requirements of a variety of Topics in the ASC. The amendments should be applied on a prospective basis and allow users to more easily compare entities subject to SEC's existing disclosure with those entities that were not previously subject to the SEC's requirements. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently accessing the impact on our consolidated financial statements.

Reclassifications

As of December 31, 2022, $17.2 million of current portion lease liabilities were reclassified to non-current leases liabilities, and $7.8 million of short-term borrowings of financing liabilities were reclassified to long-term notes and loans payable as disclosed on the Consolidated Balance Sheets and the notes hereto. Certain amounts from unaudited prior interim periods have also been reclassified to conform with the report classifications of the current period. The current portion of lease liabilities were reduced by $17.4 million, $17.1 million and $15.9 million, as of March 31, 2023, June 30, 2023, and September 30, 2023, respectively. Non-current lease liabilities were increased by the same amounts for each respective period. Short-term borrowings were reduced by $7.5 million, $7.2 million and $6.8 million as of March 31, 2023, June 30, 2023, and September 30, 2023, respectively. Long-term notes and loans payable were increased by the same amounts for each respective period. The reclassifications had no effect on previously reported total current assets, total liabilities, total shareholders' equity, retained earnings, Consolidated Statements of Operations or Consolidated Statements of Cash Flows.

Separately presented, as of December 31, 2022, the Company broke out Additional paid-in-capital balances previously included in Share Capital on the Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity. The reclassifications had no effect on total liabilities and shareholders' equity.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity are cash and cash equivalents from the operations of our business and debt and equity offerings. Our principal uses of cash include working capital related items, capital expenditures, debt and tax related payments. Additionally, we may use cash for acquisitions and other investing or financing activities.

As of December 31, 2023, the Company held $103.4 million in cash and cash equivalents and $5.1 million in restricted cash compared to December 31, 2022, where the Company held $119.3 million in cash and cash equivalents and $2.2 million in restricted cash.

The Company is generally able to access private and/or public financing through, but not limited to, institutional lenders, such as the Amended Senior Loan of $400.0 million, effective August 12, 2021, and amended on September

22, 2023. Ellenville also entered into a $25.3 million loan on September 26, 2023, secured by real estate and improvements thereto. In addition, the Company has received and has access to private loans through individual investors and private and public equity raises.

The Company expects cash on hand and cash flows from operations, along with the private and/or public financing options discussed above, will be adequate to meet capital requirements and operational needs for the next twelve months.

We cannot guarantee this will be the case, or that our assumptions regarding revenues and expenses underlying this belief will be accurate. If, in the future, we require more liquidity than contemplated, we may need to raise additional funds through debt and/or equity offerings. Adequate funds may not be available when needed or may not be available on terms favorable to us. If additional funds are raised by issuing equity securities, dilution to existing shareholders may result. If we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our operational flexibility and would also require us to fund additional interest expense. If funding is insufficient at any time in the future, we may be unable to develop or enhance our products or services, take advantage of business opportunities, or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

Cash Flows

Operating Activities

Net cash provided by operating activities was $58.6 million for the year ended December 31, 2023, a increase of $39.8 million compared to $18.7 million of cash provided by operating activities during the year ended December 31, 2022. The $39.8 million increase was primarily attributable to reductions in payroll and employee costs due to restructuring activities, lower consulting and legal fees related to 2022 spend for the Columbia Care Transaction, as well as overall cost control initiatives.

Investing Activities

Net cash used in investing activities was $44.6 million for the year ended December 31, 2023, an increase of $8.0 million compared to $36.6 million used in investing activities during the year ended December 31, 2022. The increase in net cash used in investing activities was primarily driven by proceeds received from sale and leaseback transactions in the prior year period, partially offset by less current year capital expenditures and the proceeds received related to the sale of assets in Maryland and Arizona during 2023.

Financing Activities

Net cash used in financing activities was $26.9 million for the year ended December 31, 2023, a decrease in cash used of $59.7 million compared to $86.6 million for the year ended December 31, 2022. The decrease was primarily driven by a $43.6 million decrease in distributions to non-controlling interest redeemable unit holders and other members, including related parties, offset by net $18.2 million of cash inflow related to the proceeds received from the Mortgage Loans in the third quarter of 2023.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have a current or future effect on financial performance or financial condition, including without limitation, such considerations as liquidity and capital resources.

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations as of December 31, 2023:

($ in thousands)	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
Accounts payable & Accrued liabilities	$ 95,817	$ —	$ —	$ —	$ 95,817
Operating leases liabilities	28,417	58,172	58,726	161,249	306,564
Finance lease liabilities	4,882	10,166	10,357	18,337	43,742
Deferred consideration, long-term	—	6,577	—	—	6,577
Long-term notes payable and loans payable and Short-term borrowings	23,347	428,276	29,522	122,112	603,257
Tax receivable agreement liability	1,065	2,587	3,199	7,713	14,564
Other long-term liabilities	—	7,886	—	—	7,886
Total obligations as of December 31, 2023	**$ 153,528**	**$ 513,664**	**$ 101,804**	**$ 309,411**	**$ 1,078,407**

RELATED PARTY TRANSACTIONS

(a) Transactions with Key Management Personnel and Certain Board Members

Related parties, including key management personnel and certain board members, hold 85.1 million Redeemable Units of Cresco Labs, LLC, which accounts for a deficit of $71.5 million in Non-controlling interests as of December 31, 2023. During the years ended December 31, 2023 and 2022, 71.2% and 74.4%, respectively, of required tax distribution payments to holders of Cresco Labs, LLC were made to related parties including to key management personnel and certain board members.

(b) Related Parties - Leases

For the years ended December 31, 2023 and 2022, the Company had lease liabilities for real estate lease agreements in which the lessors have a minority interest in SLO Cultivation, Inc. (“SLO”) and MedMar Inc. (“MedMar”). The lease liabilities were incurred in January 2019 and May 2020 and expire in 2027 through 2030, except for the leases associated with SLO minority interest holders (“SLO Leases”). During the second quarter of 2022, the Company exercised its early termination right to reduce the SLO Leases term to 180 days. This early termination resulted in a reduction in lease liability and ROU assets. The remaining liability for the SLO Leases expired in the fourth quarter of 2022.

The Company has liabilities for real estate leases and other financing agreements in which the lessor is Clear Heights Properties where Dominic Sergi, Super Voting Shares (“MVS”) shareholder December 31, 2023, is Chief Executive Officer. The liabilities were incurred by entering into operating leases, finance leases and other financing transactions with terms that will expire in 2030. During the years ended December 31, 2023 and 2022, the Company received tenant improvement allowance reimbursements of $nil and $1.4 million, respectively. The Company expects to receive further reimbursements of $0.7 million within the next twelve months.

Below is a summary of the expense resulting from the related party lease liabilities for the years ended December 31, 2023 and 2022:

($ in thousands)	Classification	Year Ended December 31, 2023	2022
Operating Leases			
Lessor has minority interest in SLO	Rent expense	$ —	$ 513
Lessor has minority interest in MedMar	Rent expense	288	288
Lessor is an MVS shareholder	Rent expense	1,187	1,187
Finance Leases			
Lessor has minority interest in MedMar	Depreciation expense	$ 306	$ 306
Lessor has minority interest in MedMar	Interest expense	246	270
Lessor is an MVS shareholder	Depreciation expense	90	81
Lessor is an MVS shareholder	Interest expense	69	76

Additionally, below is a summary of the ROU assets and lease liabilities attributable to related party lease liabilities as of December 31, 2023 and December 31, 2022:

($ in thousands)	December 31, 2023 ROU Asset	December 31, 2023 Lease Liability	December 31, 2022 ROU Asset	December 31, 2022 Lease Liability
Operating Leases				
Lessor has minority interest in MedMar	$ 1,294	$ 1,345	$ 1,415	$ 1,456
Lessor is an MVS shareholder	5,332	5,429	5,849	5,907
Finance Leases				
Lessor has minority interest in MedMar	$ 1,729	$ 2,210	$ 2,034	$ 2,452
Lessor is an MVS shareholder	583	502	596	555

The Company has other financing liabilities with related parties associated with certain properties. For both the years ended December 31, 2023 and 2022, the Company recorded interest expense on those finance liabilities of $0.3 million. As of December 31, 2023 and 2022, the Company had finance liabilities totaling $1.4 million and $1.5 million, respectively. All of these finance liabilities are due to an entity controlled by an MVS shareholder.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments are held at amortized cost (adjusted for impairments or expected credit losses, as applicable) or fair value. The carrying values of financial instruments held at amortized cost approximate their fair values as of December 31, 2023 and December 31, 2022, due to their nature and relatively short maturity date. Financial assets and liabilities with embedded derivative features are carried at fair value.

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 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.

There have been no transfers into or out of level 3 during the periods ended December 31, 2023 and December 31, 2022.

The following tables summarize the Company's financial instruments as of December 31, 2023 and December 31, 2022:

	December 31, 2023				
($ in thousands)	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:					
Cash and cash equivalents	$ 103,429	$ —	$ —	$ —	$ 103,429
Restricted cash[1]	5,091	—	—	—	5,091
Security deposits[2]	4,408	—	—	—	4,408
Accounts receivable, net	51,070	—	—	—	51,070
Loans receivable, short-term	1,421	—	—	—	1,421
Loans receivable, long-term	826	—	—	—	826
Investments	—	49	81	600	730
Financial Liabilities:					
Accounts payable	$ 27,587	$ —	$ —	$ —	$ 27,587
Accrued liabilities	69,079	—	—	—	69,079
Short-term borrowings	11,817	—	—	—	11,817
Current portion of lease liabilities	9,416	—	—	—	9,416
Deferred consideration and other payables, short-term	—	—	—	—	—
Lease liabilities	163,811	—	—	—	163,811
Deferred consideration, long-term	—	—	—	6,577	6,577
Long-term notes and loans payable	497,713	—	—	—	497,713
Other long-term liabilities	21,600	—	—	—	21,600

[1]Restricted cash balances include various escrow accounts related to investments, acquisition, and facility licensing requirements.
[2]Security deposits are included in "Other non-current assets" on the Consolidated Balance Sheets.

($ in thousands)	December 31, 2022				
	Amortized Cost	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and cash equivalents	$ 119,341	$ —	$ —	$ —	$ 119,341
Restricted cash[1]	2,169	—	—	—	2,169
Security deposits[2]	4,367	—	—	—	4,367
Accounts receivable, net	56,492	—	—	—	56,492
Loans receivable, short-term	447	—	—	—	447
Loans receivable, long-term	823	—	—	—	823
Investments	—	136	432	660	1,228
Financial Liabilities:					
Accounts payable	$ 28,093	$ —	$ —	$ —	$ 28,093
Accrued liabilities	65,161	—	—	—	65,161
Short-term borrowings[3]	10,976	—	—	—	10,976
Current portion of lease liabilities[3]	8,959	—	—	—	8,959
Deferred consideration and other payables, short-term	6	7	—	47,821	47,834
Lease liabilities[3]	173,345	—	—	—	173,345
Deferred consideration, long-term	—	—	—	7,770	7,770
Long-term notes and loans payable[3]	476,891	—	—	—	476,891
Other long-term liabilities	7,000	—	—	—	7,000

[1]Restricted cash balances include various escrow accounts related to investments, acquisitions and facility licensing requirements.
[2]Security deposits are included in “Other non-current assets” on the Consolidated Balance Sheets.
[3] December 31, 2022 balances have been updated to reflect current year presentation changes. See “Reclassifications” in the “Critical Accounting Estimates, Judgements and Assumptions” section above.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors and Company management mitigate these risks by assessing, monitoring and approving the Company’s risk management processes:

(a) Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or a third-party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of December 31, 2023 and December 31, 2022 is the carrying amount of cash, accounts receivable and loans receivable. The Company does not have significant credit risk with respect to its growth in its key retail markets, as payment is typically due upon transferring the goods to the customer at our dispensaries, which currently accept only cash and debit cards. Additionally, the Company does not have significant credit risk with respect to its loan counterparties as the interest rate on our Amended Senior Loan is not variable and therefore, is not materially impacted by interest rate increases enacted by the Federal Reserve. The interest rate on our Mortgage Loans is based on the FHLB Five Year Classic Regular Advance Rates which matures every five (5) years and does not pose a significant credit risk. Although all deposited cash is placed with U.S. financial institutions in good standing with regulatory authorities, changes in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry have passed the U.S. House of Representatives but were not voted on within the U.S. Senate, and would need to be reintroduced by Congress. Given that current U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept or deposit funds from businesses involved with the cannabis industry, leading to an increased risk of legal actions against the Company and forfeitures of the Company's assets.

(b) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry, which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

(c) Liquidity Risk

The Company prepares its financial statements assuming that the Company will continue as a going concern. For the year ended December 31, 2023, the Company has generated positive cash flows from operations and implemented certain cost cutting measures, which are expected to improve cash from operations.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company primarily manages liquidity risk through the management of its capital structure by ensuring that it will have sufficient liquidity to settle obligations and liabilities when due. The Company also expects to be able to continue to raise debt or equity based capital, or sell certain assets, if needed, to fund operations and the expansion of its business.

(d) Market Risk

(i) Currency Risk

The operating results and balance sheet of the Company are reported in USD. As of December 31, 2023 and December 31, 2022, the Company's financial assets and liabilities are primarily in USD. However, from time to time some of the Company's financial transactions are denominated in currencies other than USD. The results of the Company's operations are subject to currency transaction and translation risks. The Company recorded $0.3 million in foreign currency exchange losses during the year ended December 31, 2023 and $0.9 million in foreign currency exchange gains during the year ended December 31, 2022.

As of December 31, 2023 and December 31, 2022, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. An increase or decrease in the Company's incremental borrowing rate would result in an associated increase or decrease in Deferred consideration, contingent consideration and other payables and Interest expense, net. The Company's Amended Senior Loan accrues interest at a rate of 9.5%, per annum and has an effective interest rate of 11.0%. The Company's Mortgage Loans accrue interest at a rate of 8.4%, per annum and have an effective interest rate of 10.2%.

(iii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is subject to price risk related to deferred consideration and other payables that are valued based on the Company's own stock price. An increase or decrease in stock price would result in an associated increase or decrease to Deferred consideration and other payables, short-term with a corresponding change to Other income, net.

(iv) Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on the Company's business, results of operations and financial condition. Currently, state-licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to IRC Section 280E, which bars businesses from deducting all expenses except their cost of goods sold when calculating federal tax liability. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on the operations of the Company, while any decrease in such tax levies will be beneficial to future operations.

(v) Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon the compliance of regulatory requirements. Due to the nature of the industry, the Company recognizes that regulatory requirements are more stringent and punitive in nature. Any delays in obtaining, or failure to obtain regulatory approvals can significantly delay operational and product development and can have a material adverse effect on the Company's business, results of operations and financial condition. The Company is cognizant of the advent of regulatory changes occurring in the cannabis industry on the city, state and national levels. Although the regulatory outlook on the cannabis industry has been moving in a positive trend, any unforeseen regulatory changes could have a material adverse impact on the goals and operation of the Company's business.

(vi) Economic Risk

The Company's business, financial condition and operating results may be negatively impacted by challenging global economic conditions. A global economic slowdown would cause disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy and declining consumer and business confidence, which can lead to decreased levels of consumer spending. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or the Company may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration or severity of such disruptions in the credit and financial markets or adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on our business, financial condition and operating results.

(vii) Inflation Risk

The Company has experienced increased inflationary pressures, including increased cultivation costs, distribution costs and operating expenses, which have adversely impacted our operating results. The Company anticipates inflationary pressures to continue throughout 2024. The Company maintains strategies to mitigate the impact of higher raw material, energy and commodity costs, which include cost reduction, sourcing and other actions, which may help to offset a portion of the adverse impact.

SUMMARY OF OUTSTANDING SHARE AND SHARE-BASED DATA

Cresco Labs has the following securities issued and outstanding, as of December 31, 2023:

Securities	Number of Shares *(in thousands)*
Super Voting Shares	500
Subordinate Voting Shares[1]	320,757
Proportionate Voting Shares[2]	18,950
Special Subordinate Voting Shares[3]	2
Redeemable Shares	96,699

[1]SVS includes shares pending issuance or cancellation
[2]PVS presented on an "as-converted" basis to SVS (1-to-200)
[3]SSVS presented on an "as-converted" basis to SVS (1-to-0.00001)

FEDERAL REGULATORY ENVIRONMENT

Canadian-Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**") provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

In accordance with Staff Notice 51-352, Cresco Labs will evaluate, monitor and reassess the disclosures contained herein and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. As a result of the Company's operations, it is subject to Staff Notice 51-352 and accordingly provides the following disclosure:

Cresco Labs currently directly derives a substantial portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. Federal Law. As of December 31, 2023, the Company is directly involved (through licensed subsidiaries) in both the medical and adult-use cannabis industry in the states of California, Florida, Illinois, Massachusetts, Michigan, New York, Ohio and Pennsylvania as permitted within such states under applicable state law which states have regulated such industries.

The cultivation, sale and use of cannabis is illegal under federal law pursuant to the U.S. Controlled Substance Act of 1970 ("**CSA**"). Under the CSA, the policies and regulations of the U.S. Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. The Supremacy Clause of the U.S. Constitution establishes that the U.S. Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

Unless and until the U.S. Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. federal law. If the U.S. Federal Government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected.

Despite the current state of the federal law and the CSA, the states of Alaska, Arizona, California, Colorado, Connecticut, Delaware, Illinois, Maryland, Massachusetts, Maine, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey, New Mexico, New York, Ohio, Oregon, Rhode Island, Vermont, Virginia, Washington and the District of Columbia, have legalized adult-use of cannabis. Adult-use sales have not yet begun in Minnesota, Ohio, Delaware or Virginia. Additionally, although the District of Columbia voters passed a ballot initiative in November 2014, no adult-use operations exist yet because of a prohibition on using funds for regulation within a federal appropriations amendment to local District spending powers.

Currently, over three quarters of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, provided that there are strict purchasing or possession limits. However, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local government authorities will not limit the applicability of state laws within their respective jurisdictions.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the U.S. Accordingly, there are significant risks associated with the business of the Company. Unless and until the U.S. Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law and the business of the Company may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law.

For these reasons, the Company's investments in the U.S. cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities. There are risks associated with the business of the Company. See sections "*Risk Factors,*" "*General Development of the Business*" and "*Description of the Business*" in the Annual Information Form for the year ended December 31, 2023, filed on SEDAR+ and EDGAR.

On November 20, 2019, the House Judiciary Committee approved the Marijuana Opportunity Reinvestment and Expungement Act of 2019 (the "**MORE Act**") by a 24 to 10 vote. The MORE Act would decriminalize and remove cannabis as a Schedule I controlled substance. Following the Judiciary Committee approval in November 2019, the MORE Act was passed by the House by a vote of 228-164 in December 2020. The bill did not advance in the U.S. Senate. The bill was reintroduced by Representative Nadler (D-NY) in May 2021. On September 30, 2021, the MORE Act passed the House Judiciary Committee by a vote of 26-15. Two Republicans joined all of the committee's Democratic members to move the bill forward. On April 1, 2022, the U.S. House of Representatives passed the MORE Act once again. The bill was received in the Senate and read twice and referred to the Committee on Finance; however, the bill was not brought to a vote in 2022 and would need to be reintroduced by the new Congress. On September 22, 2023, Rep. Nadler reintroduced the MORE Act (H.R. 5601) where it has yet to receive a committee hearing.

On April 19, 2021, the SAFE Banking Act of 2019 (the " **SAFE Banking Act**" or "**SAFE**") again passed the U.S. House of Representatives by a 321–101 vote. The U.S. Senate opted to pursue comprehensive federal reform legislation rather than bring the SAFE Banking Act up for a regular order vote due to proposed comprehensive federal reform legislation led by Senate Majority Leader Chuck Schumer (D-NY), Senator Ron Wyden (D-OR) and Senator Cory Booker (D-NJ). On April 26, 2023, SAFE was reintroduced as a bipartisan and bicameral piece of legislation by Sen. Jeff Merkley (D-OR), Sen. Steve Daines (R-MT), Rep. Dave Joyce (R-OH), and Rep. Earl Blumenauer (D-OR). The reintroduced bill included important new changes that could provide opportunities for non-depository Community Development Financial Institutions and Minority Depository Institutions. In May 2023, the Senate Committee on Banking, Financial Services, and Urban Affairs discussed SAFE during their hearing titled, "Examining Cannabis Banking Challenges of Small Businesses and Workers." On September 27, 2023, the SAFE Banking Act passed in the Senate Banking Committee, demonstrating bipartisan support for allowing state-legal marijuana businesses to access financial services and setting up the bill for a full vote in the chamber. The 23-member committee voted 14-9 in favor of sending the bill to the Senate floor with technical amendments. It is the first time the banking legislation rebranded as the Secure and Fair Enforcement Regulation ("**SAFER**") Banking Act has garnered a yes vote in the Senate. There is no timetable on a full Senate vote on the SAFER Banking Act.

On October 6, 2022, President Joe Biden announced he will take executive action to pardon thousands of people convicted of marijuana possession under federal law. President Biden said he would also encourage state governors to take similar action with state offenses and asked the U.S. Department of Health and Human Services and the U.S. Department of Justice to review how marijuana is scheduled, or classified, under federal law. The head of the U.S. Department of Health and Human Services ("**HHS**") is aiming to present President Joe Biden with a federal cannabis scheduling decision as agencies work "as quickly as we can" to complete an administrative review, according to Secretary Xavier Becerra. The FDA, under HHS, is carrying out an eight-step scientific review into marijuana to determine whether it should be rescheduled, descheduled or remain in Schedule I, which is reserved for the most strictly controlled drugs under the Controlled Substances Act. On August 30, 2023, the HHS delivered a recommendation to the Drug Enforcement Administration to move cannabis from Schedule I to Schedule III. The HHS recommendation means that the nation's top health agency no longer considers cannabis a drug that lacks medical value and carries the high potential for abuse. The DEA has confirmed that it received the HHS recommendation and will initiate a five-factor review, which differs from HHS's eight-factor criteria. In early 2024, it was reported that the DEA sent a letter to congressional Cannabis Caucus co-chair Rep. Earl Blumenauer (D-OR), stating it was 'now conducting its review' into the potential rescheduling of cannabis. The letter from DEA confirmed that it had received the HHS rescheduling recommendations, and also asserted that it has 'final authority' over the decision.

On December 27, 2022, Congresswoman Rep. Nancy Mace (R-SC) filed a bill that would provide federal tax relief for cannabis businesses by amending the Internal Revenue Service's 280E Code. The bill would allow state-legal cannabis operators to be able to deduct business expenses on their federal taxes, an option applicable to any other legal business. The bill did not receive a vote. On April 17, 2023, Rep. Earl Blumenauer (D-OR), refiled the bill, the Small Business Tax Equity Act, which would amend Internal Revenue Service ("**IRS**") code 280E to allow state-legal cannabis businesses to take federal tax deductions. Rep. Mace (R-SC), together with Rep. Barbara Lee (D-CA) and Rep. Joyce (R-OH) , are cosponsors of the refiled bill in addition to Rep. Blumenauer (D-OR).

On April 14, 2023, Rep. Joyce (R-OH) and House Democratic Leader Hakeem Jeffries (D-NY) reintroduced bipartisan legislation, the Preparing Regulators Effectively for a Post-Prohibition Adult-Use Regulated Environment Act ("**PREPARE Act**"), which would create a process for the federal government to establish regulations for cannabis upon legalization. The PREPARE Act directs the U.S. Attorney General to establish the "Commission on the Federal Regulation of Cannabis" to advise on a regulatory framework modeled after Federal and State regulatory frameworks with respect to alcohol.

On April 19, 2023, Rep. Joyce (R-OH) and Rep. Alexandria Ocasio-Cortez (D-NY) introduced the Harnessing Opportunities by Pursuing Expungement Act. This bipartisan bill would reduce the financial and administrative burden on states with respect to expunging cannabis offenses. Specifically, the bill would create a new grant program under the U.S. Department of Justice, the State Expungement Opportunity Grant Program, and authorize it to be funded up to $20.0 million over the span of Fiscal Years 2024-2033.

On April 19, 2023, Rep. Lee (D-CA) introduced the Veterans Medical Marijuana Safe Harbor Act, with 12 cosponsors. Sen. Schatz (D-HI) is leading a companion measure filed on April 20, 2023. The bills seek to legalize medical cannabis for military veterans. Physicians employed by the U.S. Department of Veterans Affairs would also be permitted to make recommendations for medical cannabis for the first time under the bill.

On April 20, 2023, Rep. Mast (R-FL) filed the Gun Rights and Marijuana Act, which would allow medical cannabis patients and adult-use consumers to purchase and possess firearms.

On December 7, 2023, Rep. Joyce (R-OH), joined by four colleagues— Rep. Blumenauer (D-OR), Rep. Mast (R-FL), Rep. Chavez-DeRemer (R-OR), and Rep. Carter (D-LA)— introduced a revised version of the Strengthening the Tenth Amendment Through Entrusting States (**STATES**) Act. The bill removes marijuana as a substance covered by the federal Controlled Substances Act. This means marijuana will no longer be on the Drug Enforcement Administration's list of controlled substances. It would also federally decriminalize people using, selling, or transferring marijuana if it is legal in their state, territory, or tribal reservation and if they comply with state regulations. Finally, it allows for interstate commerce in marijuana and would authorize the federal government to regulate and track interstate marijuana commerce to make sure the commerce remains between jurisdictions where it is legal.

THE STATES IN WHICH WE OPERATE, THEIR LEGAL FRAMEWORK AND HOW IT AFFECTS OUR BUSINESS

Illinois Operations

The Compassionate Use of Medical Cannabis Pilot Program Act, which allows individuals diagnosed with a debilitating medical condition access to medical cannabis, became effective January 1, 2014. There were over forty-one (41) qualifying conditions as part of the initial medical program.

The Opioid Alternative Pilot Program launched on January 31, 2019 and allows patients that receive or are qualified to receive opioid prescriptions access to medical cannabis as an alternative in situations where an opioid could generally be prescribed. Under this program, patients with doctor approval can receive near-immediate access to cannabis products from an Illinois licensed dispensary. The Opioid Alternative Pilot Program eliminates the previously required fingerprinting and background checks that often delay patients' access to medical cannabis by up to three months.

In January 2019, J.B. Pritzker was sworn into office as Governor of Illinois. Cresco Labs' CEO and co-founder, Charles Bachtell, was appointed to the Cannabis Legalization Subcommittee of the Governor's transition team. Cannabis Legalization was one of four subcommittees under the Governor's Restorative Justice and Safe Communities Transition Committee. The primary goals of the Cannabis Legalization Subcommittee were to evaluate and develop implementation recommendations for the Governor's platform on legalizing cannabis.

In June 2019, the Illinois House of Representatives and Senate passed Senate Bill (" **SB**") 2023 which added eleven (11) additional debilitating illnesses such as chronic pain, migraines and irritable bowel syndrome to the list of qualifying medical conditions. This bill was signed into law in August 2019 by Governor J.B. Pritzker.

Additionally, in June 2019, Governor Pritzker signed the Cannabis Regulation and Taxation Act (" **CRTA**") into law, making Illinois the 11 th state to legalize recreational cannabis. Adult-use sales of cannabis in Illinois began on January 1, 2020.

Cresco Labs is licensed to operate in the State of Illinois as a medical and adult-use cultivator and product manufacturer. Phoenix Farms, LLC ("**Phoenix**"), PDI Medical III, LLC (" **PDI**"), FloraMedex, LLC (" **FloraMedex**"), MedMar Lakeview, LLC (" **MedMar Lakeview**") and MedMar Rockford, LLC ("**MedMar Rockford**") are each licensed to operate retail dispensaries in the State of Illinois. Further, each of these medical dispensary licenses allowed for one (1) additional adult-use dispensary license, for a total of ten (10) dispensary locations, which are all now open and branded as Sunnyside* dispensaries. In November 2021, the Company relocated its Sunnyside * dispensaries in Buffalo Grove and Lakeview (Chicago) to larger facilities. The 10,000 square-foot Sunnyside* Lakeview location is approximately 400 feet from Wrigley Field, the home of the Chicago Cubs, making it the closest cannabis dispensary in the country to a national sports stadium. Under applicable laws, the licenses permit Cresco Labs and its subsidiaries to collectively cultivate, manufacture, process, package, sell and purchase cannabis pursuant to the terms of the licenses, which are issued by the Illinois Department of Agriculture ("**IDOA**") and the Illinois Department of Financial and Professional Regulation ("**IDFPR**") under the provisions of the Illinois Revised Statutes 410 ILCS 130 and 410 ILCS 705. All licenses are, as of the date hereof, active with the State of Illinois, including three (3) transportation licenses. There are currently seven (7) categories of licenses in Illinois: (i) medical cultivation/processing; (ii) adult-use cultivation/processing; (iii) adult-use dispensary; (iv) medical-use dispensary; (v) craft grower; (vi) infuser and (vii) transporting. The licenses are independently issued for each approved activity.

All cultivation/processing establishments and transporters must register with the IDOA and all dispensaries must register with the IDFPR. If applications contain all required information and after vetting, establishments are issued a license/registration certificate. Registration certificates for medical cannabis operations are valid for a period of one (1) year and are subject to annual renewals after required fees are paid and the business remains in good standing. Registration certificates for adult-use cultivation are valid for a period of one (1) year. Registration certificates for adult-use dispensing are valid for a period of two (2) years. Registration certificates for both adult-use cultivation and dispensing are subject to renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from the IDOA or IDFPR and include a renewal form. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Illinois cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Illinois cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The retail dispensary licenses held by Phoenix, PDI, FloraMedex, MedMar Lakeview and MedMar Rockford permit the Company to purchase cannabis and cannabis products from cultivation/processing facilities, craft growers and infusers and allows the sale of cannabis and cannabis products to registered patients at five (5) locations and adult-use customers at all Illinois dispensaries. As of December 31, 2023, the Company has opened ten (10) Sunnyside* dispensary locations in Illinois, the maximum allowed by the State of Illinois. Two (2) of the ten (10) are located within the City of Chicago.

The three (3) medical cultivation licenses held by Cresco Labs permit it to acquire, possess, cultivate, manufacture/process into edible medical cannabis products and/or cannabis marijuana-infused products, deliver, transfer, test, transport, supply or sell cannabis and related supplies to medical cannabis dispensaries. In September 2019, the three (3) cultivation facilities were approved for growing adult-use cannabis by the IDOA, for a total cultivation capacity of 630,000 square feet, the maximum allowed by law.

The CRTA mandated that the IDOA issue up to forty (40) craft grower licenses by July 1, 2020. The CRTA further required the IDOA to issue up to sixty (60) craft grower licenses by December 21, 2021. After January 1, 2022, the IDOA may, by rule, modify or raise the number of craft grower licenses. However, at no time may the number of craft grower licenses exceed one hundred fifty (150). Pursuant to the CRTA, the IDOA was also required to issue up to forty (40) infuser licenses by July 1, 2020 and then could issue up to sixty (60) additional infuser licenses by December 21, 2021. Prior to the issuance of these up to sixty (60) additional licenses, the CRTA permits the IDOA to adopt emergency rules to modify or raise the number of infuser licenses. After January 1, 2022, the IDOA may again modify or raise the number of infuser licenses by rule. The IDOA is also authorized under the CRTA to issue an unlimited amount of transporter licenses, starting, according to the CRTA, no later than July 1, 2020. On August 2, 2021, the IDOA announced that it had issued the first round of adult-use cannabis licenses under the CRTA. In total, on that day, it issued thirty-two (32) initial craft grower licenses, twenty-eight (28) infuser licenses and nine (9) transporter licenses. Since that time, the IDOA has issued additional licenses, as authorized under the CRTA.

The Cannabis Regulation and Tax Act also requires the award of conditional adult-use dispensing licenses by the IDFPR. On September 3, 2021, the IDFPR announced the results of several lotteries to award one hundred eighty-five (185) conditional adult-use dispensing licenses that had been part of an application process since early 2020. However, as a result of a series of lawsuits, those licenses were not immediately formally awarded. On July 22, 2022, the IDFPR began issuing Conditional Adult-Use Dispensing Organization Licenses, awarding one hundred forty-nine (149) Conditional Licenses initially. The IDFPR previously announced its intention to conduct an additional lottery to award conditional adult-use dispensing organization licenses and resolve pending litigation. With court approval, the IDFPR conducted fifty-one (51) corrective lotteries over three days. The Qualifying Applicant Lottery was held on June 21, 2022; the Social Equity Justice Involved Lottery was held on June 22, 2022 and the Tied Applicant Lottery was held on June 23, 2022.

In August 2022, following almost a year of delays, the State of Illinois resumed issuing social equity licenses, issuing one hundred seventy-seven (177) of the one hundred eighty-five (185) licenses it was supposed to issue as of late July 2022. On November 10, 2022, IDFPR announced the issuance of the first full adult-use cannabis dispensing organization licenses to social equity applicants.

In January 2023, Illinois regulators implemented several modifications for social equity applicants vying for one of the state's fifty-five (55) new adult-use retail licenses. Among the changes, license seekers faced a simpler application, related fees will drop from $2,500 to $250 and all winners will be selected via lottery. IDFPR said it would begin accepting applications January 30, 2023 after distributing them across the state's seventeen (17) dedicated regions.

Other application modifications included:

- Eliminating residency requirements and bonus points for military veterans;
- Removing an allowance for applicants to gain social equity status by hiring at least ten (10) employees who lived in disproportionate areas of marijuana arrests or were arrested or convicted of low-level marijuana offenses; and
- Applicants can only apply for licenses in one (1) region and file only one (1) application.

In late April 2023, IDFPR announced it received 2,693 applications for the latest lottery, which was conducted on July 13, 2023. Lottery participants who were selected to receive licenses have forty-five (45) days to submit proof of their conditional dispensing organization license eligibility.

In June 2023, Governor J.B. Pritzker signed a budget bill that includes provisions that will allow licensed cannabis businesses to take state tax deductions that are currently prohibited from utilizing at the federal level due to an IRS code known as 280E. The key section now enacted decouples cannabis businesses from the federal tax policy, which currently bans the industry from making key deductions that are available to other traditional markets, significantly increasing the effective tax rate that they pay. The provision will be added to the state's existing tax code to allow cannabis business deductions for "an amount equal to the deductions that were disallowed under Section 280E of the Internal Revenue Code for the taxable year" as of the current tax year.

On September 14, 2023, Chicago 2nd Ward Alderman and Public Safety Committee Chairman Brian Hopkins introduced an ordinance that would limit the sale of Delta-8 and other intoxicating, hemp-derived products. Under Hopkins' plan, only state-licensed marijuana businesses could sell most tetrahydrocannabinol ("**THC**") products in Chicago. That includes synthetic cannabis like products containing Delta-8, Delta-10 and THC-O. Other businesses could only stock hemp-based offerings with negligible amounts of Delta-9 that correspond with the Farm Bill. They also could not call themselves dispensaries, advertise the sale of THC or use iconography commonly associated with cannabis, like images of a cannabis plant. The ordinance was referred to the City Rules Committee and is awaiting a hearing.
On December 8, 2023, Illinois Gov. JB Pritzker signed a bill into law that waives the annual licensing fees for existing cannabis transporters for three years beginning January 1, 2024. The legislation, Senate Bill 1559, also restricts the Illinois Department of Agriculture from making available or accepting new license applications for cannabis transporters until January 2027. In addition, the new law provides that upon completion of a disparity and availability study published by the Illinois Cannabis Regulation Oversight Office, the Department of Agriculture may modify or change the licensing application process to reduce or eliminate barriers and remedy any discrimination identified in the study.

Pennsylvania Operations

The Pennsylvania medical marijuana program was signed into law on April 17, 2016 under Act 16 and provided access to state residents with one (1) of twenty-one (21) qualifying conditions. The state, which consists of over 12 million U.S. citizens and qualifies as the fifth largest population in the U.S., operates as a high-barrier market with very limited market participation. The state originally awarded only twelve (12) licenses to cultivate/process and twenty-seven (27) licenses to operate retail dispensaries (which entitled holders up to three (3) medical dispensary locations). Out of the hundreds of applicants in each license category, Cresco Yeltrah, LLC (" **Yeltrah**") was awarded one (1) medical cannabis grower/processor license in Pennsylvania and one (1) dispensary license allowing three (3) dispensary locations in Pennsylvania. Cresco Labs was awarded the second highest overall score during the application process. On June 30, 2021, Pennsylvania Governor Tom Wolf signed into law PA House Bill ("**HB**") 1024, amending Act 16. HB 1024 implemented several changes to Act 16 including but not limited to the ability for grower/processors to obtain and transport bulk post-harvest plant material between grower/processors to process medical marijuana. The amendatory legislation also expanded the list of qualifying conditions, permits limited remediation of cannabis flower, requires the Department of Agriculture to update its list of approved pesticides and expands the number of clinical registrants and affords clinical registrants with the same rights as grower/processors.

Retail sales commenced in February 2018 to a limited number of retail locations across the state. On February 15, 2018, Yeltrah was the first grower/processor to release product into the Pennsylvania market, approximately six (6) weeks ahead of any other producer, and its dispensary was the first to sell product to patients in the state.

On March 22, 2018, it was announced that the final phase of the Pennsylvania medical marijuana program would initiate its rollout, which would include thirteen (13) additional cultivation/processing licenses and twenty-three (23) additional dispensary licenses. The application period ran from April 2018 through May 2018. Yeltrah submitted additional dispensary applications and in December 2018 one (1) additional dispensary license was obtained to open three (3) additional dispensary locations, for a total of six (6) dispensary locations in the State of Pennsylvania. All six (6) dispensary locations are currently operational.

Under applicable laws, the licenses permit Yeltrah to cultivate, manufacture, process, package, sell and purchase medical marijuana pursuant to the terms of the licenses, which are issued by the Pennsylvania Department of Health ("**PDOH**") under the provisions of Medical Marijuana Act (35 P.S. §10231.101 — 10231.2110) and Chapters 1141a, 1151a and 1161a of the Pennsylvania regulations. In the latter half of 2022, the PDOH completed the process of revising its medical regulations, which were implemented in the first quarter of 2023.

There are three (3) categories of licenses in Pennsylvania: (i) grower/processer, (ii) dispensary and (iii) clinical registrant. The Yeltrah licenses are independently issued for each approved activity for use at Yeltrah facilities in Pennsylvania.

All grower/processor establishments and all dispensaries must register with the PDOH. Registration certificates are valid for a period of one (1) year and are subject to annual renewals after required fees are paid and the business remains in good standing. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Pennsylvania cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Pennsylvania cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The retail dispensary licenses permit Yeltrah to purchase marijuana and marijuana products from grower/processer facilities and allows the sale of marijuana and marijuana products to registered patients. The medical grower/processor license permits Yeltrah to acquire, possess, cultivate, manufacture/process into edible medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries.

On November 24, 2021, Cresco Labs completed its acquisition of Bay, LLC d/b/a Cure Pennsylvania for aggregate consideration of $89.0 million. The acquisition added one (1) additional dispensary license, which allowed for three (3) additional dispensary locations in the State of Pennsylvania. All three (3) dispensary locations are operational and have been rebranded as Sunnyside* dispensaries.

On December 9, 2021, Cresco Labs completed its acquisition of Laurel Harvest for consideration equal to $136.7 million. Laurel Harvest's permit is a Clinical Registrant permit license ("**CR**"). A CR permittee is required to have a contractual relationship with an academic clinical research center under which the academic or clinical research center provides advice to the permit holder regarding patient health and safety, medical applications and dispensing and management of controlled substances, among other things. Laurel Harvest has a contractual relationship with Temple University, which has established one of the most sophisticated cannabis research programs in the country. A CR permittee is approved by the PDOH to hold a permit as both a grower/processor and a dispensary. At the time of the acquisition, Laurel Harvest had one (1) operational dispensary in Montgomeryville. The CR permit entitled Laurel Harvest to an additional five (5) dispensary locations throughout the Commonwealth. In the first quarter of 2022, the dispensary was rebranded as a Sunnyside* dispensary. On February 8, 2023, a second dispensary under the Laurel Harvest license opened in Erie, PA. On June 29, 2023, the Company announced the opening of the third and fourth dispensaries under the Laurel Harvest license in Somerset and Washington, PA. The fifth dispensary under the Laurel Harvest license opened on October 5, 2023 in Altoona, PA. The sixth dispensary, location in Gettysburg, PA, opened during the first quarter of 2024.

On September 1, 2022, the Company closed on a sale and leaseback transaction to sell its Brookville, Pennsylvania, facility to Aventine Property Group ("**Aventine**"). Concurrent with the closing of the sale, the Company entered into a long-term, triple-net lease agreement with Aventine regarding the property and will continue to operate the facility as a permitted cannabis cultivation and processing facility.

Governor Josh Shapiro (D) frequently issued support for legalizing adult-use cannabis during his campaign. Democrats won enough seats in the November 2022 midterm elections to control Pennsylvania's House for the first time in over a decade. Governor Shapiro has said legalization efforts must include criminal justice reform, specifically mentioning expungement of non-violent marijuana convictions. Governor Shapiro included legalizing and taxing cannabis in his 2023-2024 budget. A bipartisan pair of Pennsylvania senators have introduced a bill to legalize cannabis in the state. Senators Dan Laughlin (R) and Sharif Street (D) filed the legislation in June, about two months after first announcing their plans to team up on a reform push again after their joint cannabis efforts in prior sessions. The two senators previously sponsored a legalization bill that was not ultimately enacted last session, but they say the newly filed proposal represents a significant improvement that they hope to advance. The bill remains in the Senate and has not yet received a hearing.

On October 6, 2023, the Pennsylvania House of Representatives (the " **House**") approved a large-scale tax reform bill that contains language to provide state-level relief to medical marijuana businesses. The provisions would allow state-licensed medical cannabis businesses to take state tax deductions as a partial workaround to the IRS code known as 280E that prohibits such deductions at the federal level. The House approved the tax bill in a party-line vote of 102-101, sending it to the Republican controlled Senate where it currently remains.

On December 15, 2023, Pennsylvania Governor Josh Shapiro signed a bill to allow all licensed medical cannabis grower-processors to serve as retailers and sell their cannabis products directly to patients. Under the measure, the state Department of Health will create a process to allow the state's ten (10) independent marijuana grower-processors to apply to obtain a dispensary permit to engage in direct commerce with patients. Additionally, the state's four (4) independent dispensaries can also get grower permits to cultivate products in-house.

Ohio Operations

HB 523, effective on September 8, 2016, legalized medical marijuana in Ohio. The Ohio Medical Marijuana Control Program (" **OMMCP**") allows people with certain medical conditions, upon the recommendation of an Ohio-licensed physician certified by the State Medical Board, to purchase and use medical marijuana. HB 523 required that the framework for the OMMCP become effective as of September 2018. This timeframe allowed for a deliberate process to ensure the safety of the public and to promote access to a safe product.

The three (3) following state government agencies are responsible for the operation of OMMCP: (1) the Ohio Department of Commerce is responsible for overseeing medical marijuana cultivators, processors and testing laboratories; (2) the State of Ohio Board of Pharmacy ("**Ohio Pharmacy Board**") is responsible for overseeing medical marijuana retail dispensaries, the registration of medical marijuana patients and caregivers, the approval of new forms of medical marijuana and coordinating the Medical Marijuana Advisory Committee and (3) the State Medical Board of Ohio is responsible for certifying physicians to recommend medical marijuana and may add to the list of qualifying conditions for which medical marijuana can be recommended.

Several forms of medical marijuana are legal in Ohio, these include: inhalation of marijuana through a vaporizer (not direct smoking), oils, tinctures, plant material, edibles, lotions, creams, patches and any other forms approved by the State of Ohio.

On June 4, 2018, the Ohio Pharmacy Board awarded fifty-six (56) medical marijuana provisional dispensary licenses. The licenses were awarded after an extensive review of three hundred seventy-six (376) submitted dispensary applications.

By rule, the Ohio Pharmacy Board was limited to issuing up to sixty (60) dispensary licenses across the state, of which fifty-eight (58) were initially issued but had the authority to increase the number of licenses. The Ohio Pharmacy Board opened up a new application period for dispensaries, increasing the potential number of dispensaries in the state to one hundred thirty-one (131). A drawing was held on January 27, 2022 to ultimately award seventy-three (73) provisional dispensary licenses. The initial drawing simply determined the order in which each applicant was selected by region. Official winners were not announced at that time. On May 16, 2022, the Ohio Pharmacy Board issued seventy (70) provisional dispensary licenses as part of the RFA II process (three (3) were held for further vetting and two (2) have since been awarded – seventy-two (72) in total). To date, the Ohio Pharmacy Board has issued one hundred twenty (120) Dispensary Certificates of Operation and twelve (12) provisional dispensary licenses. However, the Ohio Pharmacy Board left unchanged a regulation that limits the number of dispensary certificates of operation that a single owner can hold at five (5). Per the program rules, the Ohio Pharmacy Board will consider, on at least a biennial basis, whether enough medical marijuana dispensaries exist, considering the state population, the number of patients seeking to use medical marijuana and the geographic distribution of dispensary sites.

Cresco Labs Ohio, LLC ("**Cresco Labs Ohio**") was awarded one (1) dispensary license located in Wintersville, Ohio. The dispensary license permits Cresco Labs Ohio to purchase marijuana and marijuana products from cultivation/processing facilities and allows the sale of marijuana and marijuana products to registered patients. Cresco Labs Ohio applied for and, on November 30, 2017, received one (1) cultivation license. Cresco Labs Ohio's cultivation facility is a hybrid greenhouse structure located in Yellow Springs, Ohio. The medical cultivation license authorizes Cresco Labs Ohio to grow, harvest, package and transport medical marijuana products. On December 12, 2018, Cresco Labs Ohio was granted the first dispensary Certificate of Operation in the state. Retail sales commenced on January 16, 2019, with the first cannabis sale taking place at the Wintersville dispensary. This was the second state medical marijuana program in which the Company was first to market.

On June 8, 2020, Cresco Labs Ohio was granted a provisional processing license by the State of Ohio. This license allows Cresco Labs Ohio to extract oils and manufacture products from cannabis which provides the Company the ability to sell its entire brand portfolio in Ohio. Cresco Labs Ohio received its Certificate of Operation to begin processing activities on June 11, 2021.

Ohio cultivation and processor licenses are renewable annually by the Ohio Department of Commerce (" **ODOC**"). Renewal applications are due at least thirty (30) days prior to the expiration date of the Certificate of Operation. The ODOC shall grant a renewal if the renewal application was timely filed, the annual fee was timely paid, there are no reasons warranting denial of the renewal and the cultivator/processor passes inspection. Ohio dispensary licenses expire biennially on the date identified on the certificate. Renewal information, including a renewal fee, must be submitted at least forty-five (45) days prior to the date the existing certificate expires. If the dispensary is operated in compliance with Ohio dispensary regulations and the renewal fee is paid, the Ohio Pharmacy Board shall renew the Certificate of Operation within forty-five (45) days after the renewal application is received. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Ohio cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Ohio cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

On February 16, 2021, the Company completed its acquisition of Verdant Creations, LLC for total consideration of $25.0 million. The acquisition added dispensaries in Cincinnati, Chillicothe, Newark and Marion, Ohio. This acquisition brought the Company's dispensary presence in Ohio to five (5), the maximum allowed by the State of Ohio.

On July 3, 2023, Governor Mike DeWine signed HB 33 (Ohio's Operating Budget) which included language to consolidate the medical marijuana program under the ODOC, creating the Division of Marijuana Control and removing the Ohio Pharmacy Board's regulatory authority.

The 2021 to 2022 adult-use ballot initiative, which had been in process, was pushed back to the 2023 November election cycle. On January 28, 2022, Ohio Secretary of State Frank LaRose announced that the Coalition to Regulate Marijuana Like Alcohol (the "**Coalition**") had submitted enough valid signatures to trigger an "initiated statute" process, which places the group's adult-use cannabis statute before the legislature. Lawmakers had four months to act on the bill. If the bill is amended or not acted upon, the Coalition could have accepted the legislature's response or gather enough signatures to place the question of adult-use cannabis legalization on the general election ballot.
After conducting a signature gathering and ballot initiative campaign, the Coalition-led initiated statute was struck from last year's ballot after disagreement with state lawmakers over the interpretation of a 10-day deadline related to ballot initiatives outlined by the Ohio Constitution. A lawsuit ensued, and the parties eventually settled: Secretary LaRose resubmitted the petition when a new slate of legislators convened in January 2023 and allowed the Coalition to reuse the initial signatures it collected in support of legalizing cannabis.

On August 16, 2023, a renewed proposal to legalize recreational adult-use of marijuana in Ohio was cleared to appear on statewide ballots after the Republican-led state Legislature failed to act on it. Early in-person voting began on October 11, 2023 for the Ohio marijuana legalization initiative for the statewide election held on November 7, 2023. The measure, sponsored by the Coalition to Regulate Marijuana Like Alcohol, was listed as Issue 2 in the voting materials, and appeared on the ballot with a proposed constitutional amendment to protect reproductive rights including abortion.

The proposed ballot initiative would legalize recreational marijuana in Ohio for adults twenty-one (21) and older, who would be permitted to possess up to 2.5 ounces of marijuana and up to 15 grams of cannabis concentrates. The proposal also legalizes marijuana cultivation for personal use, with adults allowed to grow up to six (6) cannabis plants at home. Households with more than one adult would be permitted to grow a total of twelve (12) plants. The commercial production and sales of cannabis products would be regulated by a new state agency dubbed the Division of Cannabis Control, which would have the authority to "license, regulate, investigate, and penalize adult-use cannabis operators, adult-use testing laboratories, and individuals required to be licensed," according to the text of the measure. Cannabis products would carry a 10% tax, which would be dedicated to administrative costs of marijuana regulation, substance misuse treatment programs and a social equity and jobs program. Municipalities with licensed recreational marijuana dispensaries would also receive a share of cannabis tax revenue. Under the proposal's social equity program, some cannabis cultivation and dispensary licenses would be reserved for individuals from communities that have faced disproportionate enforcement of Ohio's current marijuana laws.

On November 7, 2023, Ohio voters approved the ballot proposal legalizing recreational marijuana, known as Issue 2. As noted above, the measure was first introduced in 2022, but was stalled by Republican lawmakers, triggering a lawsuit to get legalization on the ballot. Ohio becomes the 24th state in the U.S. to legalize adult-use cannabis use. The ballot provision became effective on December 7, 2023, with an application window for licensure anticipated in June 2024, and sales beginning in November 2024.

On December 8, 2023, Ohio Senate Republicans proposed banning at-home growing, increasing the substance's tax rate, and altering how those taxes get distributed. Senate changes would prohibit growing marijuana at home, a departure from provisions approved by voters that allow individual Ohioans to grow up to six (6) plants at home and up to twelve (12) per household. The Senate's proposal also would increase the approved tax on marijuana products from 10% to 15%. Cultivators would also be taxed at that rate under the revisions. Tax revenue would go toward general state funding, law enforcement training, substance abuse treatment and prevention, and safe driving training. Under the original statute, that revenue would have gone to local governments hosting dispensaries and a social equity program supporting those who wish to break into the cannabis industry. However, the House has signaled they are unwilling to adopt these drastic changes from the policies outlined in Issue 2.

Effective January 1, 2024, all medical marijuana responsibilities, including the regulation of dispensaries and oversight of the Patient & Caregiver Registry previously managed by the Ohio Pharmacy Board, has been consolidated within the ODOC.

In January 2024, Governor DeWine proposed allowing the state's existing medical dispensaries to begin selling marijuana to all adults, not just registered medical patients. This would be a change that would need to be made by state lawmakers, and will likely take months before sales begin. DeWine is also urging legislative action to regulate Delta-8 THC products, which use cannabinoids derived by hemp and are unregulated at the federal level and in most states.

Additionally, there is a separate House adult-use bill being considered which would make fewer sweeping changes to what voters approved. However, it would ban sharing marijuana between adults, add a cultivator tax and similarly make several changes to the tax revenue distribution. Negotiations are ongoing between the chambers and Governors' Office on a legislative path forward.

California Operations

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996. This legalized the use, possession and cultivation of medical marijuana by patients with a physician's recommendation.

In 2003, SB 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three (3) bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("**MCRSA**"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However, in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult-Use of Marijuana Act" ("**AUMA**") creating an adult-use marijuana program for adults twenty-one (21) years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed SB 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act ("**MAUCRSA**"), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California. MAUCRSA went into effect on January 1, 2018. Previously, the four (4) agencies that regulated marijuana at the state level are the Bureau of Cannabis Control ("**BCC**"), the California Department of Food and Agriculture, the California Department of Public Health ("**CDPH**") and the California Department of Tax and Fee Administration (" **CDTFA**"). On July 12, 2021, California Governor Gavin Newsom signed into law Assembly Bill ("**AB**") 141, which established the Department of Cannabis Control ("**DCC**"). The DCC consolidates the BCC, CDTFA's CalCannabis Licensing Division and CDPH's Manufactured Cannabis Safety Branch into a single department. The DCC is charged with licensing, inspecting and providing regulatory oversight over all cannabis businesses in California.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requirement limits license holders to operate only in cities with marijuana licensing programs. Therefore, cities in California are allowed to determine if they will have a marijuana licensing program and determine the number of licenses they will issue to marijuana operators.

California Operations — Cub City, LLC and Sonoma's Finest FKA FloraCal

California state and local licenses are renewed annually. Each year, licensees are required to submit a renewal application. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner and there are no material violations noted against the applicable license, the Company would expect to receive the applicable renewed license in the ordinary course of business. While the

Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company in California and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is licensed to cultivate, manufacture and distribute medical and adult-use cannabis and cannabis-related products:

Cub City, LLC - Santa Rosa (Sonoma County)

- Cub City, LLC has been issued one (1) provisional Cultivation, Small Indoor license.
- Cub City, LLC has been issued one (1) provisional Nursery license.
- Cub City, LLC has been issued one (1) annual license for Type 11 (Distribution) License

Sonoma's Finest fka FloraCal (Unincorporated Sonoma County)

- Sonoma's Finest has been issued one (1) provisional Cultivation, Medium Indoor license.
- Sonoma's Finest has been issued one (1) provisional Processor license.
- Sonoma's Finest has been issued one (1) provisional Type 11 (Distribution) license.

All provisional licenses have corresponding annual applications pending with the DCC.

In March 2022, the DCC initiated a rule making process in which it promulgated a comprehensive regulatory proposal, including amendments to its current rules that would make permanent emergency rules that had been in effect since September 2021. Comments on the proposed rules were submitted by all interested parties by April 19, 2022. The DCC then considered the comments submitted and issued an updated rule set for a second comment period. A final version of the rules was filed by the DCC with the California Office of Administrative Law on September 26, 2022. The rules are now in effect. With respect to legislation, the California legislature passed AB 195, which was signed into law by Governor Newsom on June 30, 2022. AB-195 eliminates the cannabis cultivation tax and serves to shift responsibility for collecting the cannabis excise tax from distributors to retailers.

During the second quarter of 2022, the Company initiated a plan to shut down a cultivation facility and production facility in California. As a result of this plan, the Company exercised its early termination right to reduce the existing lease terms to 180 days. All operations at the facilities ceased in the third quarter of 2022 and the corresponding licenses were surrendered in the fourth quarter of 2022.

During the fourth quarter of 2022, Management committed to a plan to restructure certain operations and activities within the California reporting unit. It was determined that the Company's shift in strategy was an indicator of impairment for associated assets. $89.5 million in goodwill impairment and $1.0 million in impairment to ROU assets was recorded to the California reporting unit during 2022. During the first quarter of 2023, the Company adjusted the values of certain leases at the facilities impacted as a result of a change in the underlying assumptions regarding renewal options for those leases. Due to differences between the carrying amounts of the ROU assets and lease liabilities associated with these leases, a gain on lease termination of $1.1 million is included in Other income (expense), net, in the Consolidated Statements of Operations. Further, the Company accelerated depreciation on leasehold improvements related to those leases, with additional depreciation expense taken on these leasehold improvements in the amount of $1.1 million during the first quarter of 2023. Further, $1.0 million of accounts receivable was reserved for and the Company recorded a $0.7 million severance accrual for one-time involuntary termination benefits.

During the third quarter of 2023, Management determined it is more likely than not that the California reporting unit carrying values exceed their fair value due to updated forecasts and projections for the reporting unit. $9.9 million in intangible asset and goodwill impairment was recorded to the California reporting unit in the third quarter of 2023.

In October 2023, Governor Newsom signed the three (3) cannabis-related bills sent to his desk by lawmakers this session, approving measures related to business licensing changes, distribution of fines collected from illicit cannabis operations and membership of a state marijuana task force. SB 833 will allow regulators at the DCC to approve requests from cannabis cultivators to change their license type to a smaller category or inactive status. AB 1448 stipulates that a portion of civil penalties that are collected following enforcement action against unlicensed marijuana businesses will be transferred from the state general fund to local treasurers in jurisdictions that brought the action against the illegal operators. AB 993 also adds representatives of the state Civil Rights Department and Department of Industrial Relations to an existing marijuana task force that is responsible for facilitating communication between state and local cannabis regulators.

New York Operations

New York States's medical cannabis program was introduced in July 2014 when former Governor Andrew Cuomo signed the Compassionate Care Act, which legalized medical cannabis oils for patients with certain qualifying conditions. Under this program, five (5) registered organizations **(**"**ROs**"**)** were licensed to dispense cannabis oil to patients, with the first sale to a patient completed in January 2016. In December 2016, the New York State Department of Health **(**"**NYSDOH**"**)** added chronic pain as a qualifying condition and in the month-and-a-half following the addition of chronic pain, the number of registered patients increased by 18%. In August 2017, the NYSDOH granted licenses to five (5) additional ROs.

In July 2018, the NYSDOH added opioid replacement as a qualifying condition, meaning any condition for which an opioid could be prescribed is now a qualifying condition for medical cannabis. In August 2018, former Governor Cuomo, prompted by an NYSDOH study which concluded the "positive effects" of cannabis legalization "outweigh the potential negative impacts," appointed a group to draft a bill for regulating legal adult-use cannabis sales in New York.

On October 8, 2019, the Company completed its acquisition of Gloucester Street Capital, the parent entity of Valley Agriceuticals, LLC (" **Valley Ag**"). Valley Ag is one (1) of the ten (10) holders of a vertically-integrated license from NYSDOH allowing for the cultivation and processing of medical cannabis as well as the establishment of four (4) medical cannabis dispensaries in the State of New York. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that New York cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of New York cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

On January 6, 2021, former Governor Cuomo announced a proposal to legalize and create a comprehensive system to oversee and regulate adult-use cannabis in New York as part of the 2021 State of the State. Under the Governor's proposal, a new Office of Cannabis Management (the "**OCM**") would be created to oversee the new adult-use program, as well as the state's existing medical and cannabinoid hemp programs. Additionally, an equitable structure for the adult-use market will be created by offering licensing opportunities and assistance to entrepreneurs in communities of color who have been disproportionately impacted by the war on drugs.

On February 16, 2021, former Governor Cuomo announced 30-day amendments to the Governor's proposal to establish a comprehensive adult-use cannabis program in New York. Specifically, these amendments detailed how the $100.0 million in social equity funding will be allocated, enable the use of delivery services and refine which criminal charges will be enforced as it relates to the improper sale of cannabis to further reduce the impact on communities.

Former Governor Cuomo signed SB 854/AB 1248A on March 31, 2021, creating New York's adult-use cannabis program. This legislation expands Cresco Labs' potential dispensary footprint to eight (8), with three (3) dispensaries reserved to be co-located adult-use, allows existing vertical ROs to wholesale branded products and creates a strong social equity program with 50.0% of licenses dedicated to social equity applicants. The Cannabis Control Board (the "**CCB**") that oversees the rollout of the program was seated in summer/early fall 2021. The CCB held its first meeting on October 5, 2021. At that meeting the CCB announced changes to the state's medical program that would go into effect immediately including that cannabis flower could be sold to patients. Since that initial meeting, the CCB has granted certifying healthcare providers wider discretion in recommending medical cannabis, increased the amount of medical cannabis a patient can purchase at one time, and implemented home cultivation rules as well as new cannabinoid hemp rules. In December 2022, the OCM promulgated a series of adult-use regulations that would govern, among other things, the licensing process for the adult-use cannabis program. Those rules underwent a public comment and revision process and the revised version was introduced on June 14, 2023 for another public comment period. The public comment period closed on July 31, 2023 and finalized rules were adopted by the CCB on September 12, 2023. These rules went into effect as of September 27, 2023. OCM has adopted other adult-use regulations, including those governing packaging, labeling, marketing, advertising and laboratories.

Previously, on March 30, 2022, proposed rules related to the issuance of conditional adult-use retail dispensary licenses were published by the OCM. Those rules underwent a public comment period and final rules were approved by the CCB on July 14, 2022. The regulations went into effect on August 3, 2022. In addition to the adoption of rules and ongoing rule makings, on February 22, 2022, the current governor of New York, Kathy Hochul, signed legislation that provided a path for New York's existing hemp operators to obtain provisional cannabis cultivator and processor licenses. Under that law, hemp farmers that were licensed with the Department of Agriculture as of December 31, 2021 would be allowed to cultivate up to 43,500 square feet outdoors, 25,000 square feet in greenhouse facilities, or no more than 30,000 square feet comprising a combination of the outdoor and greenhouse space. The hemp businesses would be required to meet environmental sustainability, labor peace, and equity benchmarks to be allowed to cultivate and minimally process cannabis until June 2023. Hemp businesses issued provisional licenses are required to begin operations within six months of the license being issued. After June 2023, the hemp businesses are required to apply for a cultivator or processor license.

Through the aforementioned agreements and regulatory approval, Cresco Labs now has a license for a cultivation and manufacturing facility within New York State, as well as four (4) dispensary locations strategically located across the state. These four (4) dispensary locations are branded as Sunnyside* dispensaries. The Company has successfully renewed its initial licenses and all licenses are, as of the date hereof, active with the State of New York.

Further, New York State's fiscal year 2022 to 2023 budget includes Section 280E Deductions, which permits tax deductions for commercial cannabis activity. This applies to taxable years beginning on January 1, 2023. The budget also includes a $200.0 million Social Equity Fund, which allows New York State to invest in a private fund to finance the leasing and equipping of up to one hundred and fifty (150) conditional adult-use retail dispensaries in New York State to be operated by individuals who have been impacted by the inequitable enforcement of marijuana laws.

Through the OCM, New York began issuing licenses for cannabis cultivation and processing in April and August of 2022, respectively. Approximately two hundred seventy-nine (279) conditional cultivation licenses have been granted along with approximately forty (40) conditional processor licenses. The application period for Conditional Adult-Use Retail Dispensary ("**CAURD**") licenses was open from August 25, 2022 to September 25, 2022 and the state received approximately nine hundred (900) applications, for one hundred seventy-five (175) available licenses. On April 3, 2023, the CCB provisionally approved ninety-nine (99) more CAURD licenses, increasing New York's total provisional retail dispensary licenses to one hundred and sixty-five (165). The licenses included four (4) for Western New York, one (1) for Central New York, five (5) for Mid-Hudson and three (3) for Brooklyn. The CCB had previously been prevented from issuing provisional licenses in those regions because of a court injunction. The CCB has now granted at least one (1) CAURD provisional license in each region other than the Finger Lakes, which remains blocked by court injunction. On July 19, 2023, the CCB provisionally approved an additional two hundred twelve (212) CAURD licenses, bringing the total number of provisional retail dispensary licenses in the state to four hundred and sixty-three (463). On October 4, 2023, Governor Hochul announced that hundreds of cultivation and retail licenses will be made available for individuals and businesses interested in legally growing and selling cannabis. Applications will be open for two months. In the same announcement, Hochul said the results of the aggressive enforcement against the illegal sales of cannabis state-wide resulted in more than 8,500 pounds of marijuana being seized with a street value of more than $42.0 million after two hundred forty-six (246) inspections.

On December 29, 2022, New York officially opened retail cannabis sales to adults over age twenty-one (21). Under the law passed in March 2021, consumers are allowed to purchase up to three (3) ounces of cannabis and twenty-four (24) grams of cannabis concentrate. The state currently has fifty-two (52) open adult-use dispensaries.

In June of 2023, Governor Hochul announced that Chicago Atlantic is investing up to $150.0 million senior secured capital in the New York State Cannabis Social Equity Investment Fund ("**Fund**"). The legislation that allowed for the Fund's creation provided for a $200.0 million cap of combined investments into it. With Chicago Atlantic's investment, the Fund will receive support to reach its funding goal of up to $200.0 million, which Governor Hochul and the Legislature sought when it adopted legislation to create support for individuals affected by the unequal enforcement of cannabis prohibition.

Also in June 2023, Governor Hochul signed A7430 into law which extends certain authorizations of conditional adult-use cultivators and processors to minimally process and distribute cannabis products until June 1, 2024.

Also part of the 2024 Budget, Governor Hochul signed a law that will allow the Office of Cannabis Management to assess civil penalties against unlicensed cannabis businesses that would undercut their efforts, with fines of up to $20,000 a day for the most egregious conduct. This legislation also makes it a crime to sell cannabis and cannabis products without a license.

In the summer of 2023, New York regulators began accepting applications for cannabis businesses interested in organizing cannabis farmers markets in the state. The CCB voted to authorize what they are calling Cannabis Growers Showcases. Regulators opened the applications and posted guidance and templates for municipal approval for the events. However, in January 2024, OCM announced the Cannabis Growers Showcase would cease. Since its inception in late 2023, the CGS program generated more than $4.0 million in sales, according to the OCM. The agency's rationale for winding them down before the end of the year was new retail dispensaries expected to open over the next few weeks and months, making CGS events moot.

Additionally, in July 2023, the New York City Economic Development Corporation posted a request for proposal (" **RFP**"), soliciting lenders and an administrator for its Cannabis NYC Loan Fund, which will provide low-cost financing to social equity applicants looking to enter the marijuana market. Officials are aiming to raise $20.0-$30.0 million for the fund, which was developed in partnership with the NYC Department of Small Business Services. That includes an initial infusion of $8.0 million from the city. The total will depend on private lenders' response to the RFP.

During the third quarter of 2023, Management determined it is more likely than not that the New York reporting unit carrying values exceed their fair value due to updated forecasts and projections for the reporting unit. $40.0 million in intangible asset and goodwill impairment was recorded to the New York reporting unit in the third quarter of 2023.

On October 4, 2023, the OCM began accepting adult-use cannabis applications for adult-use cultivator, adult-use processor, adult-use distributor, adult-use retail, adult-use microbusiness, registered organization with dispensing ("**ROD**") or registered organization without dispensing ("**ROND**") license types. The application window closed December, 18, 2023, however, ROD and ROND applications shall be accepted by the OCM on a rolling basis. The Company submitted its ROND application on November 21, 2023 and Valley Ag received CCB approval on December 8, 2023.

On October 17, 2023, New York's CCB extended deadlines for general marijuana licensing applications and granted the OCM additional enforcement authority during the board's first meeting since the application period began.

Massachusetts Operations

The Massachusetts medical cannabis market was established through "An Act for the Humanitarian Medical Use of Marijuana" in November 2012 when voters passed Ballot Question 3 "Massachusetts Medical Marijuana Initiative" with 63.0% of the vote. The first Massachusetts dispensary opened in June 2015 and by November 2016, Massachusetts voters legalized adult-use cannabis by passing ballot Question 4 "Massachusetts Marijuana Legalization" with 54.0% of the vote. In July 2017, former Governor Baker signed legislation that would lay the groundwork for the state's adult-use market. The Cannabis Control Commission (the "**CCC**") (the state's regulatory body which creates regulations for both the medical and adult-use market) aimed to officially launch adult-use sales on July 1, 2018 but stumbling blocks, such as a lack of licensed testing labs and disagreements between officials and businesses, slowed the rollout and sales for adult-use cannabis to November 2018.

The CCC oversees the medical and adult-use cannabis programs. Each medical licensee must be vertically-integrated and may have up to two (2) locations. Licensed medical dispensaries are given priority in adult-use licensing. Adult-use cultivators will be grouped into eleven (11) tiers of production (ranging from up to 5,000 square feet to no larger than 100,000 square feet) and regulators will move a licensee down to a lower tier if that licensee has not shown an ability to sell at least 70% of what it produced. Medical dispensaries that wish to add the ability to sell cannabis products to non-patients will be required to reserve 35% of their inventory, or the six-month average of their medical cannabis sales for medical cannabis patients. In order to achieve an adult-use license, a prospective licensee must first sign a "Host Community Agreement" with the town in which it wishes to locate. In both the medical and adult-use markets, extracted oils, edibles and flower products are permitted, as well as wholesaling.

On October 1, 2019, Cresco Labs acquired Hope Heal Health, Inc. (" **HHH**") via certain agreements giving it operational control before cash consideration was settled. On February 7, 2020, the Company legally closed the acquisition and cash funding of $27.5 million. The closing coincided with state approval allowing recreational cannabis sales at the Company's Fall River dispensary.

Registration certificates are valid for a period of one (1) year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from the CCC and include a renewal form. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Massachusetts cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Massachusetts cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

On September 2, 2021, the Company completed the acquisition of 100% of the membership interests of Cultivate Licensing, LLC (" **Cultivate**") for total consideration of $99.3 million. Cultivate owned and operated two (2) cultivation and manufacturing center locations, two (2) adult-use and medical dispensary locations and one (1) adult-use dispensary location. The closing of this acquisition was contingent upon the Company surrendering its adult-use retail license for the Fall River dispensary. After the closing of the acquisition, the Fall River dispensary location is medical only.

The Massachusetts Senate and House of Representatives debated and voted on bills SB 2823 and HB 4791 in April and June, respectively, and passed the bills in August of 2022. The bills address several cannabis related issues, including host community agreement reform, a social equity trust fund and the referendum process for social consumption licenses. On August 11, 2022, former Governor Baker signed both measures into law.

More recently, the CCC published proposed regulations to review Host Community Agreements (" **HCA**") for compliance with the new HCA law. The regulations, if adopted, would only apply to new applications and renewals starting March 1, 2024.

Starting in January 2023, Massachusetts adopted a curriculum designed to educate teens on the risks of driving while under the influence of cannabis. Under the program, as of January 1, 2023, Massachusetts became the first state that has legalized the recreational use of marijuana to adopt the curriculum designed by AAA Northeast, according to the state Registry of Motor Vehicles. The current driver education curriculum addressing impaired driving was updated to include information on cannabis, such as how THC, the active chemical in marijuana, affects cognition, vision, reaction time, and perception of time and distance.

On June 29, 2023, municipal equity guidance was released by the CCC that states a municipality must establish initial policies to promote equity in the cannabis industry no later than July 1, 2023, and a city or town that is not a host community must establish these policies before entering an HCA. If a host community fails to establish the required social equity policies, the host community will be subject to a monetary penalty in an amount equal to the annual total of all HCA community impact fees received from all marijuana businesses operating within that host community. Additionally, the guidance stipulates that a city or town can choose to engage in a local voter initiative petition process or adopt a municipal ordinance or by-law to allow the sale of cannabis for consumption on the premises where sold.

During the second quarter of 2023, Management determined it is more likely than not that the Massachusetts reporting unit carrying value exceeded its fair value due to updated forecasts and projections for this reporting unit. As a result, a $21.5 million impairment charge reducing the carrying value of goodwill and licenses was recognized in the Unaudited Condensed Interim Consolidated Statements of Operations.

During a May 22, 2023 meeting, the CCC voted to rescind their existing Social Consumption Pilot Program regulations which would have capped the number of municipalities that could serve as a host community for social consumption establishments at twelve (12) in favor of launching a new and ongoing regulatory review and drafting process under the cannabis equity law, which contains no such cap.

In December 2023, Massachusetts regulators voted to permit cannabis transport businesses to send only one employee on deliveries, instead of two, in a move that could cut costs for such operators. By a 3-1 vote, the CCC agreed to overhaul the state's marijuana delivery rules by easing the two-person requirement. The rule change has not yet taken effect and requires a formal rewriting of the rules as well as a vote.

Michigan Operations

In November 2008, Michigan residents approved the Michigan Medical Marihuana Act (the " **MMMA**") to provide a legal framework for a safe and effective medical marijuana program. In September 2016, the Michigan Senate passed the Medical Marihuana Facilities Licensing Act and the Marihuana Tracking Act and together with the MMMA (collectively, the "**Michigan Cannabis Regulations**") provides a comprehensive licensing and tracking scheme, respectively, for the medical marijuana program. Additionally, the Michigan Department of Licensing and Regulatory Affairs and its licensing board **("LARA**") has supplemented the Michigan Cannabis Regulations with "Emergency Rules" to further clarify the regulatory landscape surrounding the medical marijuana program. LARA is the main regulatory authority for the licensing of marijuana businesses.

On November 6, 2018, Michigan voters approved Proposal 1, to make marijuana legal under state and local law for adults twenty-one (21) years of age or older and to control the commercial production and distribution of marijuana under a system that licenses, regulates and taxes the businesses involved. The act would be known as the Michigan Regulation and Taxation of Marihuana Act. In accordance with Proposal 1, LARA began accepting applications for retail (adult-use) dispensaries on November 1, 2019.

On March 25, 2019, an affiliate of the Company (the "**Michigan Affiliate**") announced that it had completed the most comprehensive portion of Michigan's application process, being pre-qualified for a cultivation and processing license in Michigan. The pre-qualification represents the authorization of the entity to move forward with the licensing process for its intended facilities.

On November 13, 2019, Michigan announced any existing medically licensed businesses would be allowed to sell adult-use marijuana beginning December 1, 2019. On March 5, 2020, the Michigan Affiliate was issued a medical processing license to begin manufacturing and processing flower into edible medical marijuana products and/or medical marijuana-infused products.

In 2020, the Michigan Affiliate received approval to operate one (1) adult-use processor license and one (1) medical processor license. The Michigan Affiliate received its first medical and adult-use cultivation licenses in June 2021. Additional cultivation licenses have been added as production capacity continues to grow.

All Michigan licenses are renewed annually through the Cannabis Regulator Agency after the required fees are paid and the business remains in good standing. In addition, a sworn statement is required that states that the business is in good standing and will uphold a continuing reporting duty. The renewal fees are to be determined by the amount of gross weight of marijuana products transferred during the past year. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Michigan cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Michigan cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

On April 22, 2020, the Michigan Affiliate and related parties of the Company executed an amended and restated operating agreement which increased the Company's related parties' ownership from 50.0% to 85.0% in exchange for a capital commitment of $25.0 million. Provisions contained in the operating agreement entitle related parties of the Company to a majority of profit and gives the Company control of the Michigan Affiliate and rights and exposure to variable returns. The Company has the right to direct all the relevant activities of and has the full decision-making power over the Michigan Affiliate.

On April 23, 2020, the Company announced that it had completed the sale of its Marshall, MI facility to Innovative Industrial Properties. Inc. ("**IIP**"). Concurrent with the closing of the sale, Cresco Labs entered into a long-term, triple-net lease agreement with IIP and continues to operate the property as a licensed cannabis cultivation and processing facility upon completion of redevelopment. On October 4, 2021, the Company unveiled its Marshall facility while celebrating the first harvest at the property. Following the unveiling of its Marshall facility, the Michigan Affiliate expanded its licensure to fully realize the growth potential of the Marshall facility. In late 2021,

the Michigan Affiliate was awarded eight (8) additional Medical Class C Grower licenses bringing its total medical grow licenses to ten (10) in addition to its one (1) existing Medical Processor license. With increased medical grow potential, the Michigan Affiliate was also able to acquire seven (7) Adult-Use Excess Grower licenses in addition to its existing five (5) Adult-Use Class C Grow licenses and one (1) Adult-Use Processor license.

In June 2023, SB 180 and SB 179 were passed by the Senate, approved by the House of Representatives in October 2023 and subsequently signed by Governor Gretchen Whitmer on October 19, 2023. The bipartisan legislation allows state-licensed marijuana businesses to conduct trade with tribal cannabis entities.

Florida Operations

In 2014, the Florida Legislature passed the Compassionate Use Act (the " **CUA**") which was a low-THC (CBD) law, allowing cannabis containing not more than 0.8% THC to be sold to patients diagnosed with severe seizures or muscle spasms and cancer. The CUA created a competitive licensing structure and originally allowed for one (1) vertically-integrated license to be awarded in each of five (5) regions. The CUA set forth the criteria for applicants as well as the minimum qualifying criteria which included the requirement to hold a nursery certificate evidencing the capacity to cultivate a minimum of 400,000 plants, to be operated by a nurseryman and to be a registered nursery for at least thirty (30) continuous years. The CUA also created a state registry to track dispensations. In 2016, the Florida Legislature passed the Right to Try Act (the "**RTA**"), which expanded the State's medical cannabis program to allow for full potency THC products to be sold as "medical marijuana" to qualified patients.

In November of 2016, the Florida Medical Marijuana Legalization ballot initiative (the " **Initiative**") to expand the medical cannabis program under the RTA was approved by 71.3% of voters, thereby amending the Florida constitution. The Initiative is now codified as Article X, Section 29 of the Florida Constitution.

The Initiative expanded the list of qualifying medical conditions to include cancer, epilepsy, glaucoma, HIV and AIDS, PTSD, ALS, Crohn's disease, Parkinson's disease, multiple sclerosis, or other debilitating medical conditions of the same kind or class or comparable to those other qualifying conditions and for which a physician believes the benefits outweigh the risks to the patient. The Initiative also provided for the implementation of state-issued medical cannabis identification cards. In 2017, the Florida Legislature passed legislation implementing the constitutional amendment and further codifying the changes set forth in the constitution into law (the "**2017 Law**"). The 2017 Law provides for the issuance of ten (10) licenses to specific entities and another four (4) licenses to be issued for every 100,000 active qualified patients added to the registry. The 2017 law also initially limited license holders to a maximum of twenty-five (25) dispensary locations with the ability to purchase additional dispensary locations from one another and for an additional five (5) locations to be allowed by the State for every 100,000 active qualified patients added to the registry. The 2017 legislation's cap on dispensing facilities expired in April 2020.

On March 18, 2019, Governor Ron DeSantis signed SB 182 "Medical Use of Marijuana" into law. Among other provisions, SB 182 repealed the state's smoking ban that had been in place. The medical program is currently administered by the Florida Department of Health's ("**FDOH**") Office of Medical Marijuana Use ("**OMMU**"). OMMU is responsible for crafting and implementing regulations governing the program, overseeing the Medical Marijuana Use Registry, licensing operators to cultivate, process and dispense medical marijuana and certifying testing laboratories. Governor DeSantis signed SB 768 into law on April 20, 2022, which includes the following provisions: FDOH will now collect samples of marijuana and marijuana delivery devices from a medical marijuana treatment center ("**MMTC**") for specified testing, rather than only samples of edibles; FDOH is required to promulgate rules to allow for potency variations not to exceed 15% from labels and FDOH has the authority not to renew the license of a MMTC that has not begun to cultivate by their renewal date.

In February 2023, the FDOH announced that it would begin accepting applications for the newly created twenty-two (22) medical marijuana licenses from April 24, 2023 to April 28, 2023.

In May 2023, Governor DeSantis signed HB 387 into law, which allows a qualified physician to conduct an examination by telehealth for a patient's medical marijuana certification renewal if the physician previously conducted an in-person exam of the patient for the purpose of certification. The bill also helps Black farmers obtain medical-marijuana licenses.

In June 2023, Governor DeSantis signed SB 1676 into law, which aims to ensure that all hemp products sold in Florida are safe for human consumption. Legal hemp products must comply with several requirements outlined in SB 1676, which includes requirements that any retailer distributing hemp products in the state test their products in a certified hemp testing laboratory and sales are restricted to adults aged twenty-one (21) or over beginning July 1, 2023. Hemp retailers in the state must also obtain a license from the Florida Department of Agriculture and Consumer Services.

With regard to the potential for adult-use cannabis in the state, a group, Regulate Florida, sought to place the questions of whether to legalize adult-use cannabis on the November 2022 ballot but was not successful. Regulate Florida will need to gather more than 222,000 signatures to trigger judicial and fiscal review and then more than 890,000 signatures to make the 2024 ballot. On February 2, 2023, the "Smart & Safe Florida" political committee had submitted 294,037 petition signatures, according to the state Division of Elections website. As of the end of April 2023, advocates had collected 841,130 signatures, and on June 1, 2023, state officials confirmed enough valid signatures had been collected to qualify for the 2024 ballot. Court approval is the last hurdle for the initiative to be placed on the 2024 ballot. However, Florida Attorney General Ashley Moody is seeking to invalidate the ballot initiative. The matter is currently pending before the Florida Supreme Court.

On April 14, 2021, the Company completed the acquisition of Bluma Wellness Inc. (" **Bluma**") for total consideration of $238.1 million . Bluma owned and operated 3 Boys Farm, LLC dba One Plant Florida ("**One Plant**"), a vertically-integrated, licensed MMTC in the State of Florida. One Plant cultivates, processes, dispenses and retails medical cannabis to qualified patients in the State of Florida through multiple retail dispensaries and an innovative next-day door-to-door e-commerce home delivery service, thereby offering convenient access for its customers and meeting the demands of an evolving retail landscape. As of the acquisition date, Bluma, under One Plant, had eight (8) strategically located dispensaries. Since the acquisition, Cresco Labs has rebranded these dispensaries as Sunnyside*® and opened an additional twenty-five (25) locations as of December 31, 2023.

During the third quarter of 2023, Management determined it is more likely than not that the Florida reporting unit carrying values exceed their fair value due to updated forecasts and projections for the reporting unit. $79.4 million in intangible assets and goodwill impairment was recorded to the Florida reporting unit in the third quarter of 2023.

While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Florida cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Florida cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Exhibit 99.6

CRESCO LABS INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in United States Dollars)

CRESCO LABS INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Cresco Labs Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Cresco Labs Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2023 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Change in Accounting Policy
As discussed in Note 2(p) to the consolidated financial statements, the Company has elected to change its method of accounting for lease liabilities. The Company changed its method of calculating the current portion of lease liabilities using the present value of lease payments for the next twelve months to calculating the current portion equal to the total amount by which the lease liability will be reduced over the next twelve months. The Company has also adjusted and presented the change retrospectively for all prior periods presented in the consolidated financial statements.

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

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

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

/s/ Marcum LLP

Marcum LLP (PCAOB ID: 688)
We have served as the Company's auditor since 2019.

Chicago, IL, USA

March 15, 2024

Cresco Labs Inc.
Consolidated Balance Sheets
As of December 31, 2023 and December 31, 2022
(In thousands of United States Dollars, except share amounts)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 103,429	$ 119,341
Restricted cash	5,091	2,169
Accounts receivable, net	51,070	56,492
Inventory, net	107,789	134,608
Loans receivable, short-term	1,421	447
Prepaid expenses	6,417	9,420
Other current assets	2,870	3,569
Total current assets	278,087	326,046
Non-current assets:		
Property and equipment, net	368,308	379,722
Right-of-use assets	117,882	128,264
Intangible assets, net	296,966	407,590
Loans receivable, long-term	826	823
Investments	730	1,228
Goodwill	279,697	330,555
Deferred tax asset	11,547	26
Other non-current assets	4,424	9,438
Total non-current assets	1,080,380	1,257,646
TOTAL ASSETS	**$ 1,358,467**	**$ 1,583,692**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,587	$ 28,093
Accrued liabilities	69,079	65,161
Short-term borrowings	11,817	10,976
Income taxes payable	82,343	94,842
Current portion of lease liabilities	9,416	8,959
Deferred consideration, and other payables, short-term	—	47,834
Total current liabilities	200,242	255,865
Non-current liabilities:		
Long-term notes and loans payable, net	497,713	476,891
Lease liabilities	163,811	173,345
Deferred tax liability	40,457	75,138
Deferred consideration, long-term	6,577	7,770
Other long-term liabilities	21,600	7,000
Total non-current liabilities	730,158	740,144
TOTAL LIABILITIES	**$ 930,400**	**$ 996,009**
COMMITMENTS AND CONTINGENCIES (Note 16)		
SHAREHOLDERS' EQUITY		
Super Voting Shares, no par value; 500,000 shares authorized, issued and outstanding at December 31, 2023 and December 31, 2022, respectively		
Subordinate Voting Shares, no par value; Unlimited shares authorized; 320,757,119 and 281,147,586 issued and outstanding at December 31, 2023 and December 31, 2022, respectively		
Proportionate Voting Shares[1], no par value; Unlimited shares authorized; 18,949,596 and 20,082,384 issued and outstanding at December 31, 2023 and December 31, 2022, respectively		
Special Subordinate Voting Shares[2], no par value; 1,589 and 639 shares authorized, issued and outstanding at December 31, 2023 and December 31, 2022, respectively		
Share capital	1,689,452	1,617,093
Additional paid-in-capital	82,927	87,537
Accumulated other comprehensive loss	(1,151)	(1,393)
Accumulated deficit	(1,265,536)	(1,076,198)
Equity of Cresco Labs Inc.	505,692	627,039
Non-controlling interests	(77,625)	(39,356)
TOTAL SHAREHOLDERS' EQUITY	**428,067**	**587,683**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 1,358,467**	**$ 1,583,692**

[1] Proportionate Voting Shares ("PVS") presented on an "as-converted" basis to Subordinate Voting Shares ("SVS") (1-to-200)
[2] Special Subordinate Voting Shares ("SSVS") presented on an "as-converted" basis to SVS (1-to-0.00001)

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

Cresco Labs Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2023 and 2022
(In thousands of United States Dollars, except share and per share amounts)

	Year Ended December 31,	
	2023	**2022**
Revenues, net	$ 770,885	$ 842,681
Costs of goods sold	408,519	435,668
Gross profit	362,366	407,013
Operating expenses:		
Selling, general and administrative	299,172	350,653
Impairment loss	151,017	140,655
Total operating expenses	450,189	491,308
Loss from operations	(87,823)	(84,295)
Other expense, net:		
Interest expense, net	(60,819)	(57,837)
Other income, net	1,740	15,227
Total other expense, net	(59,079)	(42,610)
Loss before income taxes	(146,902)	(126,905)
Income tax expense	(32,950)	(88,938)
Net loss	$ (179,852)	$ (215,843)
Net loss attributable to non-controlling interests, net of tax	(4,330)	(3,796)
Net loss attributable to Cresco Labs Inc.	**$ (175,522)**	**$ (212,047)**
Net loss per share - attributable to Cresco Labs Inc. shareholders:		
Basic and diluted loss per share	$ (0.54)	$ (0.71)
Basic and diluted weighted-average number of shares outstanding	323,819,766	298,161,665

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

Cresco Labs Inc.
Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2023 and 2022
(In thousands of United States Dollars)

	Year Ended December 31,	
	2023	**2022**
Net loss	**$ (179,852)**	**$ (215,843)**
Foreign currency translation differences, net of tax	242	(1,139)
Total comprehensive loss for the period	**(179,610)**	**(216,982)**
Comprehensive loss attributable to non-controlling interests, net of tax	(4,330)	(3,796)
Total comprehensive loss attributable to Cresco Labs Inc.	**$ (175,280)**	**$ (213,186)**

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

Cresco Labs Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2023 and 2022
(In thousands of United States Dollars)

	Share capital	Additional paid-in capital	Accumulated other comprehensive loss, net of tax	Accumulated deficit	Non-controlling interests	Total
Balance as of January 1, 2022	$ 1,556,941	$ 40,774	$ (254)	$ (841,907)	$ 42,182	$ 797,736
Exercise of options and warrants	4,941	(4,243)	—	—	—	698
Share-based compensation	3,417	20,344	—	—	—	23,761
Employee taxes withheld on certain share-based payment arrangements	290	(717)	—	—	—	(427)
Income tax reserve	—	—	—	155	—	155
Payable pursuant to tax receivable agreements	597	—	—	—	—	597
Tax benefit from shareholder redemptions	(1,239)	—	—	—	—	(1,239)
Equity issued related to acquisitions	34,708	—	—	—	—	34,708
Tax distributions to non-controlling interest holders	—	31,379	—	(5,230)	(68,828)	(42,679)
Excess cash distributions to non-controlling interest holders					(8,645)	(8,645)
Cresco LLC shares redeemed	17,438	—	—	(17,169)	(269)	—
Foreign currency translation	—	—	(1,139)	—	—	(1,139)
Net loss	—	—	—	(212,047)	(3,796)	(215,843)
Ending Balance as of December 31, 2022	**$ 1,617,093**	**$ 87,537**	**$ (1,393)**	**$ (1,076,198)**	**$ (39,356)**	**$ 587,683**
Share-based compensation	9,059	6,280	—	—	—	15,339
Employee taxes withheld on certain share-based payment arrangements	—	(713)	—	—	—	(713)
Income tax reserve	—	—	—	7,212	—	7,212
Payable pursuant to tax receivable agreements	33	—	—	—	—	33
Equity issued related to settlement of acquisition related contingent consideration	47,238	—	—	—	—	47,238
Equity issuances and other adjustments	2	—	—	—	—	2
Tax distributions to non-controlling interest holders	—	(10,177)	—	787	(33,557)	(42,947)
Excess cash distributions to non-controlling interest holders	—	—	—	—	(6,170)	(6,170)
Cresco LLC shares redeemed	16,027	—	—	(21,815)	5,788	—
Foreign currency translation	—	—	242	—	—	242
Net loss	—	—	—	(175,522)	(4,330)	(179,852)
Ending Balance as of December 31, 2023	**$ 1,689,452**	**$ 82,927**	**$ (1,151)**	**$ (1,265,536)**	**$ (77,625)**	**$ 428,067**

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

Cresco Labs Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
(In thousands of United States Dollars)

	Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (179,852)	$ (215,843)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	62,512	51,930
Amortization of operating lease assets	6,792	5,795
Bad debt expense and provision expense for expected credit loss	10,706	1,700
Share-based compensation expense	16,356	23,221
Loss on investments	500	4,615
Loss on changes in fair value of deferred and contingent consideration	1,204	5,667
Gain on derivative instruments and warrants	—	(1,184)
Loss on inventory write-offs and provision	3,820	7,358
Change in deferred taxes	(32,659)	(4,643)
Accretion of discount and deferred financing costs on debt arrangements	4,416	3,951
Foreign currency loss (gain)	303	(940)
Loss on sale of assets	(13)	2,635
Impairment loss	151,017	140,655
Gain on lease termination and sale and leaseback transaction	(1,965)	(19,630)
Loss on other adjustments to net income	209	—
Changes in operating assets and liabilities:		
Accounts receivable	(5,369)	(14,776)
Inventory	23,491	(2,668)
Prepaid and other assets	2,598	(4,512)
Accounts payable and other accrued liabilities	27,795	10,700
Operating lease liabilities	(28,002)	(22,073)
Income taxes payable	(5,295)	46,783
NET CASH PROVIDED BY OPERATING ACTIVITIES	58,564	18,741
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(55,385)	(83,026)
Purchase of intangibles	(2,498)	(3,106)
Proceeds from sale and leaseback transactions and tenant improvement allowances	2,594	47,914
Payment of acquisition consideration, net of cash acquired	—	(1,135)
Proceeds from sale and disposals of assets	11,704	1,322
Receipts from loans and advances	—	2,654
Payments of loans and advances	(1,000)	(1,200)
NET CASH USED IN INVESTING ACTIVITIES	(44,585)	(36,577)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options, warrants and sell-to-cover shares	—	3,215
Proceeds from the issuance of long-term debt	20,175	—
Payment of debt issuance costs	(1,947)	—
Payment of acquisition-related contingent consideration	(1,787)	(4,927)
Tax distribution payments in accordance with the tax receivable agreement	(222)	—
Excess cash distributions to non-controlling interest redeemable unit holders and other members	(6,170)	(8,646)
Tax distributions to non-controlling interest redeemable unit holders and other members	(32,770)	(73,859)
Principal payment of property, plant, and equipment vendor financing	(701)	—
Principal payments on finance lease obligations	(3,485)	(2,426)
NET CASH USED IN FINANCING ACTIVITIES	(26,907)	(86,643)
Effect of exchange rate changes on cash and cash equivalents	(62)	(113)
Net decrease in cash and cash equivalents	(12,990)	(104,592)
Cash and cash equivalents and restricted cash, beginning of period	121,510	226,102
Cash and cash equivalents, end of period	103,429	119,341
Restricted cash, end of period	5,091	2,169
Cash and cash equivalents and restricted cash, end of period	**$ 108,520**	**$ 121,510**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE PERIOD FOR:		
Income tax, net	$ 70,896	$ 46,756
Interest	53,616	53,651
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Non-cash consideration for business combination	$ 47,238	$ 34,708
Non-controlling interests redeemed for equity	5,788	357
Increase to net lease liability	1,474	26,487
Receivable due from seller of previous acquisition	705	797
Liability incurred to purchase property, equipment and intangibles	93	8,664
Purchase of property, plant and equipment through vendor financing	748	—
Purchase of property, plant and equipment through inventory	48	—
Cashless exercise of stock options	—	1,821
Unpaid declared distributions to non-controlling interest redeemable unit holders	10,176	9,896
Receivable related to financing lease transactions	612	612
Liability incurred in accordance with tax receivable agreement	14,564	1,053

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

NOTE 1. NATURE OF OPERATIONS

Cresco Labs Inc. ("Cresco Labs" or the "Company"), formerly known as Randsburg International Gold Corp. ("Randsburg") was incorporated in the Province of British Columbia under the Company Act on July 6, 1990. The Company is one of the largest vertically-integrated multi-state cannabis operators in the United States licensed to cultivate, manufacture and sell retail and medical cannabis products primarily through Sunnyside*®, Cresco Labs' national dispensary brand and third-party retail stores. Employing a consumer-packaged goods approach to cannabis, Cresco Labs' house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco®, High Supply®, Mindy's™, Good News®, Remedi™, Wonder Wellness Co.® and FloraCal® Farms. As of December 31, 2023, the Company operates in Illinois, Pennsylvania, Ohio, California, New York, Massachusetts, Michigan and Florida pursuant to the Illinois Compassionate Use of Medical Cannabis Program Act and the Illinois Cannabis Regulation and Tax Act; the Pennsylvania Medical Marijuana Act; the Ohio Medical Marijuana Control Program; the California Medicinal and Adult-Use Cannabis Regulation and Safety Act; the New York Marihuana Regulation and Taxation Act; the Massachusetts Regulation and Taxation of Marijuana Act, the Massachusetts Act for the Humanitarian Medical Use of Marijuana and the Massachusetts Act to Ensure Safe Access to Marijuana; the Michigan Medical Marihuana Act, the Michigan Medical Marihuana Facilities Licensing Act, the Michigan Regulation and Taxation of Marihuana Act and the Michigan Marihuana Tracking Act and the Florida Compassionate Medical Cannabis Act, respectively.

The Company trades on the Canadian Securities Exchange under the ticker symbol "CL," on the Over-the-Counter Market under the ticker symbol "CRLBF" and on the Frankfurt Stock Exchange under the symbol "6CQ."

The Company's corporate office is located at Suite 110, 400 W Erie St, Chicago, IL 60654. The registered office is located at Suite 2500, 666 Burrard Street, Vancouver, BC V6C 2X8.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP").

(b) Basis of Measurement

The accompanying consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain loans receivable, investments, and contingent considerations, which are recorded at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets acquired and the contractual obligation for liabilities incurred.

(c) Functional and Presentation Currency

The Company's functional currency and that of the majority of its subsidiaries is the United States ("U.S.") dollar. The Company's reporting currency is the U.S. dollar ("USD"). All references to "C$" refer to Canadian dollars. Foreign currency denominated assets and liabilities are re-measured into the functional currency using period-end exchange rates. Gains and losses from foreign currency transactions are included in Other income, net in the Consolidated Statements of Operations.

Assets and liabilities of foreign operations having a functional currency other than USD (e.g., C$) are translated at the rate of exchange prevailing at the reporting date; revenues and expenses are translated at the monthly average rate of exchange during the period. Gains or losses on translation of foreign subsidiaries and net investments in foreign operations are included in Foreign currency translation differences, net of tax in the Consolidated Statements of Comprehensive Loss and Accumulated other comprehensive loss on the Consolidated Balance Sheets.

(d) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated upon consolidation. Subsidiaries are those entities over which the Company has the power over the investee, is exposed, or has rights, to variable involvement with the investee; and has the ability to use its power to affect its returns. The following are Cresco Labs' wholly-owned or controlled entities as of December 31, 2023:

Entity	Location	Purpose	Percentage Held
Cresco Labs Inc.	British Columbia, Canada	Parent Company	
Cali-Antifragile Corp.	California	Holding Company	100%
River Distributing Co., LLC	California	Holding Company	100%
Sonoma's Finest fka FloraCal	California	Cultivation	100%
Cub City, LLC	California	Cultivation	100%
CRHC Holdings Corp.	Ontario, Canada	Holding Company	100%
Cannroy Delaware Inc.	Delaware	Holding Company	100%
High Road Holdings LLC	Delaware	Holding Company	100%
Laurel Harvest Labs, LLC	Pennsylvania	Cultivation and Dispensary Facility	100%
JDRC Mount Joy, LLC	Illinois	Holding Company	100%
JDRC Scranton, LLC	Illinois	Holding Company	100%
Bluma Wellness Inc.	British Columbia, Canada	Holding Company	100%
Cannabis Cures Investments, LLC	Florida	Holding Company	100%
3 Boys Farm, LLC	Florida	Cultivation, Production and Dispensary Facility	100%
Farm to Fresh Holdings, LLC	Florida	Holding Company	100%
Cresco U.S. Corp.	Illinois	Holding Company	100%
MedMar Inc.	Illinois	Holding Company	100%
MedMar Lakeview, LLC	Illinois	Dispensary	88%
MedMar Rockford, LLC	Illinois	Dispensary	75%
Gloucester Street Capital, LLC	New York	Holding Company	100%
Valley Agriceuticals, LLC	New York	Cultivation, Production and Dispensary Facility	100%
Valley Agriceuticals Real Estate	New York	Holding Company	100%
JDRC Ellenville, LLC	Illinois	Holding Company	100%
CMA Holdings, LLC	Illinois	Holding Company	100%
BL Real Estate, LLC	Massachusetts	Holding Company	100%
BL Pierce, LLC	Massachusetts	Holding Company	100%
BL Uxbridge, LLC	Massachusetts	Holding Company	100%
BL Main, LLC	Massachusetts	Holding Company	100%
BL Burncoat, LLC	Massachusetts	Holding Company	100%
BL Framingham, LLC	Massachusetts	Holding Company	100%
BL Worcester, LLC	Massachusetts	Holding Company	100%
Cultivate Licensing LLC	Massachusetts	Holding Company	100%
Cultivate Worcester, Inc.	Massachusetts	Dispensary	100%
Cultivate Leicester, Inc.	Massachusetts	Cultivation, Production and Dispensary Facility	100%
Cultivate Framingham, Inc.	Massachusetts	Dispensary	100%
Cultivate Cultivation, LLC	Massachusetts	Cultivation and Production Entity	100%
GoodNews Holdings, LLC	Illinois	Licensing Company	100%
Wonder Holdings, LLC	Illinois	Licensing Company	100%
JDRC Seed, LLC	Illinois	Educational Company	100%
CP Pennsylvania Holdings, LLC	Illinois	Holding Company	100%
Bay, LLC	Pennsylvania	Dispensary	100%
Bay Asset Management, LLC	Pennsylvania	Holding Company	100%
Ridgeback, LLC	Colorado	Holding Company	100%
Encanto Green Cross Dispensary, LLC	Arizona	Holding Company	100%
Cresco Labs Texas, LLC	Texas	Holding Company	100%
Cresco Labs, LLC	Illinois	Operating Entity	62%
Cresco Labs Ohio, LLC	Ohio	Cultivation, Production and Dispensary Facility	99%

Entity	Location	Purpose	Percentage Held
Cresco Labs Notes Issuer, LLC	Illinois	Holding Company	
Wellbeings, LLC	Delaware	CBD Wellness Product Development	100%
Cresco Labs SLO, LLC	California	Holding Company	100%
SLO Cultivation Inc.	California	Holding Company	80%
Cresco Labs Joliet, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs Kankakee, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs Logan, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs PA, LLC	Illinois	Holding Company	100%
Cresco Yeltrah, LLC	Pennsylvania	Cultivation, Production and Dispensary Facility	100%
Strip District Education Center	Pennsylvania	Holding Company	100%
AFS Maryland, LLC	Maryland	Holding Company	100%
JDC Newark, LLC	Ohio	Holding Company	100%
Verdant Creations Newark, LLC	Ohio	Dispensary	100%
Strategic Property Concepts, LLC	Ohio	Holding Company	100%
JDC Marion, LLC	Ohio	Holding Company	100%
Verdant Creations Marion, LLC	Ohio	Dispensary	100%
Strategic Property Concepts 4, LLC	Ohio	Holding Company	100%
JDC Chillicothe, LLC	Ohio	Holding Company	100%
Verdant Creations Chillicothe, LLC	Ohio	Dispensary	100%
Strategic Property Concepts 5, LLC	Ohio	Holding Company	100%
JDC Columbus, LLC	Ohio	Holding Company	100%
Care Med Associates, LLC	Ohio	Dispensary	100%
Arizona Facilities Supply, LLC	Arizona	Holding Company	100%
Cresco Labs TINAD, LLC	Illinois	Holding Company	100%
TINAD, LLC	Illinois	Holding Company	100%
PDI Medical III, LLC	Illinois	Dispensary	100%
Cresco Labs Phoenix Farms, LLC	Illinois	Holding Company	100%
Phoenix Farms Partners, LLC	Illinois	Holding Company	100%
Phoenix Farms of Illinois Asset Management, LLC	Illinois	Holding Company	100%
Phoenix Farms of Illinois, LLC	Illinois	Dispensary	100%
JDC Elmwood, LLC	Illinois	Holding Company	100%
FloraMedex, LLC	Illinois	Dispensary	100%
Cresco Edibles, LLC	Illinois	Holding Company	100%
TSC Cresco, LLC	Illinois	Licensing	75%
Cresco HHH, LLC	Massachusetts	Cultivation, Production and Dispensary Facility	100%
Cresco Labs Nevada, LLC	Nevada	Holding Company	100%
Cresco Labs Michigan Management, LLC	Michigan	Holding Company	100%
Cresco Labs Missouri Management, LLC	Missouri	Holding Company	100%
JDRC Acquisitions, LLC	Illinois	Holding Company	100%
JDRC 7841 Grand LLC	Illinois	Holding Company	100%
JDRC Lincoln, LLC	Illinois	Holding Company	100%
JDRC Danville, LLC	Illinois	Holding Company	100%
JDRC Kankakee, LLC	Illinois	Holding Company	100%
JDRC Brookville, LLC	Illinois	Holding Company	100%
Cresco Labs Michigan, LLC (a)	Michigan	Cultivation and Production Facility	85%
(a) Legally, Cresco Labs Michigan, LLC is 85% owned by related parties of the Company.			

Cresco U.S. Corp., which is wholly owned by the Company, is the sole manager of Cresco Labs, LLC; Cresco Labs, LLC is the sole owner and manager of Cresco Labs Notes Issuer, LLC. Therefore, the Company controls Cresco Labs Notes Issuer, LLC and has consolidated its results into the consolidated financial statements.

Non-controlling interests ("NCI") represent ownership interests in consolidated subsidiaries by parties that are not shareholders of the Company. They are shown as a component of total equity in the Consolidated Balance Sheets, and the share of income attributable to NCI is shown as Net income attributable to non-controlling interests, net of tax in the Consolidated Statements of Operations and in the Consolidated Statements of Comprehensive Loss. Changes in the parent company's ownership that do not result in a loss of control are accounted for as equity transactions.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash and cash on hand at retail locations. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents and mainly consist of certificates of deposits.

(f) Restricted Cash

Restricted cash represents amounts held in escrow related to investments, acquisitions and building improvements.

(g) Accounts Receivable

Accounts receivable are recorded net of allowance for doubtful accounts. The Company develops a provision matrix and measures the expected credit losses based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors. The Company also estimates and provides an allowance for doubtful accounts based on contractual payment terms, actual payment history of its customers, current economic conditions and individual customer circumstances. Accounts receivable are evaluated monthly based on expected collections over its life and an adjustment is recorded as needed. When a receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the Consolidated Statements of Operations. See Note 17 for further discussion.

(h) Inventory

Inventory is primarily composed of raw materials (cannabis and non-cannabis), work-in-process and finished goods. Inventory is recorded at the lower of cost or net realizable value, with cost determined using the weighted average cost method. For manufactured inventory, costs incurred during the growing and production of cannabis and cannabis-based products are capitalized, net of yield adjustments, as incurred to the extent that costs are less than net realizable value. These costs include, but are not limited to, materials, labor, overhead and occupancy costs, cannabis taxes and depreciation expense on equipment involved in manufacturing, packaging, labeling, inspection and testing. Fixed costs associated with underutilized facilities are taken as expenses within the current period. Capacities are set using normalized operating capacity as defined by GAAP. Costs related to purchased finished goods are recorded at cost, including freight. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written down to net realizable value.

(i) Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Land is recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the asset. The Company evaluates the recoverability of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. In those cases, the assets are assessed for impairment based on the estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future undiscounted cash flows, the Company will determine the fair value of the assets within the asset group and record an impairment loss calculated as the excess in carrying value over fair value. Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Leasehold improvements are amortized over the lesser of the life of the lease or estimated useful life of the improvement. Any gain or loss arising from derecognition or impairment of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the accompanying Consolidated Statements of Operations. The Company assesses property and equipment for indicators of impairment throughout the reporting period. See Note 4 for additional details.

Category	Estimated Useful Life
Leasehold Improvements	1 - 15 years
Machinery and Equipment	5 - 15 years
Furniture and Fixtures	3 - 7 years
Vehicles	5 years
Website and Software	3 years
Computer Equipment	3 - 5 years
Buildings and Building Improvements	5 - 39 years

Repairs and maintenance that do not improve efficiency or extend economic life are charged to expense as incurred.

(j) Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date or date of consolidation/control. Amortization of definite-lived intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Costs incurred during the year to renew or extend the term of a recognized intangible asset are included within additions and are amortized on a straight-line basis over the useful lives of the permit or license renewal period. See Note 7 for additional details. Intangible assets are amortized over the following terms:

Category	Estimated Useful Life
Customer Relationships	7 - 8 years
Non-Compete Agreements	2 - 5 years
Trade Names	10 years
Permit Application Fees	1 - 2 years

The estimated useful lives and residual values are reviewed at each year end and any changes in estimates are accounted for prospectively. Intangible assets that have an indefinite useful life are not subject to amortization. The Company's indefinite-lived intangible assets consist of licenses which represent the future benefits associated with the Company's cultivation, processing and dispensary licenses. Absent such license intangibles, the Company cannot continue as a going concern and as such, there is no foreseeable limit to the period over which these assets are expected to generate future cash inflows to the Company.

Definite-lived intangible assets are tested for impairment when there is an indication of impairment. Indefinite-lived intangible assets are tested for impairment annually, or more frequently, as warranted if events or changes in circumstances indicate impairment.

For the purpose of impairment testing, goodwill and indefinite-lived intangible assets have been allocated to reporting units, determined based on the smallest identifiable group of assets that generate cash inflows and outflows that are largely independent of cash inflows from other assets or group of assets.

(k) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net assets acquired. Goodwill is allocated to the reporting unit or reporting units, which are expected to benefit from the synergies of the combination.

Goodwill is not subject to amortization and is tested for impairment annually or more frequently as warranted if events or changes in circumstances indicate impairment may have occurred. For the purpose of impairment testing, goodwill and indefinite-lived intangible assets have been allocated to reporting units or groups of reporting units representing the lowest level at which the assets generate cash inflow and outflow independent of other assets. An impaired asset is written down to its estimated fair value based on the most recent information available. The Company assesses the fair values of its reporting units using an income-based approach. Under the income approach, fair value is based on the present value of estimated future cash flows. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows, discount rates, and the allocation of shared or corporate costs. The impairment review, which is performed October 1 of each year, begins with a qualitative assessment of all reporting units. If the Company determines, based on weighing of all available evidence, that a reporting unit's carrying value may exceed its fair value at the testing date, the Company performs a quantitative impairment assessment. If the carrying value of these intangible assets or the reporting unit exceeds the fair values, the Company would record an impairment charge based on the excess of the carrying value over the fair value. See Note 7 for additional details.

As of December 31, 2023, the Company has no goodwill recorded that is expected to be tax deductible.

(l) Income Taxes

Tax expense recognized in profit or loss is comprised of the sum of current and deferred taxes not recognized in other comprehensive loss or directly in equity.

(i) Current Tax

Current tax assets and/or liabilities are comprised of claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred Tax

Deferred taxes are calculated using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. The measurement of deferred tax assets is reduced through a valuation allowance, if necessary, by the amount of any tax benefits that, based on available evidence, are more likely than not expected to be unrealized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the related deferred tax is also recognized in other comprehensive loss or equity, respectively.

As the Company operates in the cannabis industry, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. See Note 21 for additional details.

(m) Fair Value of Financial Instruments

The Company accounts for assets and liabilities measured at fair value on a recurring basis in accordance with Accounting Standards Codification ("ASC") 820 *Fair Value Measurements*. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the inputs to the fair value measurements. The three levels of 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;
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

See Note 17 for additional details.

(n) Loans Receivable

The Company may provide financing to various related and non-related businesses within the cannabis industry. These loans are classified as held for investment and accounted for as financial instruments in accordance with ASC 310 *Receivables*. At each reporting date, the Company applies its judgment to evaluate the collectability of the Loans receivable balance and records a provision based on the assessed amount of expected credit loss ("ECL"). See Note 17 for additional details.

(o) Leases

The Company has entered into leases primarily for its corporate offices, cultivation and processing facilities and dispensaries. At inception of a contract, the Company determines whether the contract includes a lease. A contract contains a lease if it includes enforceable rights and obligations under which the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration. The Company recognizes a right-of-use ("ROU") asset and a lease liability at the commencement date – the date when the asset is available for use by the lessee.

The Company assesses at lease commencement whether it is reasonably certain to exercise extension or termination options. The Company reassesses its lease portfolio to determine whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The extension options, which are considered reasonably certain to be exercised, are mainly those for which operational decisions have been made that make the lease assets vital to the continued relevant business activities.

Liabilities arising from a lease are initially measured at the present value of the lease payments not yet paid, using the Company's incremental borrowing rate. Lease liabilities include the value of the following payments:

(i) Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
(ii) The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(iii) Penalties for early termination of the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is decreased by cash paid net of interest expense incurred. The lease liability is remeasured when there is a change in future lease payments, or if the Company changes its assessment of whether it will exercise an extension, purchase or termination option.

ROU assets are measured at cost and are comprised of the following:

(i) The amount of the initial measurement of lease liability;
(ii) Lease payments made at or before the commencement date less any lease incentives received;
(iii) Any initial direct costs; and
(iv) An estimate of costs of dismantling and removing the underlying asset, restoring the site on which it is located or the underlying asset, if applicable.

The ROU asset is depreciated on a straight-line basis from the commencement date to the end of the lease term. A fixed amount of rent expense is recognized on a straight-line basis over the lease term for operating leases. For finance leases, depreciation expense on the ROU asset and interest expense on the lease liability are recognized over the lease term. The value of the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain revaluations of the lease liability.

In accordance with the guidance in ASC 842 *Leases*, the Company has elected not to recognize ROU assets and lease liabilities where the total lease term is less than or equal to twelve months. The payments for such leases are recognized as rent expense within Selling, general and administrative expenses or Cost of goods sold in the Consolidated Statements of Operations on a straight-line basis over the lease term. See Note 5 for additional information.

(p) Change in Accounting Policy

On October 1, 2023, the Company elected to change its accounting policy related to the computation of short-term versus long-term lease liabilities. Previously, the current portion of the lease liability was determined by summing the present value of lease payments for the next 12 months. Under the new methodology, the current portion of the lease liability is now calculated by summing the next 12 months lease liability reduction. The Company implemented the change to better leverage automated lease accounting software and further streamline its month-end and quarter-end close processes. Both methodologies are allowable under GAAP. The change was applied retrospectively, and all prior periods presented in the consolidated financial statements have been adjusted in accordance with the updated policy. See sections *(z) Reclassifications* and Note 5 for additional information.

(q) Revenue Recognition

Revenue is recognized by the Company in accordance with ASC 606 *Revenue from Contracts with Customers*. Through application of ASC 606, the Company recognizes revenue to depict the transfer of promised goods to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

In order to recognize revenue under ASC 606, the Company applies the following five (5) steps:
- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue consists of wholesale and retail sales of cannabis and other cannabis-derived and related products. Wholesale and retail sales are both generally recognized at a point in time when control over the goods has been transferred to the customer and is recorded net of sales discounts. For retail sales, payment is typically due upon transferring the goods to the customer. For wholesale sales, payment is typically due upon transferring the goods to the customer or within a specified time period permitted under agreed-upon payment terms.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer. For some of its locations, the Company has customer loyalty programs where retail customers accumulate points based on their level of spending and use these points for discounts on cannabis and cannabis related products. These points are recorded as a contract liability until customers redeem their points for discounts. In addition, the Company records a performance obligation as a reduction of revenue based on the estimated probability of point redemption, which is calculated based on a standalone selling price and using historical redemption rates. Upon redemption, the loyalty program obligation is relieved and the offset is recorded as revenue. In the event of a product recall, the expected value method is utilized to estimate the financial impact and a reduction of revenue is recorded. See Note 13 for additional information on revenue and loyalty programs.

(r) Advertising Costs

Advertising costs are expensed as incurred and are included in Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations and totaled $7.4 million and $8.1 million for the years ended December 31, 2023 and 2022, respectively.

(s) Excise Tax

The Company recognizes excise tax and community benefit fees as Cost of goods sold or Selling, general and administrative expense based on whether the tax is generated on production of cannabis or as part of selling costs, respectively.

(t) Share-Based Compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. For awards with performance conditions, compensation expense is recognized over the service period of awards and adjusted for the probability of achievement of performance-based goals. Expected forfeitures are applied to awards using an expected forfeiture rate that is calculated annually. The expected forfeiture rate is reviewed quarterly and an updated forfeiture rate will be applied to all outstanding awards if there has been a material change to the rate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the equity instrument on the grant date. See Note 9 for additional information on share-based compensation.

(u) Variable Interest Entities

A variable interest entity ("VIE") is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to control the entity's activities or do not substantially participate in the gains and losses of the entity. Upon inception of a contractual agreement, and thereafter, if a reconsideration event occurs, the Company performs an assessment to determine whether the arrangement contains a variable interest in an entity and whether that entity is a VIE. The primary beneficiary of a VIE is the party that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. Under ASC 810 *Consolidations*, where the Company concludes that it is the primary beneficiary of a VIE, the Company consolidates the financial results of the entity. See Note 18 for additional information on VIEs.

(v) Business Combinations and Assets and Liabilities Held for Sale

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for by applying the acquisition method. The total consideration transferred in a business combination is the sum of the fair values of assets transferred, liabilities assumed, equity interests and other consideration issued by the acquirer in exchange for control of the acquiree. The acquisition date is the date on which the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where ASC 805 *Business Combinations* provides exceptions to recording the amounts at fair value. Preliminary balances recorded are subject to change during the measurement period which will conclude at the earlier of the date the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date, learns that more information is not obtainable or one year following the acquisition date. Acquisition costs of the acquirer are expensed to profit or loss; acquisition costs of the acquiree paid by the acquirer may comprise a portion of consideration transferred. Non-controlling interest in the acquiree, if any, is recognized at fair value.

The Company classifies an asset or disposal group as held for sale in accordance with ASC 360 *Property, Plant and Equipment,* when the following criteria are met:

- management, having the authority to approve the action, commits to a plan to sell the asset (disposal group);
- the asset (disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal groups);
- an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated;
- the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale, within one year;

- the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Disposal groups held for sale are reported at the lower of carrying amount or fair value less costs to sell. Long-lived assets classified as held for sale are not subject to depreciation or amortization, and both the assets and any liabilities directly associated with the disposal group are presented separately within our Consolidated Balance Sheets. Subsequent changes to the estimated fair value less cost to sell are recorded as gains or losses in our Consolidated Statements of Operations, and any subsequent gains are limited to the cumulative losses previously recognized. The Company did not have any assets classified as held for sale as of December 31, 2023 and 2022.

(w) Loss Per Share

Loss per share ("EPS") is calculated by dividing the net earnings or loss attributable to shareholders by the weighted-average shares outstanding during the period. The Company presents basic and diluted EPS in the Consolidated Statements of Operations. Basic EPS is calculated by dividing the profit or loss attributable to shareholders by the weighted-average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted-average number of shares outstanding for the effects of all dilutive potential shares, which are comprised of redeemable Cresco Labs, LLC shares ("Redeemable Units"); stock options, and restricted stock units ("RSUs") issued. Shares with anti-dilutive impacts are excluded from the calculation. The number of shares included with respect to Redeemable Units, stock options, and RSUs is computed using the treasury stock method. See Note 10 for additional information on Loss Per Share.

(x) Use of Estimates

The preparation of the Company's consolidated financial statements under GAAP requires management to make estimates, judgments and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised for the current as well as future periods that are affected.

(y) Newly Adopted Accounting Pronouncements

The Company did not adopt any new accounting pronouncements during the year ended December 31, 2023.

(z) Recently Issued Accounting Standards

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) — Improvements to Income Tax Disclosures* . The ASU expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The ASU requires that an entity disclose specific categories in the effective tax rate reconciliation as well as provide additional information for reconciling items that meet a quantitative threshold. Further, the ASU requires certain disclosures of state versus federal income tax expense and taxes paid. The amendments in this ASU are required to be adopted for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. Early adoption is permitted. The amendments should be applied on a prospective basis with retrospective application permitted. The Company is currently assessing the impact of the disclosure requirements on our consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) — Improvements to Reportable Segment Disclosures*. This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments in this ASU retrospectively to all prior periods presented in the financial statements. The Company is currently assessing the impact of the disclosure requirements on its consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the Securities and Exchange Commission's ("SEC") Disclosure Update and Simplification Initiative*. The amendments in this update represent changes to clarify or improve disclosure and presentation requirements of a variety of Topics in the ASC. The amendments should be applied on a prospective basis and allow users to more easily compare entities subject to SEC's existing disclosure with those entities that were not previously subject to the SEC's requirements. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently accessing the impact on our consolidated financial statements.

(aa) Reclassifications

As of December 31, 2022, $17.2 million of current portion lease liabilities were reclassified to non-current leases liabilities, and $ 7.8 million of short-term borrowings of financing liabilities were reclassified to long-term notes and loans payable as disclosed on the Consolidated Balance Sheets and the notes hereto. Certain amounts from unaudited prior interim periods have also been reclassified to conform with the report classifications of the current period. The current portion of lease liabilities were reduced by $17.4 million, $17.1 million and $15.9 million, as of March 31, 2023, June 30, 2023, and September 30, 2023, respectively. Non-current lease liabilities were increased by the same amounts for each respective period. Short-term borrowings were reduced by $7.5 million, $7.2 million and $6.8 million as of March 31, 2023, June 30, 2023, and September 30, 2023, respectively. Long-term notes and loans payable were increased by the same amounts for each respective period. The reclassifications had no effect on previously reported total current assets, total liabilities, total shareholders' equity, retained earnings, Consolidated Statements of Operations or Consolidated Statements of Cash Flows.

Separately presented, as of December 31, 2022, the Company broke out Additional paid-in-capital balances previously included in Share Capital on the Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity. The reclassifications had no effect on total liabilities and shareholders' equity.

NOTE 3. INVENTORY

Inventory as of December 31, 2023 and 2022, consisted of the following:

($ in thousands)	December 31, 2023	December 31, 2022
Raw materials	$ 12,649	$ 36,233
Raw materials - non-cannabis	17,937	26,709
Work-in-process	51,538	41,164
Finished goods	25,665	30,502
Total Inventory	**$ 107,789**	**$ 134,608**

The Company wrote off $3.8 million and $7.4 million of inventory during the years ended December 31, 2023 and 2022, respectively. These write-offs are included in Cost of goods sold presented in the Consolidated Statements of Operations.

In addition, during the year ended December 31, 2023, the Company recorded an adjustment of $ 0.7 million to write down inventory to its net realizable value. The assets were sold in the fourth quarter of 2023.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

($ in thousands)	December 31, 2023	December 31, 2022
Land and Buildings	$ 207,194	$ 176,594
Machinery and Equipment	41,928	39,928
Furniture and Fixtures	37,912	28,724
Leasehold Improvements	173,614	142,880
Website, Computer Equipment and Software	11,124	10,232
Vehicles	2,892	3,552
Construction In Progress	14,483	55,507
Total property and equipment, gross	489,147	457,417
Less: Accumulated depreciation	(120,839)	(77,695)
Total property and equipment, net	**$ 368,308**	**$ 379,722**

As of December 31, 2023 and 2022, costs related to construction at the Company's facilities and dispensaries were capitalized in construction in progress and not depreciated. Depreciation will commence when construction is completed and the facilities and dispensaries are available for their intended use. Land costs at each balance sheet date are included in Land and Buildings.

The following table reflects depreciation expense related to property and equipment:

($ in thousands)	December 31, 2023	December 31, 2022
Depreciation expense included in selling, general and administrative expense	$ 18,475	$ 11,255
Depreciation expense included in cost of goods sold and ending inventory	35,716	29,847
Total depreciation expense	**$ 54,191**	**$ 41,102**

As of December 31, 2023 and 2022, ending inventory includes approximately $ 12.8 million and $10.9 million of capitalized depreciation, respectively. For the years ended December 31, 2023 and 2022, $33.9 million and $28.0 million, respectively, of depreciation was recorded to Cost of goods sold, which includes $10.8 million and $9.1 million, respectively, related to depreciation capitalized to inventory in prior years.

During the year ended December 31, 2023, the Company wrote down the remaining assets at our Mendota facility with a net book value of $0.1 million and sold certain assets to a third-party and recorded a net gain on sale of assets of $ 0.1 million to Other income, net in the Consolidated Statements of Operations.

During the year ended December 31, 2023, the Company sold $ 2.5 million of property and equipment at our Encanto Green Cross Dispensary in Arizona. The Company accelerated depreciation expense of $0.7 million on the property and equipment sold. See Note 11 for additional information related to dispositions.

During the year ended December 31, 2023, the Company sold $ 2.1 million of property and equipment and recorded a $ 0.9 million net gain on the sale of a cultivation and manufacturing facility in Florida. The gain is recorded in Other income (expense), net in the Consolidated Statements of Operations.

In the fourth quarter of 2022, management committed to a plan to restructure certain operations and activities within the California reporting unit. Related to that plan, during the first quarter of 2023, the Company adjusted the assumptions related to renewal options for certain leases at the impacted facilities. The Company accelerated depreciation on leasehold improvements related to those leases, with additional depreciation expense taken on these leasehold improvements in the amount of $1.1 million during year ended December 31, 2023.

In the second quarter of 2022, the Company determined that approximately $ 2.4 million of materials held in construction in progress would not be used. The materials were sold in July of 2022 for $0.9 million, with a $1.5 million loss on sale recorded to Selling, general and administrative expenses in the Consolidated Statements of Operations.

During the second quarter of 2022, the Company initiated a plan to shut down a cultivation facility and a production facility in California. As a result of this plan, the Company exercised its early termination right to reduce the existing lease terms to 180 days at these locations and determined that the useful life of impacted leasehold improvements had essentially ended. As such, the Company accelerated depreciation on these leasehold improvements to reduce the associated net book value down to $nil, with additional depreciation expense taken on these leasehold improvements in the amount of $2.7 million during the second quarter of 2022. During the year ended December 31, 2022, the Company recorded additional accelerated depreciation on other remaining assets at the facility in the amount of $0.5 million.

On September 1, 2022, the Company closed on a sale and leaseback transaction to sell its Brookville, Pennsylvania facility to Aventine Property Group (“Aventine”). Concurrent with the closing of the sale, the Company, entered into a long-term, triple-net lease agreement with Aventine and will continue to operate the facility as a permitted cannabis cultivation and processing facility. In connection with this transaction, the Company disposed of fixed assets with a net book value of $29.7 million and recorded a net gain on sale of assets of $ 14.7 million to Other income, net, in the Consolidated Statements of Operations.

In the fourth quarter of 2022, the Company sold materials held in construction in progress that would not be used. The cost basis was approximately $0.9 million for net proceeds of $0.3 million, with a $0.6 million loss on sale recorded to Selling, general and administrative expenses in the Consolidated Statements of Operations.

NOTE 5. LEASES

The Company is the lessee in all of its material leasing arrangements and has entered into leases primarily for its corporate offices, cultivation and processing facilities and dispensaries. The Company has no material lessor arrangements as of December 31, 2023 and for the year ended December 31, 2022. Depending upon the type of lease, the original lease terms generally range from 1 year to 20 years. Certain leases include renewal options

ranging from 3 years to 25 years. The Company is reasonably certain to exercise renewal options ranging from less than 1 year to 10 years on certain leases.

Some leases may contain variable lease payments based on an index or rate. These rates are initially measured using the index or rate in effect at lease commencement, and changes to index-based lease payments are recognized in profit or loss in the period of the change and are immaterial.

The following table reflects the Company's lease balances within the Consolidated Balance Sheets:

($ in thousands)	December 31, 2023	December 31, 2022
ROU assets	$ 117,882	$ 128,264
Current portion of lease liabilities [(a)]	9,416	8,959
Non-current lease liabilities[(a)]	163,811	173,345

(a) December 31, 2022 balances have been reclassified to reflect current year presentation changes. See "Reclassifications" in Note 2 for further discussion.

The following tables reflects the components of lease expense included in the Consolidated Statements of Operations:

($ in thousands)	December 31, 2023	December 31, 2022
Lease depreciation expense included in selling, general and administrative expense	$ 2,364	$ 2,466
Lease depreciation expense included in cost of goods sold and ending inventory	50	289
Total finance lease depreciation expense	**$ 2,414**	**$ 2,755**
Rent expense included in selling, general and administrative expense	$ 12,523	$ 9,919
Rent expense included in cost of goods sold	15,492	12,808
Total rent expense - operating leases	**$ 28,015**	**$ 22,727**
Short-term rent expense included in selling, general and administrative expense	$ 465	$ 627
Interest expense - leases	$ 3,513	$ 3,952

As of December 31, 2023 and December 31, 2022, ending inventory includes $nil and $0.1 million of capitalized lease depreciation. For the years ended December 31, 2023 and 2022, $0.1 million and $0.3 million, respectively, of depreciation was recorded to Cost of goods sold, which includes $0.1 million for both periods related to depreciation capitalized to inventory in prior periods.

In the fourth quarter of 2022, the Company committed to a plan to restructure additional operations and activities within the California reporting unit. Related to that plan, during the first quarter of 2023, the Company adjusted the values of certain leases at the facilities impacted as a result of a change in the underlying assumptions regarding renewal options for those leases. The differences between the carrying amounts of the ROU assets and lease liabilities associated with these leases, resulted in a gain on lease termination of $1.1 million for the year ended December 31, 2023 and is included in Other income, net, in the Consolidated Statements of Operations.

During the second quarter of 2022, the Company initiated a plan to shut down a cultivation facility and a production facility in California. As a result of this plan, the Company has terminated the existing leases at these locations. A termination notice was issued to the landlord of these locations, which included two long-term greenhouse leases and a short-term rental of a housing facility. Due to differences between the carrying amounts of the ROU assets and

lease liabilities associated with these leases, a gain on lease termination of $ 4.9 million was recorded for the year ended December 31, 2022 and is included in Other income, net, in the Consolidated Statements of Operations.

On September 1, 2022, the Company closed on a sale and leaseback transaction to sell its Brookville, Pennsylvania, facility to Aventine. Concurrent with the closing of the sale, the Company entered into a long-term, triple-net lease agreement with Aventine and will continue to operate the facility as the permitted cannabis cultivation and processing facility. The selling price for the property was $43.7 million, net of transaction costs and a net gain on sale of assets of $14.7 million was recorded to Other income, net, in the Consolidated Statements of Operations. The lease has a term of 10 years and was recorded as an operating lease which resulted in a ROU asset and lease liability of $29.7 million. During the year ended December 31, 2023, the Company entered into no financing or sale and leaseback transactions.

In the fourth quarter of 2022, the Company recorded impairment to ROU assets related to the following:

- In the fourth quarter of 2022, Management committed to a plan to restructure certain operations and activities within the California reporting unit. It was determined that this was an indicator of impairment for associated assets. $1.0 million in impairment to ROU assets was recorded to the California reporting unit during the twelve months ended December 31, 2022.

- During the annual impairment assessment, which is described in Note 7, Management determined it is more likely than not that the Arizona reporting unit carrying value exceeds its fair value based on updated forecasts and projections. $0.8 million in impairment to ROU assets was recorded to the Arizona reporting units, respectively, during the twelve months ended December 31, 2022.

The Company has received tenant improvement allowance reimbursements of $ 2.5 million and $3.6 million across all finance and operating leasing arrangements for the years ended December 31, 2023 and 2022, respectively, and has received tenant improvement allowance reimbursements of $0.1 million and $ 0.6 million for other financing transactions for the years ended December 31, 2023 and 2022, respectively. The Company expects to receive an additional $3.3 million from finance and operating leasing arrangements and $ 0.7 million from other financing transactions in future periods. As of December 31, 2023, maturities of lease liabilities were as follows:

($ in thousands)	**Total**	**Operating Leases**	**Finance Leases**
2024	$ 33,299	$ 28,417	$ 4,882
2025	33,973	28,953	5,020
2026	34,365	29,219	5,146
2027	34,606	29,373	5,233
2028	34,477	29,353	5,124
Thereafter	179,586	161,249	18,337
Total lease payments	**$ 350,306**	**$ 306,564**	**$ 43,742**
Less: imputed interest	(173,769)	(154,594)	(19,175)
Less: tenant improvement allowance	(3,310)	(2,865)	(445)
Present value of lease liabilities	173,227	149,105	24,122
Less: current lease liabilities	(9,416)	(7,677)	(1,739)
Present value of long-term lease liabilities	**$ 163,811**	**$ 141,428**	**$ 22,383**

(a) Long-term financing liabilities

The Company also has long-term financing liabilities associated with certain properties. See Note 12 for additional details on these transactions. As of December 31, 2023 and 2022, the Company had long-term financing liabilities of $93.5 million and $95.4 million, respectively. During 2023, the Company recorded payments of $13.2 million and

interest expense of $11.7 million related to these liabilities. During 2022, the Company recorded payments of $ 12.9 million and interest expense of $11.9 million.

As of December 31, 2023, maturities of financing liabilities were as follows:

($ in thousands)	Financing Liabilities
2024	$ 13,534
2025	13,873
2026	14,221
2027	14,578
2028	14,944
Thereafter	96,893
Total financing payments	$ 168,043
Less: interest	(72,432)
Less: tenant improvement allowance	(94)
Present value of financing liabilities	$ 95,517
Less: short-term financing liabilities	(2,004)
Present value of long-term financing liabilities	**$ 93,513**

Other information related to leases as of and for the years ended December 31, 2023 and 2022 was as follows:

	2023		2022	
($ in thousands)	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Right-of-use assets	$ 100,249	$ 17,633	$ 106,127	$ 22,137
Lease liabilities (current)[1]	$ 7,677	$ 1,739	$ 7,274	$ 1,685
Lease liabilities (non-current)[1]	$ 141,428	$ 22,383	$ 145,445	$ 27,900
Weighted- average remaining lease term[2]	11.0	9.6	11.9	10.4
Weighted-average discount rate	15.0 %	14.0 %	14.5 %	13.6 %

[1] December 31, 2022 balances have been updated to reflect current year presentation changes. See “Reclassifications” in Note 2 for further discussion.
[2] Weighted-average remaining lease term does not include extensions which the Company is not reasonably certain to enter into.

As the interest rate implicit in a lease is generally not readily determinable, the Company uses an incremental borrowing rate to determine the present value of the lease payments. The incremental borrowing rate represents the risk-adjusted rate of interest the Company would have to pay to borrow on a collateralized basis over a similar economic environment and term.

Cash paid for amounts included in the measurement of lease liabilities for the years ended December 31, 2023 and 2022 are as follows:

($ in thousands)	2023	2022
Interest paid on finance leases	$ 3,470	$ 3,877

NOTE 6. INVESTMENTS

The Company currently has investments in four entities: 420 Capital Management, LLC ("420 Capital"), a cannabis investment company; Lighthouse Strategies, LLC ("Lighthouse"), a diversified cannabis investment company; IM Cannabis Corp. ("IMC"), a pharmaceutical manufacturer that specializes in cannabis and OLD PAL LLC ("Old Pal"), a cannabis operator/licensor.
The 420 Capital, Lighthouse and Old Pal investments are held at fair value and are classified as equity securities without a readily determinable fair value. The IMC investment is classified as a marketable security with a readily determinable fair value.

During the year ended December 31, 2022, Lighthouse, in conjunction with a spin-off transaction, issued Lighthouse shareholders a prorated interest in Infamy Brews, LLC, DBA ("Two Roots Brewing Co."), a non-alcoholic brewing company. On September 15, 2023, Two Roots Brewing Co. ceased operations, and as a result the Company wrote off the remaining investment balance of $0.1 million in Two Roots Brewing Co. The Company currently holds 0.8% ownership interest in Two Roots Brewing Co. The investment is held at fair value and classified as an equity security without a readily determinable value.

The following is a summary of the investments held at fair value as of December 31, 2023 and December 31, 2022:

($ in thousands)	**December 31, 2023**	**December 31, 2022**
420 Capital	$ 68	$ 68
Lighthouse	81	339
Two Roots Brewing Co.	—	93
Old Pal	532	592
IMC	49	136
Total Investments	**$ 730**	**$ 1,228**

During the years ended December 31, 2023 and 2022, the Company recorded mark-to-market losses of $ 0.3 million and $4.6 million, respectively.

NOTE 7. INTANGIBLE ASSETS AND GOODWILL

(a) Intangible Assets

Intangible assets consisted of the following as of:

	December 31, 2023		
($ in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Definite-Lived Intangible Assets			
Customer Relationships	$ 31,000	$ (11,623)	$ 19,377
Trade Names	2,100	(1,680)	420
Permit Application Costs	17,351	(15,980)	1,371
Other Intangibles[(a)]	6,013	(5,886)	127
Indefinite-Lived Intangible Assets			
Licenses	275,671	—	275,671
Total Intangible Assets	**$ 332,135**	**$ (35,169)**	**$ 296,966**

(a) Other Intangibles includes non-compete agreements, non-solicitation agreements and related amortization.

	December 31, 2022		
($ in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Definite-Lived Intangible Assets			
Customer Relationships	$ 31,879	$ (8,127)	$ 23,752
Trade Names	2,100	(1,610)	490
Permit Application Costs	15,027	(13,897)	1,130
Other Intangibles[(a)]	6,284	(5,573)	711
Indefinite-Lived Intangible Assets			
Licenses	381,507	—	381,507
Total Intangible Assets	**$ 436,797**	**$ (29,207)**	**$ 407,590**

(a) Other Intangibles includes non-compete agreements, non-solicitation agreements and related amortization.

During the year ended December 31, 2023, the gross carrying amount of intangible assets decreased by $ 104.7 million, primarily related to impairment charges discussed below. During the year ended December 31, 2022, the gross carrying amount of intangible assets decreased by $19.7 million, primarily related to impairment charges discussed below.

The following table reflects the amortization expense related to intangible assets for the years ended December 31, 2023 and 2022:

($ in thousands)	**2023**	**2022**
Amortization expense included in selling, general and administrative expense	$ 3,699	$ 6,915
Amortization expense included in cost of goods sold and ending inventory	3,347	3,444
Total amortization expense	**$ 7,046**	**$ 10,359**

As of December 31, 2023 and 2022, ending inventory included $ 1.0 million and $1.6 million of capitalized amortization, respectively. During the year ended December 31, 2023 and 2022, the Company recorded $4.0 million and $2.9 million of amortization expense to Costs of goods sold, including $1.6 million and $1.1 million, respectively, related to amortization capitalized in inventory in prior periods.

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

($ in thousands)	**Estimated Amortization**
2024	$ 5,339
2025	4,173
2026	3,877
2027	3,272
2028	2,962
Thereafter	1,672
Total estimated amortization	**$ 21,295**

(b) Goodwill

The changes in carrying amount of goodwill are as follows:

($ in thousands)	**Total**
Balance at January 1, 2022	$ 446,767
Impairment	(117,024)
Measurement period adjustments	812
Balance at December 31, 2022	330,555
Impairment	(50,858)
Balance at December 31, 2023	**$ 279,697**

(c) Impairment

During the year ended December 31, 2023, the Company recorded impairment to goodwill and indefinite-lived intangible assets related to the following:

- During the year ended December 31, 2023, the Company completed the sale of assets at our Encanto Green Cross Dispensary in Arizona. Based on an analysis of the fair value of these assets, the book value was written down by $0.2 million and impairment charges were recognized in the Consolidated Statements of Operations.

- During the third quarter of 2023, management determined it is more likely than not that the California, Florida and New York reporting units' carrying value exceeded their fair value due to updated forecasts and projections of future cash flows for the reporting units. As a result, $9.9 million, $79.4 million and $40.0 million, respectively, of impairment charges reducing the carrying value of goodwill and licenses were recognized in the Consolidated Statements of Operations.

- During the second quarter of 2023, management determined it is more likely than not that the Massachusetts reporting unit’s carrying value exceeded its fair value due to updated forecasts and

projections for this reporting unit. As a result, a $21.5 million impairment charge reducing the carrying value of goodwill and licenses was recognized in the Consolidated Statements of Operations.

During the year ended December 31, 2022, the Company recorded impairment to goodwill and indefinite-lived intangible assets related to the following:

- In the fourth quarter of 2022, Management committed to a plan to restructure certain operations and activities within the California reporting unit. It was determined that this was an indicator of impairment for associated assets. $89.5 million in goodwill impairment was recorded to the California reporting unit during the twelve months ended December 31, 2022.

- During the annual impairment assessment, which is described below, Management determined it is more likely than not that the Arizona, Massachusetts and Maryland reporting units carrying values exceed their fair value due to updated forecasts and projections for those reporting units. $10.1 million and $0.9 million in goodwill impairment was recorded to the Arizona and Maryland reporting units, respectively, during the twelve months ended December 31, 2022. $16.5 million and $21.8 million of goodwill and indefinite-lived intangible impairment, respectively, was recorded to the Massachusetts reporting unit during the twelve months ended December 31, 2022.

Annual impairment testing involves determining the fair value, or recoverable amount, of the reporting units to which goodwill and indefinite-lived intangible assets are allocated and comparing this to the carrying value of the reporting units. The measurement of the recoverable amount of each reporting unit was calculated based on the higher of the reporting unit's fair value less costs to sell or value in use, which are Level 3 measurements within the fair value hierarchy.

The calculation of each of the recoverable amounts based on discounting the future cash flows (value in use) was based on the following key assumptions:

- Cash flows were projected based on the Company's long-term business plan for each reporting unit. Cash flows beyond the long-term business plan were projected to grow at a perpetual growth rate, which was estimated to range from 2.0% to 3.0% in most cases.

- Discount rates applied in determining the recoverable amount of the reporting units noted above range between 13.0% and 18.5% based on the pre-tax weighted average cost of capital of each reporting unit and other peers in the industry. The values assigned to the key assumptions represent Management's assessment of future trends in the industries in which the reporting units operate and are based on both external and internal sources and historical trend data.

NOTE 8. SHARE CAPITAL

(a) Authorized

The authorized share capital of the Company, which has no par value, is comprised of the following:

i. Unlimited Number of Subordinate Voting Shares

Holders of SVS will be entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of SVS will be entitled to one vote in respect of each SVS held. As long as any SVS remain outstanding, the Company will not, without the consent of the holders of the SVS by separate special resolution, prejudice or interfere with any right attached to the SVS. Holders of SVS will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.

ii. Unlimited Number of Proportionate Voting Shares

Holders of PVS will be entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of PVS will be entitled to one vote in respect of each SVS into which such PVS could ultimately be converted (200 votes per PVS). As long as any PVS remain outstanding, the Company will not, without the consent of the holders of the PVS and Super Voting Shares ("MVS") by separate special resolution, prejudice or interfere with any right or special right attached to the PVS. Holders of PVS have the right to receive dividends, out of any cash or other assets legally available therefore, pari passu as to dividends and any declaration or payment of any dividend on the SVS.

iii. 500,000 Super Voting Shares

Holders of MVS will be entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of MVS will be entitled to 2,000 votes in respect of each MVS held.

iv. Unlimited Number of Special Subordinate Voting Shares

Holders of SSVS will be entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of SSVS will be entitled to a 0.00001 vote in respect of each SSVS held. As long as any SSVS remain outstanding, the Company will not, without the consent of the holders of the SSVS by separate special resolution, prejudice or interfere with any right attached to the SSVS. Holders of SSVS will be entitled to receive dividends in cash or property of the Company, if and when declared by the Board of Directors.

v. Redeemable Units

As part of a reverse takeover that occurred on November 30, 2018, unit holders of Cresco Labs, LLC exchanged their units for a new class of Redeemable Units in Cresco Labs, LLC. Each Redeemable Unit is only exchangeable for the equivalent of one SVS in Cresco Labs Inc. (without any obligation to redeem in cash). These unit holders hold an interest only in Cresco Labs, LLC; they participate in the earnings of only Cresco Labs, LLC and not the earnings of the combined entity.

(b) Issued and Outstanding

As of December 31, 2023 and 2022, issued and outstanding shares and units consisted of the following:

(shares in thousands)	Redeemable Units	SVS*	PVS**	MVS	SSVS***
Beginning balance, January 1, 2022	109,441	269,971	20,667	500	1
Options and warrants exercised	—	1,279	—	—	—
RSUs issued	—	337	—	—	—
Issuance of shares related to acquisitions	—	5,339	—	—	—
Cresco LLC redemptions	(3,335)	3,335	—	—	—
PVS converted to SVS	—	585	(585)	—	—
Issuances related to employee taxes on certain share-based payment arrangements	—	148	—	—	—
Share issuances	—	—	—	—	—
Ending balance, December 31, 2022	**106,106**	**280,994**	**20,082**	**500**	**1**
RSUs issued	—	1,727		—	—
Issuance of shares related to settlement of acquisition contingent consideration	—	27,091	—	—	—
Cresco LLC redemptions	(9,407)	9,407	—	—	—
PVS converted to SVS	—	1,132	(1,132)	—	—
Issuances related to employee taxes on certain share-based payment arrangements	—	406	—	—	—
Share issuances	—	—	—	—	1
Ending balance, December 31, 2023	**96,699**	**320,757**	**18,950**	**500**	**2**

*SVS includes shares pending issuance or cancellation
**PVS presented on an "as-converted" basis to SVS (1-to-200)
***SSVS presented on an "as-converted" basis to SVS (1-to-0.00001)

(i) Share Issuances - Equity Distribution Agreement

In December 2019, the Company entered into an agreement with Canaccord Genuity Corp ("Canaccord") to sell up to C$55.0 million SVS at an at-the-market price. In April 2021, the Company announced a new agreement with Canaccord to sell up to $100.0 million of SVS to replace the prior agreement which was set to expire in August 2021. No shares were issued for the years ended December 31, 2023 and 2022, respectively, under the new agreement, which expired in the second quarter of 2023. Upon the expiration of the program, capitalized fees of $0.2 million were expensed to Selling, general and administrative expenses in the Consolidated Statements of Operations.

(ii) Issuance of Shares - Acquisitions

During the years ended December 31, 2023 and 2022, the Company issued shares in conjunction with certain acquisitions* as follows:

(in thousands)	Acquisition date	SVS shares issued	Equity-based consideration
Year Ended December 31, 2023			
Laurel Harvest - Contingent Consideration	December 09, 2021	27,091	$ 47,238
Year Ended December 31, 2022			
Cultivate - Contingent Consideration	September 02, 2021	5,340	$ 34,708

*Laurel Harvest, LLC ("Laurel Harvest") and Cultivate Licensing, LLC ("Cultivate")

(c) Stock Purchase Warrants

Each whole warrant entitles the holder to purchase one SVS or PVS of the Company. A summary of the status of the warrants outstanding is as follows:

($ in thousands)	Number of warrants*	Weighted average exercise price
Balance as of January 1, 2022	9,842	$ 9.63
Exercised	(12)	4.24
Forfeited	(9,830)	9.54
Balance as of December 31, 2022	—	$ —

*PVS presented on an "as-converted" basis to SVS (1-to-200)

During the year ended December 31, 2022, the Company recorded $0.1 million of warrant exercises into share capital. As of December 31, 2022, all outstanding warrants expired.

(d) Distribution to Non-controlling Interest Holders

Tax distributions are based off the tax rate determined by Cresco Labs Inc. (which is currently the highest U.S. individual income tax rates) applied to taxable income generated from the Cresco Labs, LLC partnership (i.e., not the whole Cresco group), which is the Company's most significant distribution, and attributable to the NCI members. The Company has other tax and non-tax distributions that are calculated in accordance with each relevant operating segment. As of December 31, 2023 and December 31, 2022, the Company accrued for tax-related distributions to 2023 and 2022 unit holders of Cresco Labs, LLC and other minority interest holders of $15.2 million and $4.9 million, respectively. These distributions will reduce non-controlling interest upon payment.

In accordance with the underlying operating agreements, the Company declared and paid required distribution amounts to 2023 and 2022 unit holders of Cresco Labs, LLC and other minority holders of $38.9 million during the year ended December 31, 2023. Similarly, the Company paid required tax distribution amounts to 2022 and 2021 unit holders of Cresco Labs, LLC and other minority interest holders of $83.6 million during the year ended December 31, 2022.

(e) Changes in Ownership and Non-controlling Interests

During the year ended December 31, 2023 and 2022, redemptions of 9.4 million and 3.3 million Redeemable Units occurred, respectively, which were converted into an equivalent number of SVS. These redemptions resulted in a decrease of 3.7% and 1.3% in non-controlling interest in Cresco Labs, LLC, respectively.

As of and for the year ended December 31, 2023, non-controlling interest included the following amounts:

($ in thousands)	TSC Cresco, LLC	MedMar Inc. (Lakeview)	MedMar Inc. (Rockford)	Cresco Labs Ohio, LLC	SLO Cultivation Inc.	Cresco Labs Michigan, LLC[4]	Cresco Labs, LLC[1,3]
Non-current assets	$ 2,943	$ 28,678	$ 22,594	$ 14,703	$ 1,045	$ 30,508	$ 255,947
Current assets	(8,159)	84,571	132,198	6,544	11,502	15,300	(157,691)
Non-current liabilities	—	(10,787)	(3,551)	(13,674)	—	(26,015)	(562,580)
Current liabilities	45,054	(47,928)	(57,388)	(8,213)	(49,954)	(49,812)	329,160
Net assets	$ 39,838	$ 54,534	$ 93,853	$ (640)	$ (37,407)	$ (30,019)	$ (135,164)
Net assets attributable to NCI	$ 2,401	$ 4,150	$ 10,368	$ (156)	$ (12,824)	$ (258)	$ (81,306)
Revenue	$ 1,664	$ 11,701	$ 18,657	$ 2,567	$ —	$ 6,271	$ 92,266
Gross profit	863	7,623	12,323	(473)	(335)	1,503	48,207
Net income (loss)	$ 188	$ 4,768	$ 10,060	$ (2,450)	$ (246)	$ 43	$ (1,794)
Net income (loss) allocated to NCI	$ 47	$ 591	$ 2,515	$ (29)	$ (49)	$ 6	$ (879)
NCI percentage at December 31, 2023	25.0 %[1]	12.4 %[2]	25.0 %[2]	1.2 %[1]	20.0 %[1]	15.0 %[1]	38.3 %

[1] The NCI percentage reflects the NCI that exists at Cresco Labs, LLC. There is a further 38.3% NCI related to NCI for Cresco Labs Inc.
[2] The NCI percentage reflects the NCI that exists at Cresco Labs Inc.
[3] Includes the effect of LLC unit redemptions and other adjustments.
[4] As of June 30, 2023, Cresco Labs Michigan, LLC net assets grew to a balance that exceeded the life-to-date capital contributions made by Cresco Labs Inc. As a result, the Company began recording NCI related to Cresco Labs Michigan, LLC.

As of and for the year ended December 31, 2022, non-controlling interest included the following amounts:

($ in thousands)	TSC Cresco, LLC	MedMar Inc. (Lakeview)	MedMar Inc. (Rockford)	Cresco Labs Ohio, LLC	SLO Cultivation Inc.	Cresco Labs, LLC[1,3]
Non-current assets	$ 4,788	$ 31,151	$ 22,700	$ 16,736	$ 5,376	$ 286,360
Current assets	(6,875)	34,706	114,843	8,144	13,097	802,774
Non-current liabilities	—	(10,889)	(3,850)	(12,515)	(2,728)	(538,816)
Current liabilities	26,600	(13,438)	(41,111)	(5,768)	(50,722)	(594,052)
Net assets	$ 24,513	$ 41,530	$ 92,582	$ 6,597	$ (34,977)	$ (43,734)
Net assets attributable to NCI	$ 4,190	$ 3,979	$ 7,468	$ (32)	$ (12,434)	$ (42,527)
Revenue	$ 10,582	$ 53,259	$ 88,645	$ 8,650	$ (24)	$ 469,505
Gross profit	12,500	35,485	62,503	1,338	(10,769)	248,472
Net income (loss)	$ 19,290	$ 13,322	$ 43,500	$ (4,933)	$ (16,458)	$ (38,863)
Net income (loss) allocated to NCI	$ 4,822	$ 1,652	$ 10,875	$ (49)	$ (3,292)	$ (16,323)
NCI percentage at December 31, 2022	25.0 %[1]	12.4 %[2]	25.0 %[2]	1.2 %[1]	20.0 %[1]	42.0 %

[1] The NCI percentage reflects the NCI that exists at Cresco Labs, LLC. There is a further 42.0% NCI related to NCI for Cresco Labs Inc.
[2] The NCI percentage reflects the NCI that exists at Cresco Labs Inc.
[3] Includes the effect of LLC unit redemptions and other adjustments.

The effects of changes in the Company's ownership interests in less than 100% owned subsidiaries during the years ended December 31, 2023 and 2022 were as follows:

($ in thousands)	2023	2022
Net loss attributable to Cresco Labs Inc.	$ (175,522)	$ (212,047)
Changes in Cresco Labs Inc. equity due to redemptions of Cresco Labs, LLC shares:		
Share Capital	16,027	17,438
Accumulated Deficit	(21,815)	(17,169)
Total change from net loss attributable to Cresco Labs Inc. and change in ownership interest in Cresco Labs, LLC.	**$ (181,310)**	**$ (211,778)**

NOTE 9. SHARE-BASED COMPENSATION

The Company has a share-based compensation plan (the “Plan”) for employees, board members and service providers. Under the Plan, options and RSUs issued have no voting rights and vest proportionately over periods ranging from the grant date to 4 years from the issuance date. Stock options exercised and RSUs issued are converted to SVS. Stock options expire after 10 years after the grant date. The maximum number of shares issued under the Plan shall not exceed 10% of the issued and outstanding shares.

Stock Options

A summary of the status of the stock options outstanding consisted of the following:

(Options and intrinsic value in thousands)	Number of stock options outstanding	Weighted-average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Outstanding – January 1, 2023	25,528	$ 5.00	7.54	$ 921
Granted	3,478	1.72		
Exercised	—	—		
Forfeited	(4,903)	5.43		
Outstanding - December 31, 2023	**24,103**	**$ 4.45**	**6.60**	**$ 328**
Exercisable - December 31, 2023	**15,989**	**$ 4.27**	**5.75**	**$ 328**

During the year ended December 31, 2022, options were exercised for gross proceeds of $ 2.9 million. During the year ended December 31, 2023, there were no options exercised.

The following table summarizes the weighted average grant date fair value and total intrinsic value of options exercised for the years ended December 31, 2023 and 2022:

(Per share)	2023	2022
Weighted average grant date fair value of stock option units granted	$ 1.21	$ 2.59
Intrinsic value of stock option units exercised, using market price at exercise date	$ —	$ 5,106

Weighted average stock price of options on the dates on which options were exercised during the year ended December 31, 2022 was $ 4.64 per option.

The fair value of stock options granted under the Plan during the years ended December 31, 2023 and 2022, was determined using the Black-Scholes option-pricing model with the following range of assumptions at the time of the grant:

	2023	2022
Risk-free annual interest rate	3.7% to 4.0%	1.4% to 3.0%
Expected annual dividend yield	0%	0%
Expected stock price volatility	77.0% to 82.8%	74.9% to 80.4%
Expected life of stock options	5.0 to 7.0 years	5.5 to 7.0 years
Forfeiture rate	7.2% to 34.0%	7.2% to 28.0%
Fair value at grant date	$0.94 to $1.52	$1.23 to $4.90
Stock price at grant date	$1.35 to $2.01	$1.81 to $6.91
Exercise price range	$1.35 to $2.01	$1.81 to $6.91

Volatility was estimated by using the average historical volatility of comparable companies from a representative group of direct and indirect peers of publicly traded companies, as the Company and the cannabis industry have minimal historical share price history available. An increase in volatility would result in an increase in fair value at grant date. The expected life in years represents the period of time that options issued are expected to be outstanding. The risk-free rate is based on U.S. treasury bills with a remaining term equal to the expected life of the options. The forfeiture rate is estimated based on historical forfeitures experienced by the Company.

RSUs

The Company has an RSU program to provide employees an additional avenue to participate in the successes of the Company. The fair value of RSUs granted was determined by the fair value of the Company's share price on the date of grant.

A summary of outstanding RSUs is provided below:

(Shares in thousands)	Number of RSUs outstanding	Weighted-average fair value
Outstanding – January 1, 2023	4,258	$ 5.71
Granted	6,347	1.77
Vested and settled	(1,769)	1.91
Forfeited	(1,974)	3.20
Outstanding - December 31, 2023	**6,862**	**$ 2.91**

The following table summarizes the total fair value of RSUs vested for the years ended December 31, 2023 and 2022:

($ in thousands)	2023	2022
Total fair value of RSUs vested, using market price at vest date	$ 3,373	$ 2,396

Expense Attribution

The following table sets forth the classification of share-based compensation expense related to options awards for the years ended December 31, 2023 and 2022:

($ in thousands)	2023	2022
Cost of goods sold	$ 1,059	$ 1,984
Selling, general and administrative expense	6,025	11,749
Total share-based compensation expense for option awards	**$ 7,084**	**$ 13,733**

Unrecognized share-based compensation expense related to option awards as of December 31, 2023 $ 5.4 million and will be recorded over the course of the next four years.

The following table sets forth the classification of share-based compensation expense related to RSU awards for years ended December 31, 2023 and 2022:

($ in thousands)	2023	2022
Cost of goods sold	$ 1,352	$ 2,097
Selling, general and administrative expense	6,899	7,914
Total share-based compensation expense for RSU awards	**$ 8,251**	**$ 10,011**

Unrecognized share-based compensation expense related to RSU awards as of December 31, 2023 is $ 5.8 million and will be recognized over the course of the next four years.

As of December 31, 2023 and December 31, 2022, ending inventory includes $ 0.7 million and $1.7 million capitalized share-based compensation expense related to both options and RSUs, respectively. For the year December 31, 2023 and 2022, share-based compensation expense was $3.4 million and $3.6 million, respectively, recorded to Cost of goods sold, which includes $ 1.7 million and $1.2 million, respectively, related to compensation expense capitalized to inventory in prior periods.

NOTE 10. LOSS PER SHARE

The following is a reconciliation for the calculation of basic and diluted loss per share:

($ in thousands, except shares and per share amounts)	December 31, 2023	December 31, 2022
Numerator:		
Net loss	$ (179,852)	$ (215,843)
Less: Net income attributable to non-controlling interests, net of tax	(4,330)	(3,796)
Net loss attributable to Cresco Labs Inc.	**$ (175,522)**	**$ (212,047)**
Denominator:		
Weighted-average basic and diluted shares outstanding	323,819,766	298,161,665
Loss per Share:		
Basic and diluted loss per share	$ (0.54)	$ (0.71)

For the years ended December 31, 2023 and 2022 potentially dilutive shares were not included in the computation of diluted loss per common share due to the net loss during the respective periods. Potentially dilutive shares as of December 31, 2023 and 2022, consisted of the following:

(shares in thousands)	Year Ended December 31, 2023	2022
Redeemable Units	96,699	107,443
Options	24,103	25,528
RSUs	6,862	4,182
Total potentially dilutive shares	**127,664**	**137,153**

NOTE 11. ACQUISITIONS AND DISPOSITIONS

(a) Deferred Consideration, short-term

The following is a summary of Deferred consideration, short-term balances as of December 31, 2023 and December 31, 2022:

($ in thousands)	December 31, 2023	December 31, 2022
Laurel Harvest deferred consideration, short-term	$ —	$ 47,821
Total Deferred consideration, short-term	**$ —**	**$ 47,821**

In the fourth quarter of 2021, Cresco recorded a total of $ 46.9 million deferred consideration related to the Laurel Harvest acquisition. Total deferred consideration was payable on or before the 18-month anniversary of the acquisition, with accelerated payments required for each of five (5) new dispensaries opened during the 18-month earnout period. The liability was further adjusted to $ 47.8 million at December 31, 2022 based on our expectation of the value of the liability at that time. In the first quarter of 2023, a payment of $10.0 million was made, which was comprised of a stock issuance valued at $ 9.7 million and cash payments of $0.3 million. In the second quarter of 2023, a final earnout payment of $38.6 million was made, which was comprised of a stock issuance valued at $37.5 million and cash payments of $1.1 million. See Note 8 for further discussion of equity issued.

(b) Deferred Consideration, long-term

The following is a summary of Deferred consideration, long-term as of December 31, 2023 and December 31, 2022:

($ in thousands)	December 31, 2023	December 31, 2022
Valley Agriceuticals, LLC (“Valley Ag”) operating cash flows deferred consideration	$ 6,577	$ 7,770
Total Deferred consideration, long-term	**$ 6,577**	**$ 7,770**

As of December 31, 2023, the total estimated liability related to the Valley Ag acquisition is $ 6.6 million. The long-term liability is based on the present value of expected payments associated with the future cash flows of Valley Ag and the expected timing of those payments.

During the year ended December 31, 2023, the Company reclassified $ 0.3 million of deferred consideration from short-term to long-term due to timing of payment. See Note 17 for additional information.

For the year ended December 31, 2023, the Company recorded a $0.4 million reduction of expense related to deferred considerations. For the year ended December 31, 2022, the Company recorded $0.1 million of

expense related to deferred considerations. The expense is recorded in Interest expense, net in the Consolidated Statements of Operations. See Note 20 for additional information.

(c) Dispositions

During the year ended December 31, 2023, the Company completed a divestiture of its AFS Maryland production facility. The Company received cash proceeds of $3.3 million for the sale of property and equipment and intangible assets and recorded a gain of $ 1.4 million from the completed divestiture. The gain is recorded to Other income (expense), net in the Consolidated Statements of Operations.

During the year ended December 31, 2023, the Company completed the sale of assets at our Encanto Green Cross Dispensary in Arizona. The Company received cash proceeds of $6.5 million for the sale of finished inventory products, property and equipment, license and other certain intangible assets. Based on an analysis of the fair value of these assets, the book value was written down by $0.2 million. The Company recorded a net loss of $ 1.0 million from the sale in 2023.

(d) Terminated Acquisition

On July 30, 2023, the Company and The Cannabist Company, formerly known as Columbia Care, mutually agreed to terminate the previously announced definitive arrangement agreement, including all divestitures associated with this transaction. During the second quarter of 2023, the Company wrote off a $5.0 million consent fee that was previously capitalized associated with the agreement. The expense is recorded to Interest expense, net in the Consolidated Statements of Operations. See Note 20.

NOTE 12. LONG-TERM NOTES AND LOANS PAYABLE, NET

The following table represents the Company's Long-term notes and loans payable, net balances as of December 31, 2023 and December 31, 2022:

($ in thousands)	2023	2022
Senior Loan	$ 400,000	$ 400,000
Mortgage Loans	20,160	—
Short-term borrowings and interest payable	9,813	9,500
Financing liability	95,698	96,917
Total borrowings and interest payable	$ 525,671	$ 506,417
Less: Unamortized debt issuance costs	(16,141)	(18,550)
Less: Short-term borrowings and interest payable	(9,813)	(9,500)
Less: Current portion of financing liability [1]	(2,004)	(1,476)
Total Long-term notes and loans payable, net	**$ 497,713**	**$ 476,891**

[1] December 31, 2022 balance have been updated to reflect current year presentation changes. See "Reclassifications" in Note 2 for further discussion.

(a) Senior Loan

On August 12, 2021, the Company closed on an agreement for a senior secured term loan with an undiscounted principal balance of $400.0 million (as amended, the "Senior Loan") and an original issue discount of $13.0 million. A portion of proceeds from the Senior Loan were used to retire the then existing term loan, with the remainder to fund capital expenditures and pursue other targeted growth initiatives within the U.S. cannabis sector.

The Senior Loan accrues interest at a rate of 9.5% per annum, payable in cash semi-annually and has a stated maturity of August 12, 2026. The Company's effective interest rate for the Senior Loan is 11.0%. The Company capitalized $10.9 million of borrowing costs related to the Senior Loan, of which

$7.0 million is payable upon principal repayment of the Senior Loan and thus, is reflected within Other long-term liabilities on the Consolidated Balance Sheet.

The Senior Loan is secured by a guarantee from substantially all material subsidiaries of the Company, as well as by a security interest in certain assets of the Company and such material subsidiaries. The Senior Loan contains negative covenants which restrict the actions of the Company and its subsidiaries during the term of the loan, including restrictions on paying dividends, making investments and incurring additional indebtedness. The Company is also subject to compliance with affirmative covenants, some of which may require management to exercise judgment. In addition, the Company is required to maintain a minimum cash balance of $50.0 million.

On September 22, 2023, the Company amended the Senior Loan pursuant to which certain terms of the original Senior Loan were modified and consent was provided for the Company to enter into the Mortgage Loans further discussed below.

The Company may prepay in whole or in part the Senior Loan at any time prior to the stated maturity date, subject to certain conditions. Any prepayment of the outstanding principal amount may be subject to a prepayment premium as defined in the loan agreement, and would include all accrued and unpaid interest and fees. Interest expense is discussed in Note 20.

(b) Mortgage Loans

On September 26, 2023, JDRC Ellenville, LLC (“Ellenville”) an indirect subsidiary of the Company entered into a loan agreement to borrow an undiscounted principal amount of $25.3 million (the “Mortgage Loans”). Borrowings under the terms of the Mortgage Loans bear an initial interest rate of 8.4% per annum, which is equal to the Federal Home Loan Bank (“FHLB”) Five Year Classic Regular Advance Rate, plus a 375 basis point spread. The Mortgage Loans have an effective interest rate of 10.2%. The Mortgage Loans are secured by real estate in Ellenville, New York and improvements thereto, and converts to a permanent term loan on the conversion date of November 1, 2028. The Mortgage Loans contains certain affirmative and negative covenants which restrict the actions of Ellenville during the term of the loan.

As of December 31, 2023, the full commitment amount was not fully drawn, as $ 5.1 million of the principal balance will be advanced to Ellenville as it completes the build-out of the Ellenville cultivation center. The Company incurred $2.0 million in deferred financing fees reflected within Long-term notes and loans payable on the Consolidated Balance Sheet.

During the year ended December 31, 2023, the Company capitalized interest of $0.3 million related to the loan as the build-out of the Ellenville facility is still underway. After completion, interest will be expensed as incurred.

(c) Financing Liabilities

The Company has additional financing liabilities for which the incremental borrowing rates range from 11.3% to 17.5% with remaining terms between 6.1 and 16.5 years, consistent with the underlying lease liabilities. The interest expense associated with financing liabilities is discussed in Note 20.

NOTE 13. REVENUES AND LOYALTY PROGRAMS

(a) Revenues

The following table represents the Company's disaggregated revenue by source, due to the Company's contracts with its customers, for the years ended December 31, 2023 and 2022:

($ in thousands)	2023	2022
Wholesale	$ 306,363	$ 367,222
Dispensary	464,522	475,459
Total Revenues	**$ 770,885**	**$ 842,681**

The Company generates revenues, net of sales discounts, at the point in time the control of the product is transferred to the customer, as the Company has a right to payment and the customer has assumed significant risks and rewards of such product without any remaining performance obligation. Sales discounts were approximately 17.0% and 10.7% of gross revenue for the years ended December 31, 2023 and 2022, respectively. The Company does not enter into long-term sales contracts.

(b) Loyalty Programs

In the states of Illinois, Pennsylvania, New York, Florida, Ohio and Massachusetts; the Company has customer loyalty programs where retail customers accumulate points based on their level of spending. These points are recorded as a contract liability until customers redeem their points for discounts on cannabis products as part of an in-store sales transaction. Loyalty points may be redeemed by customers for $0.03 for each point off of future purchases. The Company records a performance obligation as a reduction of revenue that ranges between $0.01 and $0.02 per loyalty point, inclusive of breakage expectations in respective markets.

Upon redemption, the loyalty program obligation is relieved and the offset is recorded as revenue. As of December 31, 2023 and 2022, there were 71.2 million and 126.1 million points outstanding, respectively. The contract liability totaled $ 1.2 million and $2.1 million, respectively, which is included in Accrued liabilities within the Consolidated Balance Sheet for the same period. The Company expects outstanding loyalty points to be redeemed within one year.

NOTE 14. OTHER INCOME (EXPENSE), NET

For the years ended December 31, 2023 and 2022, Other income, net consisted of the following:

($ in thousands)	2023	2022
Unrealized gain on derivative liabilities - warrants	$ —	$ 1,184
Realized loss on financial instruments	(94)	(5,698)
(Loss) gain on provision - loan receivable	(314)	572
Unrealized loss on investments held at fair value	(406)	(4,609)
Gain on disposal of assets	762	14,711
Gain on conversion of investment	—	22
(Loss) gain on foreign currency	(303)	931
Gain on lease termination	1,263	4,876
Other income, net	832	3,238
Total Other income, net	**$ 1,740**	**$ 15,227**

See Note 4 for additional information on Gain on disposition of assets. See Note 5 for additional information related to the Gain on lease termination.

NOTE 15. RELATED PARTY TRANSACTIONS

(a) Transactions with Key Management Personnel and Certain Board Members

Related parties, including key management personnel and certain board members, hold 85.1 million Redeemable Units of Cresco Labs, LLC, which accounts for a deficit of $71.5 million in Non-controlling interests as of December 31, 2023. During the years ended December 31, 2023 and 2022, 71.2% and 74.4%, respectively, of required tax distribution payments to holders of Cresco Labs, LLC were made to related parties including to key management personnel and certain board members.

(b) Related Parties – Leases

For the years ended December 31, 2023 and 2022, the Company had lease liabilities for real estate lease agreements in which the lessors have a minority interest in SLO Cultivation, Inc. (“SLO”) and MedMar Inc. (“MedMar”). The lease liabilities were incurred in January 2019 and May 2020 and expire in 2027 through 2030, except for the leases associated with SLO minority interest holders (“SLO Leases”). During the second quarter of 2022, the Company exercised its early termination right to reduce the SLO Leases term to 180 days. This early termination resulted in a reduction in lease liability and ROU assets. The remaining liability for the SLO Leases expired in the fourth quarter of 2022.

The Company has liabilities for real estate leases and other financing agreements in which the lessor is Clear Heights Properties where Dominic Sergi, MVS shareholder as of December 31, 2023, is Chief Executive Officer. The liabilities were incurred by entering into operating leases, finance leases and other financing transactions with terms that will expire in 2030. During the years ended December 31, 2023 and 2022, the Company received tenant improvement allowance reimbursements of $nil and $1.4 million, respectively. The Company expects to receive further reimbursements of $0.7 million within the next twelve months.

Below is a summary of the expense resulting from the related party lease liabilities for the years ended December 31, 2023 and 2022:

($ in thousands)	**Classification**	**2023**	**2022**
Operating Leases			
Lessor has minority interest in SLO	Rent expense	$ —	$ 513
Lessor has minority interest in MedMar	Rent expense	288	288
Lessor is an MVS shareholder	Rent expense	1,187	1,187
Finance Leases			
Lessor has minority interest in MedMar	Depreciation expense	$ 306	$ 306
Lessor has minority interest in MedMar	Interest expense	246	270
Lessor is an MVS shareholder	Depreciation expense	90	81
Lessor is an MVS shareholder	Interest expense	69	76

Additionally, below is a summary of the ROU assets and lease liabilities attributable to related party leases as of December 31, 2023 and 2022:

($ in thousands)	December 31, 2023		December 31, 2022	
	ROU Asset	Lease Liability	ROU Asset	Lease Liability
Operating Leases				
Lessor has minority interest in MedMar	$ 1,294	$ 1,345	$ 1,415	$ 1,456
Lessor is an MVS shareholder	5,332	5,429	5,849	5,907
Finance Leases				
Lessor has minority interest in MedMar	$ 1,729	$ 2,210	$ 2,034	$ 2,452
Lessor is an MVS shareholder	583	502	596	555

The Company has other financing liabilities with related parties associated with certain properties. For both years ended December 31, 2023 and 2022, the Company recorded interest expense on those financing liabilities of $0.3 million. As of December 31, 2023 and 2022, the Company had financing liabilities totaling $1.4 million and $1.5 million, respectively. All of these financing liabilities are due to an entity controlled by an MVS shareholder.

NOTE 16. COMMITMENTS AND CONTINGENCIES

(a) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2023, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's results of operations, financial positions or cash flows. There are also no proceedings in which any of the Company's directors, officers or affiliates are an adverse party or has a material interest adverse to the Company's interest.

(b) Contingencies

The Company's operations are subject to a variety of federal, state and local regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on the Company's operations, suspension or revocation of permits or licenses or other disciplinary actions (collectively, "Disciplinary Actions") that could adversely affect the Company's financial position and results of operations. While management believes that the Company is in substantial compliance with state and local regulations as of December 31, 2023 and through the date of filing of these financial statements, these regulations continue to evolve and are subject to differing interpretations and enforcement. As a result, the Company may be subject to Disciplinary Actions in the future.

(c) Commitments

As of December 31, 2023, the Company had total commitments of $ 2.3 million related to material construction projects. During the first quarter of 2022, pursuant to the Illinois Cannabis Regulation and Tax Act, the Company issued $0.2 million in loans to an Illinois company which has secured Craft Grower Licenses to operate in the state and $1.0 million in loans to groups that have been identified by the state of Illinois as having the opportunity to receive Conditional Adult Use Dispensing Organization Licenses. These loans are discussed in Note 17. These loans fully satisfy the Company's funding requirements under Illinois Cannabis Regulation and Tax Act; however, the Company may elect to fund similar loans in the future.

The Company has employment agreements with key management personnel which include severance in the event of termination totaling approximately $3.1 million with additional equity and/or compensation benefits.

NOTE 17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments are held at amortized cost (adjusted for impairments or expected credit losses ("ECLs"), as applicable) or fair value. The carrying values of financial instruments held at amortized cost approximate their fair values as of December 31, 2023 and December 31, 2022 due to their nature and relatively short maturity dates. Financial assets and liabilities with embedded derivative features are carried at fair value.

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 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.

There have been no transfers into or out of level 3 for the periods ended December 31, 2023 and December 31, 2022.

The following tables summarize the Company's financial instruments as of December 31, 2023 and December 31, 2022:

	December 31, 2023				
($ in thousands)	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:					
Cash and cash equivalents	$ 103,429	$ —	$ —	$ —	$ 103,429
Restricted cash[1]	5,091	—	—	—	5,091
Security deposits[2]	4,408	—	—	—	4,408
Accounts receivable, net	51,070	—	—	—	51,070
Loans receivable, short-term	1,421	—	—	—	1,421
Loans receivable, long-term	826	—	—	—	826
Investments	—	49	81	600	730
Financial Liabilities:					
Accounts payable	$ 27,587	$ —	$ —	$ —	$ 27,587
Accrued liabilities	69,079	—	—	—	69,079
Short-term borrowings	11,817	—	—	—	11,817
Current portion of lease liabilities	9,416	—	—	—	9,416
Lease liabilities	163,811	—	—	—	163,811
Deferred consideration, long-term	—	—	—	6,577	6,577
Long-term notes and loans payable, net	497,713	—	—	—	497,713
Other long-term liabilities	21,600	—	—	—	21,600

[1]Restricted cash balances include various escrow accounts related to investments, acquisitions and facility licensing requirements.
[2]Security deposits are included in "Other non-current assets" on the Consolidated Balance Sheets.

	December 31, 2022				
($ in thousands)	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:					
Cash and cash equivalents	$ 119,341	$ —	$ —	$ —	$ 119,341
Restricted cash[1]	2,169	—	—	—	2,169
Security deposits[2]	4,367	—	—	—	4,367
Accounts receivable, net	56,492	—	—	—	56,492
Loans receivable, short-term	447	—	—	—	447
Loans receivable, long-term	823	—	—	—	823
Investments	—	136	432	660	1,228
Financial Liabilities:					
Accounts payable	$ 28,093	$ —	$ —	$ —	$ 28,093
Accrued liabilities	65,161	—	—	—	65,161
Short-term borrowings[3]	10,976	—	—	—	10,976
Current portion of lease liabilities[3]	8,959	—	—	—	8,959
Deferred consideration and other payables, short-term	6	7	—	47,821	47,834
Lease liabilities[3]	173,345	—	—	—	173,345
Deferred consideration, long-term	—	—	—	7,770	7,770
Long-term notes and loans payable, net[3]	476,891	—	—	—	476,891
Other long-term liabilities	7,000	—	—	—	7,000

[1]Restricted cash balances include various escrow accounts related to investments, acquisitions and facility licensing requirements.
[2]Security deposits are included in “Other non-current assets” on the Consolidated Balance Sheets.
[3]Balances reflect current year presentation changes. See “Reclassifications” in Note 2 for further discussion.

The following table presents a rollforward of the balance sheet amounts measured at fair value on a recurring basis and classified as Level 3. The classification of an item as Level 3 is based on inputs for assets or liabilities that are not based on observable market data.

	Year Ended December 31, 2023		
	Level 3 Fair Value Measurements		
($ in thousands)	Investments	Deferred consideration, and other payables, short-term	Deferred consideration and contingent, long-term
Balance as of December 31, 2022	$ 660	$ 47,821	$ 7,770
Change in fair value recorded in Interest expense, net	—	1,953	—
Change in fair value recorded in Other income, net	(60)	—	(895)
Payments[1]	—	(50,072)	—
Other[2]	—	298	(298)
Balance as of December 31, 2023	**$ 600**	**$ —**	**$ 6,577**

[1] See Note 8 and Note 11 for additional details related to payments.
[2] Other relates to reclassifications from short-term to long-term due to expecting timing of payment. See Note 11.

	Year Ended December 31, 2022				
	Level 3 Fair Value Measurements				
($ in thousands)	Loans receivable, short-term	Investments	Deferred consideration, contingent consideration, and other payables, short-term	Derivative liabilities, short-term	Deferred consideration and contingent, long-term
Balance as of December 31, 2021	$ 565	$ 660	$ 71,816	$ 1,172	$ 17,651
Change in fair value recorded in Interest expense, net	—	—	900	—	(881)
Change in fair value recorded in Other income, net	—	—	5,647	(1,172)	—
Payments[1]	(1,837)	—	(39,542)	—	—
Change in fair value recorded in Selling, general and administrative	1,272	—	—	—	—
Other[2]	—	—	9,000	—	(9,000)
Balance as of December 31, 2022	**$ —**	**$ 660**	**$ 47,821**	**$ —**	**$ 7,770**

[1] $39.5 million payment related to the Cultivate contingent consideration earnout. The $1.8 million payment related to Lighthouse outstanding loan receivable.
[2] $9.0 million related to reclassifications from long-term to short-term due to the projected dispensary opening dates.

(a) Loans receivable, short-term

The following is a summary of Loans receivable, short-term balances and valuation classifications (discussed further below) as of December 31, 2023 and December 31, 2022:

($ in thousands)	Valuation classification	December 31, 2023	December 31, 2022
Short-term loans receivable - Kurvana, net of ECL	Amortized cost	$ 493	$ 447
Short-term loans receivable - 280E, net of ECL	Amortized cost	928	—
Total Loans receivable, short-term		**$ 1,421**	**$ 447**

During the second quarter of 2023, the Company issued a $ 1.0 million short-term loan receivable to 280EZ LLC, an Illinois limited liability company (d/b/a Spark'd). The short-term loan receivable has a one-year term and interest accruing at 9.5% per annum, paid on a monthly basis. At the inception of the loan, an ECL determination was made.

(b) Loans receivable, long-term

($ in thousands)	Valuation classification	December 31, 2023	December 31, 2022
Long-term loans receivable - Illinois Incubator, net of ECL	Amortized cost	$ 826	$ 823
Total Loans receivable, long-term		**$ 826**	**$ 823**

Pursuant to the Illinois Cannabis Regulation and Tax Act, the Company has issued $ 0.3 million in loans to an Illinois company which has secured a Craft Grower License to operate in the state and $1.0 million in loans to groups that have been identified by the state of Illinois as having the opportunity to receive Conditional Adult Use Dispensing Organization Licenses. One (1) $0.1 million loan related to the Craft Grower License, was fully funded on July 20, 2021 and matures on July 20, 2026. The remaining loans of

$1.2 million were fully funded on March 21, 2022 and mature on July 20, 2027. The loans are measured at amortized cost and bear no interest.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors and Company management mitigate these risks by assessing, monitoring and approving the Company's risk management processes:

(a) Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or a third-party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of December 31, 2023 and December 31, 2022 is the carrying amount of cash, accounts receivable and loans receivable. The Company does not have significant credit risk with respect to its growth in its key retail markets, as payment is typically due upon transferring the goods to the customer at our dispensaries, which currently accept only cash and debit cards. Additionally, the Company does not have significant credit risk with respect to its loan counterparties as the interest rate on our Amended Senior Loan is not variable and therefore, is not materially impacted by interest rate increases enacted by the Federal Reserve. The interest rate on our Mortgage Loans is based on the FHLB Five Year Classic Regular Advance Rates which matures every five (5) years and does not pose a significant credit risk. Although all deposited cash is placed with U.S. financial institutions in good standing with regulatory authorities, changes in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry have passed the U.S. House of Representatives but were not voted on within the U.S. Senate, and would need to be reintroduced by Congress. Given that current U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept or deposit funds from businesses involved with the cannabis industry, leading to an increased risk of legal actions against the Company and forfeitures of the Company's assets.

The Company's aging of Accounts receivables as of December 31, 2023 and December 31, 2022 was as follows:

($ in thousands)	**December 31, 2023**	**December 31, 2022**
0 to 60 days	$ 41,820	$ 49,303
61 to 120 days	8,117	6,118
120 days +	9,097	3,698
Total accounts receivable, gross	**59,034**	**59,119**
Allowance for doubtful accounts	7,964	2,627
Total accounts receivable, net	**$ 51,070**	**$ 56,492**

For the year ended December 31, 2023, one customer accounted for $7.2 million or 12% of the Company's gross accounts receivable balance. For the year ended December 31, 2022, two customers accounted for $13.9 million or 23% of the Company's gross accounts receivable balance.

For the years ended December 31, 2023 and 2022, the Company recorded an ECL of $ 4.9 million and $0.4 million, respectively. An additional $5.5 million and $1.9 million in bad debt expense related to invoice write-offs was recorded for the same respective twelve month periods.

In the fourth quarter of 2022, management committed to a plan to restructure certain operations and activities within the California reporting unit. Related to that plan, during the first quarter of 2023, the Company reserved for approximately $0.1 million of Accounts Receivable at the impacted California entities. Following the plan to restructure certain operations and activities in California, the Company received cash payments totaling $2.0 million for the year ended December 31, 2023.

(b) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry, which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

(c) Liquidity Risk

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. For the year ended December 31, 2023, the Company has generated positive cash flows from operations and implemented certain cost cutting measures, which are expected to improve cash from operations. Net loss for the year ended December 31, 2023, decreased $36.0 million compared to the year ended December 31, 2022. The decrease in net loss was primarily driven by lower operating expenses and less income tax expense, offset by lower revenue.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company primarily manages liquidity risk through the management of its capital structure by ensuring that it will have sufficient liquidity to settle obligations and liabilities when due. As of December 31, 2023, the Company had working capital (defined as current assets less current liabilities) of $77.8 million. The Company also expects to be able to continue to raise debt or equity based capital, or sell certain assets, if needed, to fund operations and the expansion of its business.

In addition to the commitments outlined in Note 16, the Company has the following contractual obligations as of December 31, 2023:

($ in thousands)	**< 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**> 5 Years**	**Total**
Accounts payable & Accrued liabilities	$ 95,817	$ —	$ —	$ —	$ 95,817
Operating leases liabilities	28,417	58,172	58,726	161,249	306,564
Finance lease liabilities	4,882	10,166	10,357	18,337	43,742
Deferred consideration, long-term	—	6,577	—	—	6,577
Long-term notes and loans payable and Short-term borrowings	23,347	428,276	29,522	122,112	603,257
Tax receivable agreement liability	1,065	2,587	3,199	7,713	14,564
Other long-term liabilities	—	7,886	—	—	7,886
Total obligations as of December 31, 2023	**$ 153,528**	**$ 513,664**	**$ 101,804**	**$ 309,411**	**$ 1,078,407**

(d) Market Risk

(i) Currency Risk

The operating results and balance sheet of the Company are reported in USD. As of December 31, 2023 and December 31, 2022, the Company's financial assets and liabilities are primarily in USD. However, from time to time some of the Company's financial transactions are denominated in currencies other than USD. The results of the Company's operations are subject to currency transaction and translation risks. The Company recorded $0.3 million in foreign currency exchange losses during the year ended December 31, 2023 and $0.9 million in foreign currency exchange gains during the year ended December 31, 2022.

As of December 31, 2023 and December 31, 2022, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. An increase or decrease in the Company's incremental borrowing rate would result in an associated increase or decrease in Deferred consideration, contingent consideration and other payables and Interest expense, net. The Company's Amended Senior Loan accrues interest at a rate of 9.5%, per annum and has an effective interest rate of 11.0%. The Company's Mortgage Loans accrues interest at a rate of 8.4%, per annum and have an effective interest rate of 10.2%.

(iii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is subject to price risk related to deferred consideration and other payables that are valued based on the Company's own stock price. An increase or decrease in stock price would result in an associated increase or decrease to Deferred consideration and other payables, short-term with a corresponding change to Other income, net.

(iv) Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on the Company's business, results of operations and financial condition. Currently, state-licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to Internal Revenue Code ("IRC") Section 280E, which bars businesses from deducting all expenses except their cost of goods sold when calculating federal tax liability. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on the operations of the Company, while any decrease in such tax levies will be beneficial to future operations. See Note 21 for the Company's disclosure of uncertain tax positions.

(v) Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon the compliance of regulatory requirements. Due to the nature of the industry, the Company recognizes that regulatory requirements are more stringent and punitive in nature. Any delays in obtaining, or failure to obtain regulatory approvals can significantly delay operational and product development and can have a material adverse effect on the Company's business, results of operations and financial condition. The Company is cognizant of the advent of regulatory changes occurring in the cannabis industry on the city, state and national levels. Although the regulatory outlook on the cannabis industry has been moving in a positive trend, any unforeseen regulatory changes could have a material adverse impact on the goals and operation of the Company's business.

(vi) Economic Risk

The Company's business, financial condition and operating results may be negatively impacted by challenging global economic conditions. A global economic slowdown would cause disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy and declining consumer and business confidence, which can lead to decreased levels of consumer spending. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or the Company may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration or severity of such disruptions in the credit and financial markets or adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on our business, financial condition and operating results.

(vii) Inflation Risk

The Company has experienced increased inflationary pressures, including increased cultivation costs, distribution costs and operating expenses, which have adversely impacted our operating results. The Company anticipates inflationary pressures to continue throughout 2024. The Company maintains strategies to mitigate the impact of higher raw material, energy and commodity costs, which include cost reduction, sourcing and other actions, which may help to offset a portion of the adverse impact.

NOTE 18. VARIABLE INTEREST ENTITIES

The following table presents the summarized financial information about the Company's consolidated variable interest entities ("VIEs") before eliminations, which are included in the Consolidated Balance Sheets as of December 31, 2023 and December 31, 2022. All of these entities were determined to be VIEs as the Company possesses the power to direct activities through written agreements and is subject to the risks and rewards as a primary beneficiary:

	December 31, 2023	December 31, 2022
($ in thousands)	**Cresco Labs Michigan, LLC**	**Cresco Labs Michigan, LLC**
Current assets	$ 15,485	$ 17,506
Non-current assets	75,622	63,212
Current liabilities	(1,476)	(3,158)
Non-current liabilities	(124,793)	(108,113)
Non-controlling interests	258	—
Deficit attributable to Cresco Labs Inc.	34,904	30,553

The following table presents the summarized financial information about the Company's consolidated VIEs before eliminations, which are included in the Consolidated Statements of Operations for the years ended December 31, 2023 and 2022:

($ in thousands)	Cresco Labs Michigan, LLC	Cresco Labs Michigan, LLC
Revenue	$ 25,046	$ 12,659
Net loss attributable to non-controlling interests	(258)	—
Net loss attributable to Cresco Labs Inc.	(4,445)	(8,617)
Net loss	(4,703)	(8,617)

NOTE 19. SEGMENT INFORMATION

The Company operates in one segment, the cultivation, manufacturing, distribution and sale of cannabis. The Chief Executive Officer, the Chief Financial Officer and the Chief Transformation Officer of the Company have been identified as the Chief Operating Decision Makers ("CODMs") and manage the Company's operations as a whole. For the purpose of evaluating financial performance and allocating resources, the CODMs review certain financial information presented on a consolidated basis accompanied by information by customer and geographic region. For both the years ended December 31, 2023 and 2022, the Company generated 100.0% of its revenue in the U.S.

NOTE 20. INTEREST EXPENSE, NET

Interest expense, net consisted of the following for the years ended December 31, 2023 and 2022:

($ in thousands)	2023	2022
Interest expense – notes and loans payable	(43,575)	(38,528)
Interest expense – financing activities	(11,739)	(11,887)
Accretion of debt discount and amortization of deferred financing fees	(4,416)	(3,951)
Interest expense – leases	$ (3,513)	$ (3,952)
Interest income	2,148	679
Other interest income (expense) [1]	276	(198)
Total Interest expense, net	**$ (60,819)**	**$ (57,837)**

[1]During the year ended December 31, 2023, the Company recorded $1.2 million of reductions in interest expense related to Valley Ag operating cash flows deferred consideration. See Note 11 for additional information.

See Note 5 for additional information regarding Interest expense – leases and Note 12 for additional information on Interest expense – notes and loans payable, Accretion of debt discount and amortization of deferred financing fees, and Interest expense – financing activities.

NOTE 21. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES

As the Company operates in the cannabis industry, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E for U.S. federal income tax purposes as well as some state income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. However, certain states including Arizona, California, Illinois, Maryland, Massachusetts, Michigan and New York (Adult Use) do not conform to IRC Section 280E and, accordingly, the Company generally deducts all operating expenses on its income tax returns in these states.

During the second quarter of 2023, Illinois decoupled from the application of IRC Section 280E for any cannabis establishment operating in the state of Illinois and licensed under the Cannabis Regulation and Tax Act and/or Compassionate Use of Medical Cannabis Program Act beginning for taxable years beginning on or after January 1, 2023.

The Company is treated as a United States corporation for U.S. federal income tax purposes under IRC Section 7874 and is subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes the Company, regardless of any application of IRC Section 7874, is treated as a Canadian resident company, as defined in the Income Tax Act (Canada), for Canadian income tax purposes. As a result, the Company is subject to taxation both in Canada and the United States.

Provision for income taxes consists of the following for the years ended December 31, 2023 and 2022:

($ in thousands)	**2023**	**2022**
Current		
Federal	$ 55,679	$ 69,240
State	15,858	24,341
Foreign	—	—
Total current	$ 71,537	$ 93,581
Deferred		
Federal	$ (23,771)	$ (8,332)
State	(18,215)	(9,858)
Foreign	28,749	1,190
Total deferred	$ (13,237)	$ (17,000)
Change in valuation allowance	$ (25,350)	$ 12,357
Total	**$ 32,950**	**$ 88,938**

As of December 31, 2023 and 2022, the components of deferred tax assets and liabilities were as follows:

($ in thousands)	2023	2022
Deferred tax assets		
Share-based compensation	$ 3,961	$ 1,381
Financing fees	453	1,291
Net operating losses	40,580	43,629
Inventory	97	346
Lease liabilities	41,088	28,362
Tax receivable agreement	15,379	315
Other	629	386
Total deferred tax assets	**$ 102,187**	**$ 75,711**
Deferred tax liabilities		
ROU assets	$ (13,689)	$ (9,560)
Property, plant and equipment	(11,669)	(12,393)
Intangible assets	(64,052)	(84,099)
Other	(23,596)	(1,329)
Total deferred tax liabilities	**$ (113,006)**	**$ (107,381)**
Valuation allowance	$ (18,091)	$ (43,442)
Net deferred tax liabilities	**$ (28,910)**	**$ (75,112)**

As of December 31, 2023, the Company had the following loss carryforwards:

- $41.9 million of non-capital Canadian losses which expire from 2038-2043, which are fully offset by a valuation allowance.
- $55.7 million of U.S. federal net operating losses which have an indefinite carryforward period, a portion of which are not recorded as the Company does not consider these to be more-likely-than-not to be realized. $50.8 million of U.S. federal net operating loss carryforwards are offset by a valuation allowance.
- $204.6 million of state net operating losses, which expire in 2038-2043, a portion of which are not recorded as the Company does not consider these to be more-likely-than-not to be realized. $183.3 million of state net of state net operating loss carryforwards are offset by a valuation allowance.

As of December 31, 2022, the Company had the following loss carryforwards:

- $63.5 million of non-capital Canadian losses which expire from 2038-2042, which are fully offset by valuation allowance.
- $52.2 million of U.S. federal net operating losses which have an indefinite carryforward period, a portion of which are not recorded as the Company does not consider these to be more-likely-than-not to be realized. $45.7 million of U.S. federal net operating loss carryforwards are offset by valuation allowance.
- $184.3 million of state net operating losses, which expire in 2038-2042, a portion of which are not recorded as the Company does not consider these to be more-likely-than-not to be realized. $180.8 million of state net of state net operating loss carryforwards are offset by valuation allowance.

A valuation allowance to reflect management's estimate of the temporary deductible differences that may expire prior to their utilization has been recorded at December 31, 2023 and 2022. During 2023 and 2022, the Company maintained a full valuation allowance against its net Canadian deferred tax assets, as losses are generated in Canada with no projection of future taxable income.

In 2023, the Company increased its deferred tax asset related to the step-up in basis from shareholder redemptions under the tax receivable agreement for Cresco Labs LLC by $15.4 million. The Company also recognized an increase to the tax receivable agreement liability of $13.5 million related to estimated payables to certain shareholders.

The reconciliation between the effective tax rate on income from continuing operations and the statutory tax rate is as follows:

($ in thousands)	**2023**	**2022**
Expected income tax expense at statutory tax rate	$ (30,711)	$ (26,650)
Tax rate differences	(69)	(2,296)
Pass through and non-controlling entities	(4,881)	(2,183)
State tax expense, net	(4,898)	17,209
IRC Section 280E disallowance	47,043	50,521
Uncertain tax treatment (including penalties and interest)	7,311	12,901
Share-based compensation	2,086	2,261
Goodwill impairment	10,448	25,334
Tax penalties and interest	5,552	4,155
Change in valuation allowance	(25,350)	12,357
Change in state tax rates	10,317	(471)
Change in state filing methods	(3,940)	—
Canadian reorganization basis change	28,730	—
Tax receivable agreement	(2,919)	(395)
Adjustments to prior year provisions	(7,003)	(5,136)
Other	1,235	1,332
Income tax expense	**$ 32,950**	**$ 88,938**
Effective tax rate	**(22.4 %)**	**(70.1 %)**

During 2022, the Company adopted a tax position whereby certain expenses incurred at dispensary locations are treated as inventoriable costs for tax purposes, reducing the impact of IRC Section 280E on the 2021 tax returns and in the current period. The Company determined that the tax benefit associated with this position did not meet the more likely than not criteria under ASC 740 *Income Taxes* due to the evolving interpretations of IRC Section 280E. As a result, the Company recorded an additional reserve of $6.1 million for unrecognized tax benefits and accrued $1.3 million of penalties and interest related to unrecognized tax benefits as of December 31, 2023.

The Company records unrecognized tax benefits as liabilities in accordance with ASC 740 *Income Taxes* and adjusts these liabilities when judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available. It is possible that additional tax distribution liabilities may become due to certain non-controlling interest members as a result of unrecognized tax benefits. While the probable amount of any future tax distribution liability cannot reasonably be estimated, the maximum future tax distribution liability associated with these unrecognized tax benefits is estimated to be $7.8 million as of December 31, 2023.

The Company accrued $6.9 million and $5.5 million in tax penalties and interest as of December 31, 2023 and 2022, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

($ in thousands)	2023	2022
Balance at January 1	$ 12,746	$ —
Additions based on tax positions related to the current year	6,054	7,380
Additions for tax positions of prior years	—	5,366
Balance at the end of the year	**$ 18,800**	**$ 12,746**

The Company is currently under examination by U.S. federal, state and Canadian tax authorities. As of December 31, 2023, no additional liabilities are anticipated as a result of these examinations. With few exceptions, the Company is generally not subject to examination by tax authorities for years before 2019.

NOTE 22. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 15, 2024, which is the date on which these financial statements were issued, and concluded there were no material subsequent events for the period ended December 31, 2023.

Exhibit 99.7

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Cresco Labs Inc. on Form S-8 (333-253670) and Forms F-10 (333-253671 and 333-274047) of our report dated March 15, 2024, with respect to our audits of the consolidated financial statements of Cresco Labs Inc. and its subsidiaries as of December 31, 2023 and 2022 and for each of the two years in the period ended December 31, 2023, included in this Annual Report on Form 40-F filed with the U.S. Securities and Exchange Commission on March 15, 2024.

/s/ Marcum LLP

Marcum LLP
Chicago, IL

March 15, 2024