

ROSENWALD v. ROSENWALD

Connecticut Superior Court · Docket No. FST-FA26-6078292-S

EVIDENCE BINDER OF PRIMARY SOURCES

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Glass House Brands SEC & SEDI Filings

GLASS HOUSE BRANDS INC.

May 15, 2025

Dear shareholders of Glass House Brands Inc.:

On behalf of the directors and management team of Glass House Brands Inc. (the **“Company”**), we are pleased to invite you to attend the Company’s annual and special meeting of the shareholders (the **“Meeting”**), to be held at 11:00 a.m. (Pacific Time) on June 20, 2025 at 645 Laguna Road, Camarillo, California, 93012.

At the Meeting, the holders of subordinate voting shares, restricted voting shares, limited voting shares and multiple voting shares (the **“Shareholders”**) will be asked to receive the audited annual financial statements of the Company for the year ended December 31, 2024, together with the report of the auditor thereon, elect the directors for the ensuing year (the **“Directors”**), which vote shall exclude holders of limited voting shares, re-appoint Macias Gini & O’Connell LLP as the auditor of the Company and to authorize the Directors to fix the auditor’s remuneration, and to consider and, if deemed advisable, adopt an ordinary resolution (the full text of which is reproduced as Schedule “B” of the Company’s management information circular (the **“Information Circular”**)), for the purpose of approving a one-time, fixed increase to the rolling 10% share reserve under the Company’s Equity Incentive Plan (as defined in the Information Circular) and the granting of the Performance Awards (as defined in the Information Circular).

As a valued Shareholder, your views and involvement in the Company are important to us. At the Meeting, you will have the opportunity to ask questions of all C-Suite team members along with at least some members of the Directors and to vote on the Meeting matters.

Your vote matters. You may exercise it by completing the proxy form or voting instruction form or by attending the Meeting. The accompanying management information circular describes the business to be conducted at the Meeting, important additional information and detailed instructions on voting and participation at the Meeting, and the Company’s governance practices.

Tours of the 5.5 million square foot facility will be given and opportunities to purchase the Company’s products at a discount will be available.

Thank you for your investment and we look forward to connecting with you at the Meeting.

Sincerely,

(Signed) *“Kyle Kazan”*

Kyle Kazan
Co-Founder, Chairman & CEO

GLASS HOUSE BRANDS INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 20, 2025

TO THE SHAREHOLDERS OF GLASS HOUSE BRANDS INC.

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of subordinate voting shares (the “**Subordinate Voting Shares**”), restricted voting shares (the “**Restricted Voting Shares**”), limited voting shares (“**Limited Voting Shares**”, together with the Subordinate Voting Shares and the Restricted Voting Shares, the “**Equity Shares**”) and multiple voting shares (the “**Multiple Voting Shares**”, together with the Equity Shares, the “**Company Shares**”) of Glass House Brands Inc. (the “**Company**”) will be held at 11:00 a.m. (Pacific Time) on June 20, 2025 at 645 Laguna Road, Camarillo, California, 93012 for the following purposes:

1. to receive the audited annual financial statements of the Company for the year ended December 31, 2024, together with the report of the auditor thereon (the “**Annual Financial Statements**”);
2. for all Shareholders other than holders of Limited Voting Shares, to elect directors of the Company for the ensuing year. For more information, see “*Business to be Transacted at the Meeting – Election of Directors*” in the Company’s management information circular dated May 15, 2025 (the “**Information Circular**”);
3. to re-appoint the auditor of the Company for the ensuing year and to authorize the directors of the Company to fix the remuneration of the auditor. For more information, see “*Business to be Transacted at the Meeting – Appointment of Auditor*” in the Information Circular;
4. for all shareholders other than Recipients (as defined in the Information Circular), to consider and, if deemed advisable, pass an ordinary resolution, the full text of which is reproduced as Schedule “B” of the Information Circular, approving, ratifying and confirming a one-time, fixed increase to the rolling 10% share reserve under the Company’s Equity Incentive Plan (as defined in the Information Circular) and the granting of the Performance Awards (as defined in the Information Circular); and
5. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders should refer to the Information Circular for more detailed information with respect to the matters to be considered at the Meeting. The Information Circular and other Meeting materials also contain important information with respect to voting your Company Shares and attending and participating at the Meeting. Shareholders are reminded to review all of the important information contained in the Information Circular and other Meeting materials before voting.

The Company is using the notice-and-access system (“**Notice-and-Access**”) under National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 *Continuous Disclosure Obligations* to distribute this Notice of Meeting and the Information Circular to Shareholders, as well as the Annual Financial Statements and accompanying management’s discussion and analysis thereon. Notice-and-Access allows the Company to post electronic versions of its proxy-related materials on SEDAR+ and on the Company’s website, rather than mailing paper copies to Shareholders. This alternative means of distribution of the Company’s proxy-related materials is more environmentally friendly by reducing paper use, and also reduces printing and mailing costs of the Company. Note that Shareholders still have the right to request paper copies of the proxy-related materials posted online by the Company under Notice-and-Access if they so choose.

The proxy-related materials are available under the Company's profile on SEDAR+ at www.sedarplus.ca and on the Company's website at <https://ir.glasshousebrands.com/agm/>. As noted above, the Company will provide to any Shareholder, free of charge, a paper copy of the Information Circular upon request to Odyssey Trust Company ("**Odyssey**"), the Company's transfer agent, at 1-888-290-1175 (toll-free), up to one year from the date the Information Circular is filed on SEDAR+. Shareholders who wish to receive a paper copy of the Information Circular in advance of the Meeting should make such request to the Company by no later than June 9, 2025, in order to allow reasonable time to receive and review the Information Circular prior to the proxy deadline of 11:00 a.m. (Pacific Time) on June 18, 2025. The Information Circular will be sent to Shareholders within three (3) business days of their request if such request is made prior to the date of the Meeting. Following the Meeting, the Information Circular will be sent to such Shareholders within 10 days of their request.

Shareholders will receive a paper copy of a notice package (the "**Notice Package**") under Notice-and-Access via prepaid mail containing: (i) a notification regarding the Company's use of Notice-and-Access and how the proxy-related materials may be obtained, (ii) a form of proxy (if you are a Shareholder who holds your Company Shares in your own name and have a share certificate or direct registration system (DRS) statement (a "**Registered Shareholder**")) or a voting instruction form (if you are a Beneficial Shareholder, as defined below), and (iii) a supplemental mailing list return card to elect to receive paper copies of the Company's financial statements and management's discussion and analysis for future financial statements and management's discussion and analysis if you so choose. Shareholders with questions about the Notice-and-Access procedures may contact the Company's transfer agent, Odyssey, at 1-888-290-1175 (toll-free).

Shareholders who hold their Company Shares through a broker, investment dealer, bank, trust company, custodian, nominee or other intermediary ("**Beneficial Shareholders**") who have not duly appointed themselves as proxyholder will be able to attend as a guest but will not be able to participate or vote at the Meeting.

If you are a Registered Shareholder and are unable to attend the Meeting, please exercise your right to vote by dating, signing and returning the form of proxy contained in the Notice Package to Odyssey, the transfer agent of the Company. To be valid, completed proxy forms must be dated, completed, signed and deposited with Odyssey by mail to: Odyssey Trust Company, Attention: Proxy Department, 67 Yonge Street, Suite 702, Toronto, Ontario M5E 1J8. You may also vote through the internet by going to <https://login.odyesseytrust.com/pxlogin> and enter the 12 digit control number found on the form of proxy. Your proxy or voting instructions must be received in each case no later than 11:00 a.m. (Pacific Time) on June 18, 2025 or two business days preceding the date of any adjournment or postponement (excluding Saturdays, Sundays and holidays). If you are unable to attend the Meeting, we encourage you to complete the form of proxy contained in the Notice Package as soon as possible. If a Shareholder received more than one form of proxy because such holder owns Company Shares registered in different names or addresses, each form of proxy should be completed and returned. The Chairman of the Meeting shall have the discretion to waive or extend the proxy deadline without notice.

A Shareholder who wishes to appoint a person other than the management nominees identified on the form of proxy or voting instruction form, to represent him, her or it at the Meeting may do so by inserting such person's name in the blank space provided in the form of proxy or voting instruction form and following the instructions for submitting such form of proxy or voting instruction form.

If you are a Beneficial Shareholder and receive these materials through your broker or through another intermediary, please complete and return the voting instruction form in the Notice Package in accordance with the instructions provided to you by your broker or by the other intermediary.

The board of directors of the Company has fixed April 28, 2025 as the record date for notice of and for voting at the Meeting. Shareholders of record at the close of business on April 28, 2025 are entitled to notice of the Meeting and to vote thereat or at any adjournment(s) or postponement(s) thereof on the basis of one vote for each Equity Share held (other than Limited Voting Shares, which are entitled to one vote for each Limited Voting Share held on all matters other than in respect of the election for directors of the board of directors) and 50 votes for each Multiple Voting Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Company Shares subsequent to April 28, 2025, and (ii) the transferee of those Company Shares produces properly endorsed share certificates, or otherwise establishes that he, she or it owns the Company Shares and demands, not later than 10 days before the Meeting, that his, her or its name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Company Shares at the Meeting. The transfer books will not be closed.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) *“Kyle Kazan”*

Kyle Kazan
Co-Founder, Chairman & CEO

May 15, 2025

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GLASS HOUSE BRANDS INC. INFORMATION CIRCULAR

FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 20, 2025

PURPOSE OF SOLICITATION

This information circular (“Information Circular”) is furnished in connection with the solicitation of proxies by the management of Glass House Brands Inc. (the “Company”) for use at the annual and special meeting (the “Meeting”) of the holders (“Shareholders”) of subordinate voting shares (the “Subordinate Voting Shares”), restricted voting shares (the “Restricted Voting Shares”), limited voting shares (the “Limited Voting Shares”, together with the Subordinate Voting Shares and Restricted Voting Shares, the “Equity Shares”) and multiple voting shares (the “Multiple Voting Shares”, together with the Equity Shares, the “Company Shares”) of the Company.

The Meeting will be held at 11:00 a.m. (Pacific Time) on June 20, 2025 at 645 Laguna Road, Camarillo, California, 93012 and at any adjournments or postponements thereof for the purposes set forth in the Notice of Annual and Special Meeting of Shareholders (the “**Notice of Meeting**”) accompanying this Information Circular. Information contained herein is given as of May 15, 2025 unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile, email or in person by directors, officers and employees of the Company who will not be additionally compensated therefor. The costs of soliciting proxies will be borne by the Company.

NOTICE-AND-ACCESS

The Company is using the Notice-and-Access system under National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) and National Instrument 51-102 *Continuous Disclosure Obligations* to distribute its proxy-related materials to Shareholders.

Under Notice-and-Access, rather than the Company mailing paper copies of the proxy-related materials and Annual Financial Statements and related management’s discussion and analysis to Shareholders, the materials can be accessed online under the Company’s profile on SEDAR+ at www.sedarplus.ca and on the Company’s website at <https://ir.glasshousebrands.com/agm/>. The Company has adopted this alternative means of delivery for its proxy-related materials in order to reduce paper use and printing and mailing costs.

Shareholders will receive a paper copy of a notice package (the “**Notice Package**”) under Notice-and-Access via prepaid mail containing: (i) a notification regarding the Company’s use of Notice-and-Access and how the proxy-related materials may be obtained, (ii) a form of proxy (if you are a Registered Shareholder, as defined below) or a voting instruction form (if you are a Beneficial Shareholder, as defined below), and (iii) a supplemental mailing list return card to elect to receive paper copies of the Company’s financial statements and management’s discussion and analysis for future financial statements.

Shareholders will not receive a paper copy of the Information Circular unless they contact Odyssey Trust Company (“**Odyssey**”), the Company’s transfer agent, toll free, at 1-888-290-1175. For Shareholders who wish to receive a paper copy of the Information Circular in advance of the voting deadline for the Meeting, requests must be received no later than June 9, 2025.

Shareholders with questions about Notice-and-Access may contact the Company’s transfer agent, Odyssey, at 1-888-290-1175.

APPOINTMENT AND REVOCATION OF PROXIES

The information in this section applies to Shareholders who hold Company Shares registered in their own name and have a share certificate or direct registration system (DRS) statement (a “**Registered Shareholder**”). As a Registered Shareholder, you are identified on the share register maintained by Odyssey, the Company’s register and transfer agent, as being a Shareholder.

Enclosed in the Notice Package is a form of proxy or voting instruction form for use at the Meeting. The persons named in the form of proxy or voting instruction form are directors and/or officers of the Company. Registered Shareholders have the right to appoint a person or company to represent them at the Meeting other than the persons named in the form of proxy. A Registered Shareholder submitting a proxy who wishes to appoint a person other than the management nominees identified on the form of proxy, to represent him, her or it at the Meeting may do so by inserting such person’s name in the blank space provided in the form of proxy and following the instructions for submitting such form of proxy.

A Registered Shareholder who has given a proxy may revoke it prior to its use, in any manner permitted by law, including by an instrument in writing executed by the Registered Shareholder or by his, her or its attorney authorized in writing or, if the Registered Shareholder is a corporation, executed by a duly authorized officer or attorney thereof and deposited at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used or with the chair of the Meeting on the day of the Meeting or any adjournment or postponement thereof.

ADVICE TO BENEFICIAL HOLDERS OF COMPANY SHARES

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Company Shares in their own name. Shareholders who do not hold their Company Shares in their own name (referred to in this Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by Registered Shareholders can be recognized and acted upon at the Meeting. If Company Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Company Shares will not be registered in the Shareholder’s name on the records of the Company. Such Company Shares will more likely be registered under the names of the Shareholder’s broker or an agent of that broker (an “**Intermediary**”). In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Company Shares held by Intermediaries or their agents or nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries and their agents and nominees are prohibited from voting Company Shares for the Intermediary’s clients. **Therefore, Beneficial Shareholders should contact their broker or other Intermediary as soon as practicable to ensure that instructions respecting the voting of their Company Shares are communicated to the appropriate person.**

Beneficial Shareholders fall into two categories - those who object to their identity being known to the issuers of the securities which they own (“**OBOs**”) and those who do not object to their identity being made known to the issuers of the securities which they own (“**NOBOs**”). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBOs from Intermediaries directly or via their transfer agent and may obtain and use the NOBO list for the distribution of proxy-related materials to such NOBOs.

The Company is not sending the proxy-related materials directly to NOBOs in connection with the Meeting, but rather has distributed copies of the Notice Package using Notice-and-Access to the Intermediaries for distribution to NOBOs.

The Company’s OBOs can expect to be contacted by their Intermediary. The Company does not intend to pay for Intermediaries to deliver the proxy-related materials and Form 54-101F7 — *Request for Voting Instructions Made by Intermediary* to OBOs and it is the responsibility of such Intermediaries to ensure delivery of the Meeting materials to their OBOs. The OBO will not receive the proxy-related materials unless the OBO’s Intermediary assumes the cost of delivery.

Applicable regulatory policy requires Intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every Intermediary or broker has its own procedures for distributing proxy-related materials and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Company Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to Registered Shareholders; however, its purpose is limited to instructing the Registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. (“**Broadridge**”). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or visit www.proxyvote.com to vote the Company Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Company Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Company Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Company Shares voted.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Company Shares registered in the name of his, her or its broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for a Registered Shareholder and vote the Company Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Company Shares as proxyholder for a Registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

VOTING OF PROXIES

If you are a Registered Shareholder and are unable to attend the Meeting, please exercise your right to vote by dating, signing and returning the form of proxy contained in the Notice Package to Odyssey, the transfer agent of the Company. To be valid, completed proxy forms must be dated, signed and deposited with Odyssey by mail to: Odyssey Trust Company, Attention: Proxy Department, 67 Yonge Street, Suite 702, Toronto, Ontario M5E 1J8. You may also vote through the internet by going to <https://login.odyesseytrust.com/pxlogin> and enter the 12 digit control number found on the form of proxy. Your proxy or voting instructions must be received in each case no later than 11:00 a.m. (Pacific Time) on June 18, 2025 or two business days preceding the date of any adjournment or postponement (excluding Saturdays, Sundays and holidays). If you are unable to attend the Meeting, we encourage you to complete the form of proxy contained in the Notice Package as soon as possible. If a Shareholder received more than one form of proxy because such holder owns Company Shares registered in different names or addresses, each form of proxy should be completed and returned. The Chairman of the Meeting shall have the discretion to waive or extend the proxy deadline without notice.

All Company Shares represented at the Meeting by properly executed proxies will be voted on any matter that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the form of proxy in the Notice Package, the Company Shares represented by the proxy will be voted in accordance with such instructions, with the exception of Limited Voting Shares, which will not be voted in respect of the election for directors of the Board (as defined herein). **In the absence of any such instructions, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon.**

The form of proxy contained in the Notice Package confers discretionary authority upon the persons named therein. If any other business or amendments or variations to matters identified in the Notice of Meeting properly comes before the Meeting, then discretionary authority is conferred upon the person appointed in the proxy to vote in the manner they see fit, in accordance with their best judgment.

As of the date of this Information Circular, the management of the Company knew of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

Legal Proxy — U.S. Beneficial Shareholders

If you are a Beneficial Shareholder located in the United States and wish to attend, participate or vote at the Meeting or, if permitted, appoint a third party as your proxyholder, in addition to the steps described above, you must obtain a valid legal proxy from your Intermediary. Follow the instructions from your Intermediary included with the legal proxy form and the voting information form sent to you, or contact your Intermediary to request a legal proxy form or a legal proxy if you have not received one. After obtaining a valid legal proxy from your Intermediary, you must then submit such legal proxy to Odyssey.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON

Except as disclosed in this Information Circular, management of the Company is not aware of any material interest of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The board of directors of the Company (the “**Board**”) has fixed April 28, 2025 as the record date for notice of and for voting at the Meeting (the “**Record Date**”). Shareholders at the close of business on the Record Date are entitled to receive notice of the Meeting and to vote thereat or at any adjournments or postponements thereof on the basis of one vote for each Equity Share held (other than Limited Voting Shares in respect of the election for directors of the Board) and 50 votes for each Multiple Voting Share held, except to the extent that: (i) a Registered Shareholder has transferred the ownership of any Company Shares subsequent to the Record Date; and (ii) the transferee of those Company Shares produces properly endorsed share certificates, or otherwise establishes that he, she or it owns the Company Shares and demands, not later than 10 days before the Meeting, that his, her or its name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Company Shares at the Meeting. The transfer books will not be closed. A quorum for the transaction of business at the Meeting is present if two Shareholders who are present in person or represented by proxy and who represent at least 25% of the applicable class or series of shares (and, for greater certainty, where more than one class or series of shares are voting together as is the case at this Meeting, at least 25% of the total issued and outstanding shares of such classes or series) are present.

The authorized capital of the Company is comprised of an unlimited number of (i) Subordinate Voting Shares, (ii) Restricted Voting Shares, (iii) Limited Voting Shares, (iv) Multiple Voting Shares and (v) preferred shares, issuable in series with such terms as are determined by the Board from time to time (“**Preferred Shares**”). As of the Record Date, there were 70,596,691 Equity Shares, 4,754,979 Multiple Voting Shares and no Preferred Shares outstanding.

The Equity Shares are “restricted securities” or “restricted shares”, as applicable, within the meaning of such term under applicable Canadian securities laws as (i) there is another class of Company Shares (namely, the Multiple Voting Shares) that carries a disproportionate vote per share relative to each class of Equity Shares, and (ii) the share terms of the Limited Voting Shares contain provisions that nullify certain of the voting rights attributable to the Limited Voting Shares (i.e., the Limited Voting Shares do not have votes in respect of the election of directors of the Company). The Company previously applied for and was granted exemptive relief from, among other applicable securities legislation, the requirements under Part 10 of NI 51-102 *Continuous Disclosure Obligations*, and from the requirements under Part 2 of OSC Rule 56-501 *Restricted Shares*, relating to the use of restricted share terms. The relief was granted pursuant to an order dated June 29, 2021 (the “**Relief Order**”).

As of the Record Date, the Equity Shares represent approximately 22.9% of the voting rights attached to outstanding voting securities of the Company and the Multiple Voting Shares represent approximately 77.1% of the voting rights attached to outstanding voting securities of the Company.

Principal Holders of Voting Securities

The following table sets out the information regarding ownership of Company Shares owned by each person who, to the knowledge of the directors and executive officers of the Company, beneficially owns, controls, or directs, indirectly or directly, voting securities of the Company carrying 10% or more of the voting rights attached to any class of voting securities of the Company (with the Equity Shares being deemed to be one class pursuant to the terms of the Relief Order) as of the Record Date.

Name	Number and Type of Shares	Type of Ownership	Percentage of Issued and Outstanding Shares ⁽¹⁾⁽²⁾	Percentage of Votes Attaching to all Company Shares ⁽²⁾
Kyle Kazan	2,025,244 Multiple Voting Shares	Direct and Indirect	42.6% of the Multiple Voting Shares	
	2,393,740 Equity Shares		3.4% of the Equity Shares	33.6%
Graham Farrar	1,321,087 Multiple Voting Shares	Direct and Indirect	27.8% of the Multiple Voting Shares	
	1,672,583 Equity Shares		2.4% of the Equity Shares	22.0%
Jamie Rosenwald	819,406 Multiple Voting Shares	Direct and Indirect	17.2% of the Multiple Voting Shares	
	2,387,185 Equity Shares		3.4% of the Equity Shares	14.1%
Jocelyn Rosenwald	564,523 Multiple Voting Shares	Direct and Indirect	11.9% of the Multiple Voting Shares	
	530,027 Equity Shares		0.7% of the Equity Shares	9.3%

Notes:

- (1) Represents the beneficial ownership percentage of the applicable class of shares.
- (2) Total voting percentages differ from beneficial ownership percentages because the Multiple Voting Shares carry 50 votes per share compared to one vote per share for Equity Shares.

BUSINESS TO BE TRANSACTED AT THE MEETING

The following items of business will be transacted at the Meeting. *All resolutions that the Shareholders will be asked to vote upon at the Meeting in connection with seeking approval of such items of business, except for the approval of the Performance Awards and Share Reserve Increase (each as defined herein), must be passed by a simple majority of the votes cast by Shareholders at the Meeting, in person or by proxy. The approval of the Performance Awards and Share Reserve Increase must be passed by a simple majority of the votes cast by Shareholders at the Meeting, in person or by proxy, excluding Shareholders who are also Recipients (as defined herein).*

Receive the Financial Statements

The audited financial statements of the Company for the financial year ended December 31, 2024 and the report of the auditor thereon will be received at the Meeting. The financial statements are available on SEDAR+ at www.sedarplus.ca and are posted on the Company's website at <https://ir.glasshousebrands.com/agm/>.

Election of Directors

The term of office for each director is from the date of the Meeting at which he or she is elected until the next following annual meeting or until his or her successor is elected or appointed, unless they resign or are removed by the Shareholders prior thereto. At the Meeting, a board of eight directors will be proposed for election, and Shareholders will be asked to approve the election of each such director. Management has been informed that each of the proposed nominees listed below is willing to serve as a director if elected. **Absent contrary instructions, proxies given pursuant to this solicitation by the management of the Company will be voted "FOR" the election of each of the proposed nominees as directors of the Company to hold office until the next annual meeting of Shareholders.** As the Company is currently majority controlled by its founders who hold 100% of the Multiple Voting Shares (in addition to Equity Shares), it is exempt from having to adopt a majority voting policy under the rules of Cboe Canada Inc. ("Cboe Canada"). However, notwithstanding the foregoing, the Company follows a majority voting approach for the election of its directors

such that, in order to be effective, the election of each individual director must be approved by a majority of votes (at least 50% plus one) cast by Shareholders who vote in person or by proxy at the Meeting.

The articles of the Company (the “**Articles**”) contain an advance notice provision pertaining to the Shareholders (who meet the necessary qualifications outlined in the Articles) seeking to nominate candidates for election as directors at any annual meeting of the Shareholders, or for any special meeting of Shareholders if one of the purposes for which the special meeting was called was the election of directors (the “**Advance Notice Provisions**”). Pursuant to the Advance Notice Provisions, any additional director nominations for the Meeting must be received by the Company in compliance with the Advance Notice Provisions no later than the close of business on May 21, 2025, being 30 days prior to the date of the Meeting.

The following table sets forth certain information regarding the nominees, their respective positions with the Company, present principal occupations, the period(s) during which they have served as a director of the Company and the approximate number of Equity Shares, Multiple Voting Shares and/or exchangeable shares in the capital of the Company’s subsidiary MPB Acquisition Corp.⁽¹⁾ (the “**Exchangeable Shares**”), beneficially owned by them, directly or indirectly, or over which control or direction is exercised by them as of the Record Date.

Name and Residence	Position held with the Company	Director Since	Principal Occupation	Company Shares and Exchangeable Shares ⁽¹⁾ Beneficially Owned Directly or Indirectly or over which Control or Direction is Exercised ⁽⁶⁾
Kyle Kazan ⁽²⁾ California, United States	Chairman, CEO and Director	June 29, 2021	Chief Executive Officer, GH Group, Inc. (“ GH Group ”)	2,393,740 Equity Shares 2,025,244 Multiple Voting Shares 2,166,863 Exchangeable Shares
Graham Farrar ⁽²⁾ California, United States	President and Director	June 29, 2021	President, GH Group	1,672,583 Equity Shares 1,321,087 Multiple Voting Shares 306,563 Exchangeable Shares
Hector De La Torre ⁽⁴⁾ California, United States	Director	July 15, 2024 ⁽⁵⁾	Chief Business Development Officer and Head of National Wholesale and Purchasing at AYR Wellness	52,048 Equity Shares
Humble Lukanga ⁽³⁾ California, United States	Director	June 29, 2021	Chief Executive Officer and Founder, Life Line Financial Group	70,653 Equity Shares 179,779 Exchangeable Shares
Jocelyn Rosenwald ⁽³⁾ California, United States	Director	June 29, 2021	Director of Acquisitions and Asset Management, Beach Front Property Management	530,027 Equity Shares 564,523 Multiple Voting Shares
George Raveling ⁽⁴⁾ California, United States	Director	June 29, 2021	Self-Employed Consultant, Coaching for Success	52,088 Equity Shares
Yelena Katchko ⁽³⁾ ⁽⁴⁾ California, United States	Director	November 7, 2023	Partner, Katchko, Vitiello & Karikomi, PC	22,878 Equity Shares
John Nichols Jr. Florida, United States	Director	May 20, 2024	Insurance and Reinsurance Executive (Retired)	16,186 Equity Shares

Notes:

- (1) The voting securities of MPB Acquisition Corp. consist of Class A common shares and the Exchangeable Shares. As of the Record Date, the Company holds all of the Class A common shares of MPB Acquisition Corp., entitling the Company to approximately 76.27% of the votes attached to all voting securities of MPB Acquisition Corp., and the holders of Exchangeable Shares are entitled to the remaining 23.73% of the votes attached to the voting securities of MPB Acquisition Corp. The Exchangeable Shares entitle the holders thereof to rights that are comparable (without taking into account tax consequences) to those rights attaching to the Equity Shares, except that the aggregate voting power of the Exchangeable Shares will not exceed 49.9% of the total voting power of all classes of shares of MPB Acquisition Corp. The Exchangeable Shares are exchangeable at any time, on a one-for-one basis, for Equity Shares, at the option of the holder, subject to certain contractual lockup restrictions. Until a holder's Exchangeable Shares are exchanged for the applicable Equity Shares, holders of Exchangeable Shares do not have the right to vote at the Company's Shareholder meetings; they only have voting rights in MPB Acquisition Corp. Readers are referred to the Company's Annual Information Form dated March 25, 2025 for further information concerning the Exchangeable Shares, available on SEDAR+ at www.sedarplus.ca.

- (2) Messrs. Kazan and Farrar and their respective affiliates hold securities of the Company carrying 10% or more of the voting rights attached to all voting securities of the Company, please see *“Voting Securities and Principal Holders Thereof—Principal Holders of Voting Securities”*.
- (3) Member of the Audit Committee of the Board (the **“Audit Committee”**). Ms. Rosenwald is the Chair of the Audit Committee.
- (4) Member of the Compensation, Nomination and Corporate Governance Committee of the Board (the **“CN&CG Committee”**). Mr. De La Torre is the Chair of the CN&CG Committee.
- (5) Mr. De La Torre was first appointed as a director of the Board on June 29, 2021 and resigned on July 13, 2023. Mr. De La Torre was reappointed as a director of the Board on July 15, 2024.
- (6) The information as to the number of Company Shares beneficially owned or over which control or direction is exercised has been furnished by the respective nominee.

Biographies

The following are brief profiles of the proposed directors of the Company.

Kyle Kazan, Co-Founder, Chairman and Chief Executive Officer

Kyle Kazan is a seasoned investor and expert manager of private equity funds with over two decades of domestic and international experience and has a track record of growing de novo companies to industry leadership in the fields of fund/asset management, property management and insurance. In 1991, Mr. Kazan began investing in real estate, eventually launching a total of 23 private equity funds. He also served on the boards of multiple international investment and hedge funds before pivoting in 2016 to the regulated cannabis industry, where he closed four funds and consolidated them to form the Company. Since his early service as a special education teacher and law enforcement officer, Mr. Kazan has been a vocal advocate for police reform and ending the War on Drugs and its injustices, speaking on behalf of Law Enforcement Against Prohibition (LEAP) and appearing in many media outlets ranging from CNN to Fox. Mr. Kazan is a frequent guest professor at NYU Stern School of Business, USC Marshall Business School, and UCLA Anderson School of Management, and he is a graduate of the University of Southern California, where he played varsity basketball for Hall of Fame Coach George Raveling.

Graham Farrar, Director and President

Graham Farrar is a serial entrepreneur who began his career as part of the original team at Software.com, taking the company public in 1999. Shortly thereafter, he served on the board of Seacology and was part of the founding team at Sonos, where he was involved with product design, development, sales, and customer support. After Sonos, Mr. Farrar served as a board member for Heal the Ocean, was a founder and partner of e-book publishers iStoryTime Inc. and Zuuka and founded a Santa Barbara luxury rental company. He first ventured into the regulated cannabis industry by founding Elite Garden Wholesale, an agriculture technology company focused on developing products for the hydroponics industry. Mr. Farrar currently sits on the board of directors of The Santa Barbara Bowl Foundation.

Humble Lukanga, Director

Humble Lukanga is the Founder and Chief Executive Officer of Life Line Financial Group, a wealth management firm servicing some of the best-known performers and leaders in business, sports and entertainment. He is also the Trustee of the University of New Mexico and a board member of several companies and foundations. Mr. Lukanga was named to The Hollywood Reporter's Top Business Managers list for 3 years running and New Mexico Business Weekly's "Top 40 Under 40". He has a B.A. and M.B.A. from the University of New Mexico, is a certified CFP and has a Personal Finance Planning degree from UCLA.

Jocelyn Rosenwald, Director

Jocelyn Rosenwald began her career as a Teach For America Corps member in New York City. In 2011, she became a founding teacher at KIPP Star Elementary School and quickly became a teacher leader. She began her career in real estate investment in 2013 with Beach Front Properties LLC and managed a \$500 million portfolio of opportunistic real estate investments. In November of 2016, Ms. Rosenwald began supervising the operations of 4 funds in the regulated cannabis industry which would eventually be consolidated to form the Company. She holds a B.A. from the University of Pennsylvania, an M.A. in Education from Hunter College, and an M.B.A. from UCLA Anderson School of Business.

George Raveling, Director

George Raveling was the first African American basketball coach in the Pac-8 (now Pac-12), the head coach at Washington State University, the University of Iowa and USC, and the assistant coach of the medal-winning 1984 and 1988 U.S. Olympic teams. He was also a former Director of International Basketball at Nike and a former commentator for Fox Sports and CBS. Mr. Raveling was inducted into Naismith Memorial Basketball Hall of Fame, National Collegiate Hall of Fame, and was a recipient of John W. Bunn Lifetime Achievement Award. He is the author of two books and is a co-founder of The Daily Coach leadership program. Mr. Raveling has a B.S. in Economics from Villanova University, where he is also inducted into the Villanova Hall of Fame.

Yelena Katchko, Director

Yelena Katchko is an attorney and a founding partner of Katchko, Vitiello & Karikomi, PC, (KVK) a well-regarded law firm located in Los Angeles, California with an authentic and deep-rooted presence in the local cannabis industry. At the helm of KVK's cannabis practice group, Ms. Katchko handles intricate transactional, commercial, licensing, and regulatory compliance matters within the cannabis sphere. Ms. Katchko began representing medicinal cannabis clients in the City of Los Angeles in 2010 and has become one of the industry's most recognized names. Her experience includes involvement in shaping the Medicinal and Adult Use cannabis regulations in both the City of Los Angeles and the State of California through her expansive professional network, pro bono affiliations, local alliances and engagements in town halls. In particular, Ms. Katchko was integral to the city-wide resolution of City of Los Angeles v. 420 Grand et al. which provided a framework for Proposition D's limited immunity and, later, Measure M's priority licensure. She has developed significant experience in local government matters by being a key part of discussions with officials on the constantly changing cannabis regulatory landscape and by working closely with policymakers to advocate on behalf of her clients. In addition to her professional commitments, Ms. Katchko serves as the Vice Chair of Programming for the Los Angeles County Bar Association – Cannabis Section and as affiliate counsel for the United Cannabis Business Association (UCBA), a statewide trade association built by the leaders of the California cannabis industry.

John Nichols, Jr., Director

John Nichols, Jr. is an innovative leader with substantial expertise in growing and transforming companies that have strong regulatory oversight. An accomplished insurance and reinsurance executive, Mr. Nichols has more than four decades of experience in corporate strategy, operations and finance. Most recently, Mr. Nichols served as Chairman of the Board and Interim CEO – by request of the board – at Protective Insurance Company, where he oversaw the acquisition of the company by Progressive Insurance Company. Prior to that, he was the CEO of Axis Reinsurance Ltd. Before this, Mr. Nichols spent 15 years at RenaissanceRe Holdings Ltd, eventually serving as President of RenaissanceRe Ventures. After having joined as the Controller in 1995, Mr. Nichols spearheaded the company's growth via strategic acquisitions and accessing third party capital through joint ventures. He also previously held senior executive and financial reporting positions at Hartford Steam Boiler and Monarch Life Insurance Company, and at the leading international forensic accounting firm, Matson, Driscoll & Damico.

Hector De La Torre, Director

Hector De La Torre is the Executive Director of the Gateway Cities Council of Governments. He is also an appointed member of the California Air Resources Board (CARB), the state regulatory agency for air pollution and climate change policy; and a trustee at his alma mater Occidental College in Los Angeles. He served in the California State Assembly from 2004 to 2010, representing the largely Latino 50th District in southeast Los Angeles County. He chaired the Budget Subcommittee on Health and Human Services, the Rules Committee and helped create and chair the Accountability and Administrative Review Committee during his tenure. Mr. De La Torre also served as the Executive Director of the nonprofit Gasol Foundation focused on children's wellness, and for the national non-profit Transamerica Center for Health Studies. Prior to his service in the Assembly, Mr. De La Torre served as Mayor and as a member of the South Gate City Council, Judicial Administrator in the LA Superior Court, chief of staff to the Deputy Secretary of Labor in the Clinton Administration, and a teacher at Edison Junior High in south Los Angeles.

Mr. De La Torre received his bachelor's degree in Diplomacy and World Affairs from Occidental College and attended the Elliot School of International Affairs at The George Washington University.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Company, no director or proposed director of the Company has been, at the date hereof or within the last 10 years: (a) a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) was the subject of an event that resulted, after that person ceased to be a director or chief executive officer or chief financial officer, in the company being the subject of such an order; or (b) a director or executive of a 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 compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

To the knowledge of the Company, no director or proposed director of the Company has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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 the director or executive officer.

Penalties or Sanctions

To the knowledge of the Company, no director or proposed director of the Company has been subject to (a) 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 (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

Appointment of Auditor

Macias Gini & O'Connell LLP is the auditor of the Company, and was first appointed auditor on June 29, 2021. At the Meeting, Shareholders will be asked to re-appoint Macias Gini & O'Connell LLP as auditor of the Company to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the directors to fix the auditor's remuneration.

Absent contrary instructions, proxies given pursuant to this solicitation by the management of the Company will be voted "FOR" the appointment of Macias Gini & O'Connell LLP as the auditor of the Company to hold office until the next annual meeting of Shareholders or until a successor is appointed and the authorization of the directors to fix the remuneration of the auditor.

Approval of Performance Awards to the NEOs and a One-Time Fixed Increase to the Share Reserve Under the Equity Incentive Plan

On May 15, 2025 (the "**Grant Date**"), subject to Disinterested Shareholder (as defined herein) approval at the Meeting and applicable exchange approvals, the Board granted to each of Kyle Kazan, the Chairman and Chief Executive Officer, Graham Farrar, the President, Mark Vendetti, the Chief Financial Officer, Hilal Tabsh, the Chief Revenue Officer, and Benjamin Vega, the General Counsel and Corporate Secretary, respectively, of the Company, all of whom are NEOs (each, a "**Recipient**") certain performance-based restricted stock units ("**RSUs**") that vest only if the Company achieves certain share price milestones (the "**Performance Awards**"). The Performance Awards are designed to provide the Recipients with incentives linked to significant long-term Shareholder value creation. The Performance Awards are in addition to any future grants under the Company's ongoing equity incentive plan last approved by the Shareholders on June 21, 2024, as amended from time to time (the "**Equity Incentive Plan**").

The Board's primary objective in granting the Performance Awards is to enable the Company to continue to grow its business, improve its financial and operating performance, and pursue its mission to responsibly and sustainably lead the global cannabis industry, all of which would facilitate the creation of extraordinary Shareholder value.

The Disinterested Shareholders are being asked at the Meeting to approve the Performance Awards and a related one-time, fixed number increase to the rolling 10% share reserve under the Equity Incentive Plan to give effect to the number of shares issuable under the Performance Awards (the **"Share Reserve Increase"**). The Performance Awards will be immediately and automatically forfeited following the Meeting if the majority of the voting power held by the Disinterested Shareholders does not approve the Performance Awards. The key reasons the Board recommends that the Disinterested Shareholders approve the Performance Awards, include:

- Motivating the Recipients to enable the Company to continue to grow and pursue its mission to responsibly and sustainably lead the global cannabis industry by linking each Recipient's compensation to share price milestones that would generate extraordinary value for Shareholders, thereby incentivizing the continued and long-term alignment of each Recipient's interests with the Company's interests and those of the other Shareholders;
- Providing each Recipient with challenging performance goals to incentivize their continued involvement as active leaders in the Company over the long-term, which the Board believes is critical to the Company's long-term growth and share price performance;
- Providing the Recipients with continued inspiration for innovation over the long-term and as a catalyst for the achievement of the Company's long-term strategic and financial objectives, including continuing to grow the Company into one of the world's leading cannabis companies, with share price performance serving as the key indicator of such achievement.

To facilitate the grant of the Performance Awards, the Board is also asking the Disinterested Shareholders to approve at the Meeting the Share Reserve Increase.

THE BOARD UNANIMOUSLY RECOMMENDS THAT THE DISINTERESTED SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE PERFORMANCE AWARDS AND THE SHARE RESERVE INCREASE.

Background

The Company is mission-driven, focused on delivering the best value to its customers and Shareholders alike. The Company employs a vertically integrated model, encompassing greenhouse cultivation, manufacturing, brand-building, and retail operations, which allows the Company to maintain control over product quality and distribution, ensuring a consistent and sustainable supply chain. The Company has invested in expanding its greenhouse facilities, aiming to produce 250,000 pounds of high-quality sun-grown cannabis annually. The Company aims to solidify its position as a leading cannabis company in California, delivering exceptional products while fostering community well-being and environmental stewardship.

The California cannabis market is widely considered the most challenging cannabis market globally due to high taxation and steep competition from the illicit market. Despite this, through the Company's emphasis on cost control and operational efficiency, it is leading the industry in cost per pound of cannabis produced and is one of the few profitable businesses in a generally unprofitable market. The Company currently operates six large greenhouse facilities, operating at 40% capacity with a mission to reach full capacity in the next three years. The Board believes that with the proper vision, leadership, and execution, the Company can become one of the world's leading cannabis companies.

With these goals in mind, in late September 2024 the Board began preliminary discussions about how to continue to incentivize the Recipients to lead the Company through its next phase of development, capitalize on a period of anticipated industry growth and disruption, and deliver outsized returns to all Shareholders. For the reasons set out above, the Board felt that equity awards linked to clear and transparent performance goals were the appropriate compensation mechanism to pursue.

In early 2025, the Board determined that it was in the best interests of the Company to appoint a special committee of the Board comprised of independent members of the Board (the “**Special Committee**”). The mandate of the Special Committee was to develop and assess the efficacy of granting such awards, including its risks and alternatives, and to ensure that the grant of such awards to the Recipients would be in the best interests of the Company and if the Special Committee so determined, to consider and review the terms of the Performance Awards. The Special Committee is comprised of Hector De La Torre (Chair), Humble Lukanga, and Yelena Katchko.

The Special Committee retained an independent compensation consultant, Hugessen Consulting Inc. (“**Hugessen**”) to advise it together with Bennett Jones LLP and Venable LLP, the Company’s external Canadian and U.S. legal counsel, respectively. In developing the Performance Awards, the Special Committee solicited advice from Hugessen on market best practices when designing special equity-based awards. The Special Committee also obtained advice from Bennett Jones LLP on relevant legal matters, including the Performance Awards being exempt under Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions* from the related party transaction provisions therein. The Special Committee negotiated the terms of the Performance Awards with the Recipients. In conjunction with designing the Performance Awards, the Special Committee determined that it was in the best interests of the Company to adopt a clawback policy (the “**Clawback Policy**”), whereby any proceeds received by Recipients under the Performance Awards would be clawed back in the event of certain financial restatements.

The Board and Special Committee recommend that the Disinterested Shareholders approve the Performance Awards and the Share Reserve Increase for the following reasons:

1. Strengthening Incentives and Further Aligning of Shareholder, Company and Recipient Interests

The Board and Special Committee believe in rewarding the Recipients in a way that is consistent with other comparable growth companies by providing certain compensation to them if, and only if, all other Shareholders realize significant value.

Each Recipient’s receipt of any benefit from his Performance Award will be dependent on the Recipient leading the Company to achieve challenging milestones, requiring the share price to reach a minimum of \$30.00 (based on the volume weighted average price over the trading days in the 90-day period ending on the last day of any fiscal quarter during the performance period) (for reference, the closing price per share was \$6.51 on May 14, 2025) and then to continue to increase its share price performance in 5% increments thereafter, up to \$60.00 per share (based on the volume weighted average price over the trading days in the 90-day period ending on the last day of any fiscal quarter during the performance period) to achieve full vesting. Under the Performance Awards, if these ‘stretch’ share price targets are achieved, all Shareholders will benefit, with the value of the equity growing meaningfully with each share price target achievement. Moreover, in contrast to the Recipients’ rights under the Performance Awards, which require each share price target to be met in full in order for the Recipient to receive any vesting of the corresponding tranche of such Performance Award, the Shareholders will realize the real-time benefit of any increases in the Company’s share price that may fall short of the specific share price target for a specific tranche of such Performance Award. Finally, the Performance Awards create even more Shareholder alignment by incorporating deferred settlement requirements.

As such, the Board and Special Committee believe this award is a “pay-for-performance” compensation program that directly aligns each Recipient’s interests with the interests of the Shareholders, including the Disinterested Shareholders.

2. *Encouraging Recipient Retention*

The Board and Special Committee believe that having the Recipients remain meaningfully engaged and active with the Company is central to the achievement of the long-term vision and continued growth of the business and the share price. The Board and Special Committee fully recognize that the Company has many valuable employees who have been an important part of the Company's success. However, the Board and Special Committee believe that the Recipients' leadership has been instrumental in the successes to this point, including the Company's significant increase in revenue from approximately \$40 million in 2020 to \$200 million in 2024.

The Board and Special Committee believe that maintaining the continued focus and leadership of these Recipients can propel the Company to fulfill the most ambitious, visionary goals, capitalize on a period of anticipated cannabis industry growth and disruption, and deliver outsized returns to all Shareholders.

Additionally, to further tie the Recipients' compensation under the Performance Awards to their continued full engagement with the Company over the long-term, each Recipient generally must remain in primary leadership positions with the Company through the date the applicable time-based vesting requirements (as described below) are satisfied. This encourages the Recipients to continue to lead the management and growth of the Company. See *Summary of the Performance Awards — Vesting in General* for a description of the performance-based and time-based vesting requirements.

3. *Promoting the Achievement of the Company's Current and Future Strategic and Financial Objectives*

The Board, and Special Committee believe that the presence of a challenging and rewarding performance reward is instrumental in motivating the Recipients to lead the Company to meaningful share price growth, to a price of \$30.00 per share as the first step, and potentially to \$60.00 per share over time to achieve full vesting. (For reference, the closing price per share was \$6.51 on May 14, 2025.) By tying the vesting of the Performance Awards to specific and substantial increases in Company share price, the Board and Special Committee believe that the Recipients are fully incentivized to lead the Company through its crucial next phase, capitalize on a period of anticipated cannabis industry growth and disruption, and deliver outsized returns to all Shareholders.

The first share price target represents an approximately 460% increase from the share price as at May 14, 2025, which the Special Committee believes ensures that share price hurdles are challenging enough to sufficiently incentivize the continued exceptional performance of the Recipients. Notably, based on the Company's current share count (as-converted and non-diluted), vesting of the Performance Awards would require an approximately \$3 billion to \$6 billion increase in the Company's market capitalization.

In addition to the achievement of the Company share price targets, the Performance Awards are subject to additional, time-based vesting requirements. See *Summary of the Performance Awards — Vesting in General* for a description of the performance-based and time-based vesting requirements.

Vote Required

In accordance with best governance practices, the Performance Awards are subject to approval by the holders of a majority of the voting power of all issued and outstanding Company Shares entitled to vote on the Performance Awards, as of the record date and voting as a single class, excluding those Company Shares owned of record or beneficially, directly or indirectly, by Recipients and their respective affiliates (the “**Disinterested Shareholders**”). For purposes of this proposal, any abstentions will have the same effect as a vote against this proposal and broker non-votes will have no effect.

The Board is asking the Disinterested Shareholders to vote their shares “FOR” the Performance Awards and the Share Reserve Increase.

Summary of the Performance Awards

The following description is a summary of the material provisions of the Performance Awards. Each Performance Award is subject to the same terms and conditions, except for the definition of “continued eligible service” as noted below. This description does not purport to summarize all of the terms of, and is qualified in its entirety by, the full text of the applicable performance award agreement (each, a “**Performance Award Agreement**”).

Award Terms	Details
<i>Date of Grant</i>	May 15, 2025
<i>Performance Award Size/ Value</i>	Total size of Performance Awards: 3,000,000 performance based RSUs with 3,000,000 Company Shares, in the aggregate, underlying such RSUs, which represents approximately 3.8% of total issued and outstanding Company Shares as of May 14, 2025, the day prior to the Grant Date.
<i>Equity Type</i>	Performance-based RSUs. Each Performance Award was granted under the Equity Incentive Plan, conditional on a fixed number of shares that were additive to the current rolling 10% share reserve being approved by the Disinterested Shareholders.
<i>Vesting in General</i>	The Company Shares subject to the Performance Awards must meet both time-based and performance-based vesting requirements. The time-based vesting occurs on the third (3 rd) anniversary of the Grant Date and requires the Recipient to remain in the eligible service of the Company through that time, subject to the provisions described below relating to disability or death and change of control. The performance-based vesting can be achieved at any point within the five (5)-year performance period. Any Performance Awards that vest prior to the fourth (4 th) anniversary of the Grant Date (subject to meeting time and share price performance requirements) will settle out 50% on the fourth (4 th) anniversary of the Grant Date, and 50% on the fifth (5 th) anniversary of the Grant Date. Any additional Performance Awards that vest between the fourth (4 th) and fifth (5 th) anniversary of the Grant Date will settle 100% on the fifth (5 th) anniversary of the Grant Date. Each of the thirteen share tranches of each Performance Award will vest upon the later of (x) achievement of the share price target for such tranche (described below) on or before the expiration of the Performance Award on May 15, 2030 and (y) the satisfaction of the time-based vesting requirements applicable to the Performance Award, conditional upon the applicable Recipient’s continued eligible service for three years following the Grant Date (subject to certain limited exceptions described herein).

***Performance-Based
Vesting/Targets***

The Performance Awards shall become eligible to vest in thirteen share tranches based on the achievement of the following share price targets:

Tranche Number	Percentage of Performance Award Earned	Cumulative Number of Shares*	Share Price Targets
1	40%	1,200,000 Shares	\$ 30.00
2	45%	1,350,000 Shares	\$ 32.50
3	50%	1,500,000 Shares	\$ 35.00
4	55%	1,650,000 Shares	\$ 37.50
5	60%	1,800,000 Shares	\$ 40.00
6	65%	1,950,000 Shares	\$ 42.50
7	70%	2,100,000 Shares	\$ 45.00
8	75%	2,250,000 Shares	\$ 47.50
9	80%	2,400,000 Shares	\$ 50.00
10	85%	2,550,000 Shares	\$ 52.50
11	90%	2,700,000 Shares	\$ 55.00
12	95%	2,850,000 Shares	\$ 57.50
13	100%	3,000,000 Shares	\$ 60.00+**

*The number of tranche shares and share price targets are subject to adjustment pursuant to the terms of the Equity Incentive Plan and/or the terms of each Performance Award Agreement. For example, in the event of a share split or consolidation, the number of tranche shares and share price targets would be appropriately adjusted to reflect the impact of the split.

**This represents an approximately 920% increase from the closing price of the Company Shares the May 14, 2025.

If none of the thirteen share price targets are achieved, no shares subject to the Performance Awards will vest. To satisfy a share price target, the volume weighted average price over the trading days in the 90-day period ending on the last day of a fiscal quarter during the performance period (following the Grant Date) must equal or exceed the share price target and will thus require sustained share price appreciation to be met. The share price target must be achieved in full in order for the shares subject to the applicable tranche to become eligible to vest, with no linear interpolation of achievement of share price targets.

The period during which the share price targets may be achieved begins with the Grant Date and ends on the fifth anniversary of the Grant Date (or, if earlier, upon a change of control as described below). Therefore, no credit is given for performance of the share price prior to the Grant Date.

For a tranche of a Performance Award to become eligible to vest, the Recipient must remain in “continued eligible service” until May 15, 2028, subject to certain limited exceptions described herein.

Time-Based Vesting Requirements

The shares subject to the Performance Awards must meet the time-based vesting requirements on the third anniversary of the Grant Date, with a deferred payout occurring in the fourth (4th) and fifth (5th) years following the Grant Date subject to achievement of the share price targets, as described above under “Vesting in General”.

Performance Awards will vest upon a change of control that occurs at a price satisfying the performance-based vesting criteria, regardless of whether the time-based vesting requirements are satisfied.

Continued Eligible Service Requirement

“Continued eligible service” means that, during the first three (3) years following the Grant Date, Mr. Kazan must remain the full-time CEO, Mr. Farrar must remain the full-time President, Mr. Vendetti must remain the full-time CFO, Mr. Tabsh must remain the full-time CRO, and Mr. Vega must remain the full-time General Counsel of the Company or in another C-Suite position in the Company if a change in position is approved, and the new role’s status as a “C-Suite” position is confirmed, by the then-current CN&CG Committee or the independent members of the Board.

Termination of Continued Eligible Service

There is no vesting acceleration upon termination of continued eligible service. In other words, except with respect to a Recipient’s death or disability (as described below), cessation of a Recipient’s continued eligible service with the Company will preclude that Recipient’s ability to earn any then-unvested portion of the Performance Award following the date of his or her cessation of continued eligible service, except if such cessation of continued eligible service occurs upon a change of control pursuant to which such Performance Awards would otherwise vest.

Termination due to Death or Disability

If a Recipient’s continued eligible service ends prior to the third (3rd) anniversary of the Grant Date due to death or disability, his Performance Award will remain outstanding and eligible to vest based on the achievement of share price targets for up to 24 months following the termination date of that Recipient’s continued eligible service.

Change of Control of the Company

The provisions of the Equity Incentive Plan that provide for full acceleration of unvested awards in certain instances where the successor does not assume or substitute for awards in a merger or change of control will not apply to the Performance Awards.

Performance Awards will vest upon a change of control that occurs at a price satisfying the performance-based vesting criteria, regardless of whether the time-based vesting requirements are satisfied. To the extent vested based on such share price, the Performance Awards will be settled upon closing of the transaction. To the extent not vested based on such share price, the Performance Awards will be forfeited.

Clawback

The Performance Awards (including any proceeds, gains, or other economic benefit received by the Recipient from any subsequent sale of shares resulting from the exercise of the Performance Award) will be subject to clawback as may be required under the Company's Clawback Policy.

Non-transferability.

The Performance Awards may not be transferred in any manner other than by will or the laws of descent or distribution.

Other Terms.

Performance Awards Benefits

The following table sets forth the aggregate number of Company Shares subject to the Performance Awards, to all of the NEOs, as a group.

Name of Individual or Group and Position	Number of Shares Subject to Performance Awards	Percent of Performance Awards per Recipient
Kyle Kazan <i>Chairman and Chief Executive Officer</i>	750,000	25%
Graham Farrar <i>President</i>	600,000	20%
Mark Vendetti <i>Chief Financial Officer</i>	570,000	19%
Hilal Tabsh <i>Chief Revenue Officer</i>	540,000	18%
Benjamin Vega <i>General Counsel and Corporate Secretary</i>	540,000	18%

Consideration of Other Business

Following the conclusion of the former business to be conducted at the Meeting, we will consider such other business, if any, that may properly come before the Meeting or any adjournment(s) thereof. As at the date hereof, management of the Company is not aware of any amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting, other than those mentioned in said Notice of Meeting.

STATEMENT OF EXECUTIVE COMPENSATION

The purpose of this Statement of Executive Compensation is to provide information about the Company's philosophy, objectives and processes regarding executive compensation. This disclosure is intended to communicate the compensation provided to each of the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**"), and the three next most highly compensated executive officers of the Company, if any, whose individual total compensation was more than C\$150,000 for the year ended December 31, 2024 (collectively, the "**Named Executive Officers**" or "**NEOs**"), and to the directors of the Company. During the year ended December 31, 2024, the Named Executive Officers of the Company were Kyle Kazan, Chairman and CEO, Mark Vendetti, CFO, Graham Farrar, President, Hilal Tabsh, Chief Revenue Officer and Benjamin Vega, General Counsel and Corporate Secretary.

Unless otherwise indicated, all references to "dollars", "\$" or "US\$" in this section, and elsewhere in this Information Circular, refer to United States dollars which is the Company's reporting currency.

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Company operates in a dynamic and rapidly evolving market. To succeed in this environment and to achieve business and financial objectives, the Company needs to attract, retain and motivate a highly talented team of executive officers. The Company expects the team of executive officers to possess and demonstrate strong leadership and management capabilities, as well as foster the Company's culture, which is at the foundation of its success and remains a pivotal part of its everyday operations.

The Company's executive officer compensation program is designed to achieve the following objectives:

- provide market competitive compensation opportunities in order to attract and retain talented, high performing and experienced executive officers, whose knowledge, skills and performance are critical to the Company's success;
- motivate the Company's executive officers to achieve the Company's business and financial objectives;
- align the interests of the Company's executive officers with those of the Company's Shareholders by tying a meaningful portion of compensation directly to the long-term value and growth of the Company's business;
- balance achieving short-term results and creating long-term sustainable value to Shareholders by providing incentives that encourage the Company's executive officers to take appropriate levels of risk and that enforce a strong pay for performance relationship; and
- incentivize Earnings Before Interest Taxes Depreciation and Amortization ("**EBITDA**")⁽¹⁾ targets set by the Company for individuals with responsibility or other related functions, for example:
 - For all Company executives if EBITDA for the Company, on a consolidated basis, exceeds \$55,000,000 for any three-month period then all executives will have 25% of either: (i) all of their equity incentive plan grants or (ii) the restricted stock units granted by the Company, excluding the replacement restricted stock units issued in exchange for the cancellation of restricted stock units of GH Group (the "**Performance RSUs**") previously held on completion of the merger between Mercer Park and GH Group, Inc. (the "**Business Combination**"), accelerated.
 - Certain executives will have one or more of the following performance-based targets:
 - If EBITDA for the Company, on a consolidated basis, exceeds \$25,000,000 for any three-month period certain executives will have 16.67% of either (i) all of their equity incentive plan grants or (ii) their Performance RSUs, accelerated.
 - If EBITDA for the Company's consumer packaged goods business, on a consolidated basis, exceeds \$23,000,000 for any three-month period certain executives will have 16.67% of either (i) all of their equity incentive plan grants or (ii) their Performance RSUs, accelerated.
 - If EBITDA from the Company's Camarillo facility, on a consolidated basis, exceeds \$31,000,000 for any three-month period certain executives will have 16.67% of either (i) all of their equity incentive plan grants

or (ii) their Performance RSUs, accelerated.

- If the Company completes seven or more mergers and acquisitions or the total acquisition consideration exceeds \$100,000,000 (excluding the Company's transaction with Element 7 and the acquisition of the real estate for the Camarillo facility) certain executives will have 16.67% of either (i) all of their equity incentive plan grants or (ii) their Performance RSUs, accelerated.

In establishing future compensation, the CN&CG Committee considers, among other things, the Company's previous grants of security-based awards, Company performance over the relevant period and the contribution of award recipients thereto, and the compensation practices of peer group companies. Due to the evolving nature of the Company's industry and the continuing growth of the Company, the CN&CG Committee frequently reviews and updates the peer group for benchmarking purposes.

Note:

- (1) EBITDA is not a standardized financial measure under generally accepted accounting principles in the United States ("GAAP"), and is calculated based on Net Loss (being the most directly comparable GAAP financial measure) adjusted for interest and financing costs, income taxes, depreciation, and amortization. As a non-GAAP financial measure, EBITDA might not be comparable to similar financial measures disclosed by other companies. The Company uses this metric to measure its core financial and operating performance for business planning purposes. In addition, the Company believes investors use both GAAP and non-GAAP financial measures to assess management's past and future decisions associated with its priorities and allocation of capital, as well as to analyze how the business operates in, or responds to, swings in economic cycles or to other events that impact the cannabis industry. This non-GAAP financial measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. For further information on non-GAAP financial measures, please refer to the Company's managements' discussion and analysis of financial conditional and results of operations for the year ended December 31, 2024 under the heading "*Non-GAAP Financial Measures*", available under the Company's profile at www.sedarplus.ca and on the Company's website.

Elements of Executive Compensation

The compensation of NEOs of the Company currently includes two main elements: (a) base salary; and (b) long-term equity incentives, which consisted of stock options and restricted stock unit awards during 2024, granted under the Equity Incentive Plan (as defined herein), and any other equity plan that may be approved by the Board from time to time.

Base Salaries

Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to the Company's success, the NEO's experience and expertise, the position and responsibilities of the NEO, and competitive industry pay practices for other high growth, premium brand companies of similar size and revenue growth potential.

Long-Term Incentives

Long-term incentive ("**LTI**") compensation awards under the Equity Incentive Plan provide continual motivation for the Company's officers, employees and consultants to achieve business and financial objectives and align their interests with the long-term interests of the Company's Shareholders. The purpose of the LTI program is to promote alignment of interests between employees and Shareholders, and to support the achievement of the Company's longer-term performance objectives, while also promoting long-term retention.

The Company believes that the best method to attract and retain executive talent and to align interests between the Company's Shareholders and the executives is to prioritize share-linked compensation. Such prioritization benefits the Company as it reduces the cash cost of attracting and retaining executives, a valuable benefit given that the sector the Company operates in continues to experience higher costs of capital than comparable businesses operating outside of the cannabis sector. As a result, the Company approved the granting of new long-term equity-backed incentives. All new grants by the Company to executives have a standard three-year vesting schedule with performance based accelerations (excluding those issued as replacement for the cancellation of GH Group equity-based compensation under the Business Combination). For the reasons identified above, the Company has not as of the date of this document, and does not expect in the near term, to pay any bonuses to executives.

Risks Analysis

The CN&CG Committee considered risks associated with executive compensation and does not believe that the Company's executive compensation policies and practices encourage its executive officers to take inappropriate or excessive risks. The following compensation program attributes help mitigate risk: (i) NEOs are compensated through the granting of Options and RSUs (each as defined below), which is compensation that is both "at risk" and associated with long-term value creation; (ii) the value of such compensation is dependent upon Shareholder return over the Option and RSU vesting periods; (iii) the compensation program utilizes multiple performance measures; (iv) the CN&CG Committee applies judgement when determining individual payouts; and (v) individual payout caps are applicable, all of which lead to the CN&CG Committee believing that the Company's compensation programs and policies are not likely to lead to excessive risk taking that could have a material adverse effect on the Company.

Compensation Governance

The Company's CN&CG Committee is responsible for overseeing the Company's compensation policies, processes and practices. The CN&CG Committee is also responsible for evaluating performance in determining the compensation of the NEOs, and seeks input from the Board to ensure feedback is thorough and robust. The CN&CG Committee also ensures that compensation policies and practices provide an appropriate balance of risk and reward consistent with the Company's risk profile. The Board has established a written charter for the CN&CG Committee setting out its responsibilities for administering the Company's compensation programs and reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to the Company's directors and executive officers.

The members of the CN&CG Committee are Hector De La Torre, Yelena Katchko and George Raveling, all of whom the Board believes have appropriate experience. The CN&CG Committee is chaired by Mr. De La Torre, a veteran public servant who was the Judicial Administrator of the LA Superior Court and chief of staff to the Deputy Secretary of Labor during the Clinton Administration. Ms. Katchko is an attorney and founding partner of KVK where she handles intricate transactional, commercial, licensing and regulatory compliance matters within the cannabis sphere. Mr. Raveling is an accomplished leader and coach who has authored of two books, founded The Daily Coach, and was assistant coach to the medal winning 1984 and 1988 U.S. Olympic basketball teams. All of the members of the CN&CG Committee are independent directors in that they do not have a direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of the director's independent judgment. The CN&CG Committee also evaluates its own performance on an annual basis. A copy of the CN&CG Committee Charter can be found on the Company's website at www.ir.glasshousebrands.com.

The CN&CG Committee is tasked with establishing an executive compensation program, which includes any share-based awards, option-based awards or the establishment of any non-equity incentive plans. The terms of any proposed compensation for the directors of the Company who are not also officers of the Company (including any share-based awards or options to be granted) are determined by the CN&CG Committee.

Insider Trading Policy

All of the Company's directors, managers, officers and employees, and certain consultants and other individuals, are subject to the Company's insider trading policy (the "**Insider Trading Policy**"), which prohibits trading in the Company's securities while in possession of material undisclosed information about the Company. Under this policy, such individuals are also prohibited from disclosing inside information pursuant to the Insider Trading Policy. Such individuals, including the NEOs are only permitted to trade in the Company's securities during prescribed trading windows. Furthermore, certain individuals, including the NEOs and directors, must pre-clear any proposed trade in securities of the Company with an Insider Trading Policy Administrator to ensure there is no inside information that has not generally been disclosed. A copy of the Insider Trading Policy can be found on the Company's website at www.ir.glasshousebrands.com.

Restrictions on Hedging

Under the Company's Insider Trading Policy, directors, executives and certain other employees are prohibited from entering into hedging transactions involving the Company's securities, such as short sales, puts and calls.

Performance Graph

The following graph shows the Company's cumulative total Shareholder return over the previous five financial years, compared to the Russell Small Cap Completeness Index, Amplify Alternative Harvest ETF and the AdvisorShares Pure US Cannabis ETF (which began trading in September 2020).

The Company's executive compensation is largely share-based with a standard vesting schedule that lasts for three years. As a result of using share-based compensation, the performance in share price directly affects the largest portion of the Company's executive compensation as such compensation, for executives present at the time of the Business Combination, included stock options with fixed exercise prices. The result is that the 42% decrease in share price during the above period had the effect of decreasing the value of the total compensation for those executives present at the time of the Business Combination by approximately 40%. The total compensation for the executives who joined the Company after the Business Combination increased by approximately 12% to 27% from the date they joined the Company until the end of the period shown above, which in each case is closely correlated to the change in the Company's share price during the relevant period. In general, there is a strong correlation between the trends shown in the performance graph above and the compensation for executives during the same period or, if applicable, the period since such executive joined the Company. Share price performance, however, is not the only predictor or outcome of the success of our leadership team, especially in the short term. It is one of many considerations that influence our executive compensation decisions, including operational and strategic performance and individual performance.

Summary Compensation Table

The following table sets forth the compensation earned by, paid to or awarded to the Company's NEO's for the period from January 1, 2022 to December 31, 2024.

Name and principal position of NEO	Year	Salary	Share-based awards*	Option-based awards (7)	Non-Equity Incentive Plan compensation		Pension Value ⁽¹⁾	All other compensation	Total compensation
					Annual incentive plans	Long-term incentive plans			
Kyle Kazan Chairman, CEO and Director	2024	\$500,000	\$ 3,828,000						\$ 4,328,000
	2023	\$360,000	\$ 966,000	—	\$ 180,000	—	—	—	\$ 1,506,000
	2022	\$360,000	—	—	—	—	—	—	\$ 360,000
Graham Farrar President and Director	2024	\$425,000	\$ 4,245,000						\$ 4,670,000
	2023	\$337,000	—	—	\$ 168,500	—	—	—	\$ 505,500
	2022	\$337,000	—	—	—	—	—	—	\$ 337,000
Mark Vendetti CFO	2024	\$400,000	\$ 1,552,000						\$ 1,952,000
	2023	\$330,000	\$ 483,000	—	\$ 165,000	—	—	—	\$ 978,000
	2022	\$330,000	\$ 1,149,000 ⁽⁴⁾	—	—	—	—	—	\$ 1,479,000
Hilal Tabsh⁽²⁾ Chief Revenue Officer	2024	\$375,000	\$ 2,208,000					\$ 12,000 ⁽⁹⁾	\$ 2,595,000
	2023	\$300,000	—	—	\$ 150,000	—	—	\$ 12,000 ⁽⁹⁾	\$ 462,000
	2022	\$178,846	\$ 1,170,000 ⁽⁵⁾	—	—	—	—	\$ 51,699 ⁽⁸⁾	\$ 1,347,545
Benjamin Vege⁽³⁾ General Counsel and Corporate Secretary	2024	\$375,000	\$ 1,455,000						\$ 1,830,000
	2023	\$300,000	—	—	\$ 150,000	—	—	—	\$ 450,000
	2022	\$ 46,154	\$ 1,044,000 ⁽⁶⁾	—	—	—	—	—	\$ 1,090,154

Notes:

- (1) The Company did not have a defined benefits plan or defined contributions plan during 2024.
- (2) Mr. Tabsh was appointed Chief Revenue Officer on May 16, 2022.
- (3) Mr. Vega was appointed General Counsel and Corporate Secretary on October 24, 2022.
- (4) In connection with Mr. Vendetti's appointment as Chief Financial Officer in 2021, the Company agreed to grant him, as an initial LTI grant, 300,000 RSUs (valued at \$1,149,000), to further align his interests with those of Shareholders and as a retention tool.
- (5) In connection with Mr. Tabsh's appointment as Chief Revenue Officer in 2022, the Company agreed to grant him, as an initial LTI grant, 300,000 RSUs (valued at \$1,170,000), to further align his interests with those of Shareholders and as a retention tool.
- (6) In connection with Mr. Vega's appointment as General Counsel and Corporate Secretary in 2022, the Company agreed to grant him, as an initial LTI grant, 300,000 RSUs (valued at \$1,044,000), to further align his interests with those of Shareholders and as a retention tool.
- (7) Excludes unvested stock options issued as replacements for the cancellation of GH Group equity-based awards under the Business Combination.
- (8) Includes a one-time cash sign-on bonus of \$25,000, reimbursements for relocation expenses and car allowance.
- (9) Includes a car allowance.

* See footnote (1) under "Incentive Plan Awards — Outstanding Share-Based Awards and Option-Based Awards".

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information concerning the option-based and share-based awards granted to the Company's NEOs that were outstanding as at December 31, 2024.

Name and Principal Position	Option-based Awards				Share-based Awards		
	Number of Securities Underlying Unexercised Options ^{(#)(2)}	Option Exercise Price	Option Expiration Date	Value of Unexercised in-the-Money Options ⁽¹⁾	Number of Company Shares or Units of Company Shares That Have Not Vested	Market or Payout Value of Share-Based Awards That Have Not Vested ⁽¹⁾	Market or Payout Value of Share-Based Awards Not Paid Out or Distributed ⁽¹⁾
Kyle Kazan Chairman, CEO and Director	17,579 15,254	\$ 3.39 \$ 3.39	1/25/2026 4/17/2025	\$ 42,190 \$ 36,610	492,117 –	\$2,849,357 –	– –
Graham Farrar President and Director	17,579 11,514	\$ 3.08 \$ 3.08	1/25/2026 4/17/2025	\$ 47,639 \$ 31,203	350,000 –	\$2,026,500 –	– –
Mark Vendetti CFO	–	–	–	–	270,833	\$1,568,123	–
Hilal Tabsh Chief Revenue Officer	–	–	–	–	387,499	\$2,243,619	–
Benjamin Vega General Counsel and Corporate Secretary	–	–	–	–	270,834	\$1,568,129	–

Notes:

- (1) Value of unexercised in-the-money Options and market value of unvested share-based awards and vested but undistributed share-based awards calculated based on the closing share price on Cboe Canada on December 31, 2024 (being the last trading day of 2024) of \$5.79.
- (2) All stock options in this table issued as replacements for GH Group equity compensation at the time of the Business Combination and includes vested stock options, the net-value of which, calculated at a price per share of \$10, was credited against the Business Combination purchase price for GH Group.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table indicates, for each of the Company's NEOs, a summary of the value of the option-based and share-base awards vested in accordance with their terms for the Company's financial year ending December 31, 2024.

Name and Principal Position	Option-Based Awards – Value Vested During the Year	Share-Based Awards – Value Vested During the year ⁽¹⁾	Non-Equity Incentive Plan Compensation – Value Earned During the year
Kyle Kazan Chairman, CEO and Director	\$ 3,514	\$ 9,250,912	–
Graham Farrar President and Director	\$ 3,967	\$ 6,732,939	–
Mark Vendetti CFO	–	\$ 1,286,033	–

Hilal Tabsh

Chief Revenue Officer

– \$ 755,500 –

Benjamin Vega

General Counsel and Corporate Secretary

– \$ 755,333 –

Notes:

- (1) Value of vested share-based awards calculated based on the closing share price on the dates of vesting; if share-based awards vested in 2024 but not on a trading day, value of vested share-based awards calculated based on closing share price on the last trading day prior to the date of vesting.

Pension Plan Benefits

The Company has not implemented any deferred compensation plan, pension plan or other form of funded or unfunded retirement compensation for its employees that provides for payments or benefits at, following or in connection with retirement.

Termination and Change of Control Benefits

Other than as described herein, the Company does not have any contract, agreement, plan or arrangement that provides for payments to a NEO at, following, or in connection with a termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Company or a change in a NEO's responsibilities.

Kyle Kazan

On June 29, 2021, the Company entered into an employment agreement with Mr. Kazan (the "**Kazan Agreement**"). In the event of termination without cause of Mr. Kazan's employment or if Mr. Kazan resigns for good reason, (i) Mr. Kazan shall receive an amount equal to eighteen months of the sum of his base salary of \$500,000 per year, in either a lump sum or installments on the Company's regular payroll schedule following the termination date; (ii) the Company shall pay its share of Mr. Kazan's health insurance premiums to continue his health insurance coverage for eighteen months beyond the termination date; and (iii) 492,117 of Mr. Kazan's RSUs shall be subject to accelerated vesting.

In the event of termination without cause of Mr. Kazan's employment or if Mr. Kazan resigns for good reason or if a successor does not renew Mr. Kazan's employment contract within 365 days of a change of control, (i) Mr. Kazan shall receive an amount equal to twenty four months of the sum of his then base salary in either a lump sum or installments on the Company's regular payroll schedule following the termination date; (ii) the Company shall pay its share of Mr. Kazan's health insurance premiums to continue his health insurance coverage for eighteen months beyond the termination date; and (iii) all of Mr. Kazan's equity awards shall be subject to accelerated vesting.

The change of control payments and benefits that would be made to Mr. Kazan are conditioned on and subject to Mr. Kazan signing and not rescinding the Kazan Agreement, a non-disclosure agreement and an effective, general release of all claims in favour of the Company within no greater than sixty days following the termination date. Upon a qualifying termination in connection with a change of control, Mr. Kazan's outstanding equity awards will vest in full.

The total estimated incremental payments, payables and benefits to Mr. Kazan in the event his employment is terminated in connection with a change of control, as if such event occurred on the last business day of the Company's most recently completed financial year, is \$3,895,568, with Mr. Kazan's health insurance coverage continuing for eighteen months from the termination date.

The total estimated incremental payments and payables to Mr. Kazan in the event of termination of his employment without cause (other than due to a change of control), as if such event occurred on the last business day of the Company's most recently completed financial year, is \$3,645,568, with Mr. Kazan's health insurance coverage continuing for eighteen months from the termination date.

Mark Vendetti

On August 18, 2021, the Company entered into an employment agreement with Mr. Vendetti. In the event of termination without cause of Mr. Vendetti's employment, Mr. Vendetti shall receive (i) an amount equal to six months of the sum of Mr. Vendetti's base salary of \$400,000 per year; and (ii) accelerated vesting of 270,833 of Mr. Vendetti's RSUs less any amount previously vested as part of his original grant.

The total estimated incremental payments and payables to Mr. Vendetti in the event of termination of his employment without cause, regardless of whether incident to or after a change of control, as if such event occurred on the last business day of the Company's most recently completed financial year, is \$1,768,123.

Graham Farrar

On June 29, 2021, the Company entered into an employment agreement with Mr. Farrar (the “**Farrar Agreement**”). In the event of termination without cause of Mr. Farrar’s employment or if Mr. Farrar resigns for good reason, (i) Mr. Farrar shall receive an amount equal to eighteen months of the sum of his base salary of \$425,000 per year, in either a lump sum or installments on the Company’s regular payroll schedule following the termination date; (ii) the Company shall pay its share of Mr. Farrar’s health insurance premiums to continue his health insurance coverage for eighteen months beyond the termination date; and (iii) 350,000 of Mr. Farrar’s RSUs shall be subject to accelerated vesting.

In the event of termination without cause of Mr. Farrar’s employment or if Mr. Farrar resigns for good reason or if a successor does not renew Mr. Farrar’s contract within 365 days of a change of control, (i) Mr. Farrar shall receive an amount equal to twenty four months of the sum of Mr. Farrar’s base salary in either a lump sum or installments on the Company’s regular payroll schedule following the termination date; (ii) the Company shall pay its share of Mr. Farrar’s health insurance premiums to continue Mr. Farrar’s health insurance coverage for eighteen months beyond the termination date; and (iii) all of Mr. Farrar’s equity awards shall be subject to accelerated vesting.

The change of control payments and benefits that would be made to Mr. Farrar are conditioned on and subject to Mr. Farrar signing and not rescinding the Farrar Agreement, a non-disclosure agreement and an effective, general release of all claims in favour of the Company within no greater than sixty days following the termination date. Upon a qualifying termination in connection with a change of control, Mr. Farrar’s outstanding equity awards will vest in full.

The total estimated incremental payments, payables and benefits to Mr. Farrar in the event his employment is terminated in connection with a change of control, as if such event occurred on the last business day of the Company’s most recently completed financial year, is \$2,922,711, with Mr. Farrar’s health insurance coverage continuing for eighteen months from the termination date.

The total estimated incremental payments and payables to Mr. Farrar in the event of termination of his employment without cause (other than due to a change of control), as if such event occurred on the last business day of the Company’s most recently completed financial year, is \$2,710,211, with Mr. Farrar’s health insurance coverage continuing for eighteen months from the termination date.

Director Compensation

Non-Employee Director Compensation Programs

The Company’s compensation program for non-employee directors is designed to attract and retain highly qualified non-employee directors as well as align with the long-term interests of non-employee directors with those of the Shareholders. The Company compensates its non-employee directors by setting a base cash value for such service and issuing RSUs equal to each quarter’s cash value of services valued at the close of each quarter. Thus, no cash fees are paid. Directors who act as committee chairs of the Audit Committee or the CN&CG Committee receive additional compensation.

Directors who are employees of the Company receive no additional compensation for their service on the Board. Therefore, neither Kyle Kazan, the Company’s Chairman and CEO, nor Graham Farrar, the Company’s President, received any additional compensation for their service on the Board in 2024.

The compensation program for the Company's non-employee directors in 2024 was as follows:

Compensation Component	Annual Amount ⁽¹⁾
Annual base retainer for all non-employee directors	\$ 100,000
Additional annual fee for Chair of Audit Committee	\$ 25,000
Additional annual fee for Chair of CN&CG Committee	\$ 25,000

Note:

- (1) The Company compensates its non-employee directors by setting a base cash value for such service and issuing RSUs equal to each quarter's cash value of services valued at the close of each quarter. No cash fees are paid.

Fees Paid to Non-Employee Directors in Fiscal Year 2024

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Company, other than the directors who were also NEOs, for the 2024 fiscal year. For details of the compensation for Kyle Kazan and Graham Farrar, the NEOs who are also directors of the Company, see disclosure under "Statement of Executive Compensation — Summary Compensation Table" which sets out their compensation as NEOs. Mr. Kazan and Mr. Farrar do not receive any additional compensation for their position as directors of the Company.

Name	Fee Earned ⁽¹⁾	Share-Based Awards	Option-Based Awards	Non-Equity Incentive Plan Compensation	Pension Value	All Other Compensation	Total Compensation ⁽²⁾
Jamie Mendola ⁽³⁾	—	\$ 62,500	—	—	—	—	\$ 62,500
Humble Lukanga	—	\$ 100,000	—	—	—	—	\$ 100,000
Jocelyn Rosenwald	—	\$ 125,000	—	—	—	—	\$ 125,000
George Raveling	—	\$ 100,000	—	—	—	—	\$ 100,000
Yelena Katchko	—	\$ 100,000	—	—	—	—	\$ 100,000
John Perez ⁽⁴⁾	—	\$ 10,714	—	—	—	—	\$ 10,714
Hector De La Torre ⁽⁵⁾	—	\$ 56,182	—	—	—	—	\$ 56,182
John Nichols Jr. ⁽⁶⁾	—	\$ 61,538	—	—	—	—	\$ 61,538

Notes:

- (1) The Company compensates its non-employee directors by setting a base cash value for such service and issuing RSUs equal to each quarter's cash value of services valued at the close of each quarter. Thus, no cash fees are paid.
- (2) Includes share-based awards for service for the 2023 fiscal year.
- (3) Mr. Mendola resigned as a director of the Board on June 6, 2024.
- (4) Mr. Perez resigned as a director of the Board on February 8, 2024.
- (5) Mr. De La Torre was appointed as a director of the Board on July 15, 2024.
- (6) Mr. Nichols was appointed as a director of the Board on May 20, 2024.

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information concerning the option-based and share-based awards granted to the Company's directors that were outstanding as of December 31, 2024.

Name	Option-based Awards				Share-based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date	Value of Unexercised in-the- Money Options	Number of Company Shares or Units of Company Shares That Have Not Vested (#)	Market or Payout Value of Share-Based Awards That Have Not Vested ⁽¹⁾	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed
Jamie Mendola ⁽²⁾	—	—	—	—	—	—	—
Humble Lukanga	—	—	—	—	—	—	—
Jocelyn Rosenwald	—	—	—	—	—	—	—
George Raveling	—	—	—	—	—	—	—
Yelena Katchko	—	—	—	—	—	—	—
John Perez ⁽³⁾	—	—	—	—	—	—	—
Hector De La Torre ⁽⁴⁾	—	—	—	—	—	—	—
John Nichols Jr. ⁽⁵⁾	—	—	—	—	—	—	—

Notes:

- (1) Market value of unvested share-based awards and vested but undistributed share-based awards calculated based on the closing share price of the Equity Shares on Cboe Canada on December 31, 2024 of \$5.79
- (2) Mr. Mendola resigned as a director of the Board on June 6, 2024.
- (3) Mr. Perez resigned as a director of the Board on February 8, 2024.
- (4) Mr. De La Torre was appointed as a director of the Board on July 15, 2024.
- (5) Mr. Nichols was appointed as a director of the Board on May 20, 2024.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table indicates, for each of the Company's directors, a summary of the value of the option-based and share-based awards vested in accordance with their terms for the Company's financial year ending December 31, 2024.

Name	Option-Based Awards – Value Vested During the Year	Share-Based Awards – Value Vested During the Year ⁽¹⁾	Non-Equity Incentive Plan Compensation – Value Earned During the Year
Jamie Mendola ⁽²⁾	—	—	—
Humble Lukanga	—	—	—
Jocelyn Rosenwald	—	—	—
George Raveling	—	—	—
Yelena Katchko	—	—	—
John Perez ⁽³⁾	—	—	—
Hector De La Torre ⁽⁴⁾	—	—	—
John Nichols Jr. ⁽⁵⁾	—	—	—

Notes:

- (1) Value of vested share-based awards calculated based on the closing share price on the dates of vesting; if share-based awards vested in 2024 but not on a trading day, value of vested share-based awards calculated based on closing share price on the last trading day prior to the date of vesting.
- (2) Mr. Mendola resigned as a director of the Board on June 6, 2024.
- (3) Mr. Perez resigned as a director of the Board on February 8, 2024.
- (4) Mr. De La Torre was appointed as a director of the Board on July 15, 2024.
- (5) Mr. Nichols was appointed as a director of the Board on May 20, 2024.

Compensation Consultant

In 2025, the Special Committee retained Hugessen as described under the heading “*Business to be Transacted at the Meeting – Approval of Performance Awards to the NEOs and a One-Time Fixed Increase to the Share Reserve Under the Equity Incentive Plan – Background*”. No fees were paid to Hugessen for the financial years ended December 31, 2024 and 2023.

SECURITY BASED COMPENSATION PLANS

The Company has its Equity Incentive Plan in place. The Company maintains the Equity Incentive Plan in accordance with Section 7.08 – *Security Based Compensation Arrangements and Awards* of the Cboe Canada Listing Manual. The Equity Incentive Plan was last approved by the Shareholders of the Company on June 21, 2024.

Summary of the Equity Incentive Plan

The following is a summary of certain provisions of the Equity Incentive Plan. It does not purport to be complete and is subject to, and is qualified in its entirety by all of the provisions of the Equity Incentive Plan, which is available on the Company’s SEDAR+ profile at www.sedarplus.ca. Capitalized terms that are not expressly defined herein have the meanings ascribed thereto in the Equity Incentive Plan.

Purpose

The purpose of the Equity Incentive Plan is to enable the Company and its affiliated companies to: (i) attract and retain employees, officers, consultants, advisors and non-employee directors capable of assuring the future success of the Company, (ii) offer such persons incentives to put forth maximum efforts, (iii) compensate such persons through various stock-based arrangements and provide them with opportunities for stock ownership, thereby aligning the interests of such persons and the Shareholders.

The Equity Incentive Plan permits the grant of (i) nonqualified stock options (“**NQSOs**”) and incentive stock options (“**ISOs**”) (collectively, “**Options**”), (ii) restricted stock units (“**RSUs**”), (iii) performance compensation awards, and (iv) unrestricted stock bonuses or purchases, which are referred to herein collectively as “**Awards**”, all as more fully described below.

The Board has the power to manage the Equity Incentive Plan and may delegate such power at its discretion to any committee of the Board, including the CN&CG Committee.

Eligibility

Any non-employee director of the Company or any employee, officer, director, consultant, independent contractor or advisor providing services to the Company or any Affiliate, or any such person to whom an offer of employment or engagement with the Company or any Affiliate is extended, are eligible to participate in the Equity Incentive Plan if selected by the Board (the “**Participants**”). The basis of participation of an individual under the Equity Incentive Plan, and the type and amount of any Award that an individual is entitled to receive under the Equity Incentive Plan, is determined by the Board based on its judgment as to the best interests of the Company and its Shareholders, and therefore cannot be determined in advance.

The maximum number of Equity Shares that may be issued under the Equity Incentive Plan is 10% of the Equity Shares outstanding, on a diluted basis (including the applicable Equity Shares issuable on exchange of the Exchangeable Shares of MPB Acquisition Corp. (“**MPB AcquisitionCo**”) that are exchangeable for Equity Shares of the Company on a one-for-one basis, and on exercise of the share purchase warrants of the Company and Series A Warrants of GH Group (collectively, the “**Warrants**”) and excluding grants made pursuant to the Equity Incentive Plan and any grants of restricted Exchangeable Shares made under any equity plan of MPB AcquisitionCo), from time to time, subject to adjustment in the Equity Incentive Plan. Notwithstanding the foregoing, a maximum of 17,400,000 Equity Shares may be issued as ISOs, subject to adjustment in the Equity Incentive Plan.

To the extent that section 2.25 of National Instrument 45-106 *Prospectus Exemptions* applies to an Award or issuances of Equity Shares pursuant to the Equity Incentive Plan, the maximum number of Equity Shares that may be issued under the Equity Incentive Plan to any one Related Person, or the number of securities that may be issuable on exercise of the Options granted to any one Related Person, as compensation within any one-year period, excluding performance-based Awards (with the performance target being set as the market capitalization of the Equity Shares outstanding), shall not exceed 5.0% of the outstanding Equity Shares, on a diluted basis (including the applicable Equity Shares issuable on exchange of the Exchangeable Shares and on exercise of the Warrants and excluding grants made under the Equity Incentive Plan and any equity plan of MPB AcquisitionCo), at the time of grant, subject to adjustment in the Equity Incentive Plan, or 10% to all Related Persons at time of grant. The maximum number of Equity Shares that may be issued under the Equity Incentive Plan to the Company’s non-executive directors, as a whole, or the number of securities that may be issuable on exercise of the Awards granted to the Company’s non-executive directors, as a whole, as compensation within any one-year period, shall not exceed 1.0% of the outstanding Equity Shares, on a diluted basis (including the applicable Equity Shares issuable on exchange of the Exchangeable Shares and on exercise of the Warrants and excluding grants made under the Equity Incentive Plan and any equity plan of MPB AcquisitionCo), at the time of grant, subject to adjustment in the Equity Incentive Plan. The Board will not grant Options to any one non-executive director in which the aggregate Fair Market Value (as determined as of the time the Options are granted) of such Options during any calendar year (under the Equity Incentive Plan and all other plans of the Company and its Affiliates) shall exceed \$100,000, or will not grant Awards in which the aggregate Fair Market Value (determined as of the time the Awards are granted) of the Equity Shares in respect to which the Awards are exercisable by such non-executive director during any calendar year (under the Equity Incentive Plan and all other plans of MPB AcquisitionCo and its Affiliates) shall exceed \$150,000.

Any shares subject to an Award under the Equity Incentive Plan that are not purchased or are forfeited, cancelled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations of a Participant shall again be available for Awards under the Equity Incentive Plan.

In the event of any dividend (other than a regular cash dividend) or other distribution (whether in the form of cash, Equity Shares, other securities or other property), recapitalization, forward stock split, reverse stock split, reorganization, plan of arrangement, merger, amalgamation, consolidation, split-up, spin-off, combination, repurchase or exchange of Equity Shares or other securities of the Company, issuance of warrants or other rights to acquire Equity Shares or other securities of the Company, or other similar corporate transaction or event which affects the Equity Shares or unusual or nonrecurring events affecting the Company or the financial statements of the Company, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, the Board may, subject to any required regulatory or Cboe Canada approvals, make such adjustment which it deems appropriate in its discretion in order to prevent dilution or enlargement of the rights of Participants under the Equity Incentive Plan, to (i) the number and kind of Equity Shares (or other securities or other property) that may thereafter be issued in connection with Awards, (ii) the number and kind of Equity Shares (or other securities or other property) subject to outstanding Awards, (iii) the purchase price or exercise price relating to any Award or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award, and/or (iv) any share limit set forth in the Equity Incentive Plan.

MPB AcquisitionCo may establish an equity plan through which awards of restricted Exchangeable Shares may be granted to service providers to MPB AcquisitionCo and their Affiliates. See “*Restricted Exchangeable Shares*” for further information.

Awards

Options

The Board is authorized to grant Options to purchase Equity Shares that are either ISOs (meaning they are intended to satisfy the requirements of Section 422 of the U.S. *Internal Revenue Code of 1986* (the “**U.S. Revenue Code**”)), or NQSOs (meaning they are not intended to satisfy the requirements of Section 422 of the U.S. Revenue Code). Options granted under the Equity Incentive Plan are subject to the terms and conditions established by the Board. The purchase price per Equity Share purchasable under an Option shall be determined by the CN&CG Committee and shall not be less than 100% of the Fair Market Value of an Equity Share on the date of grant of such Option; provided, however, that, to the extent permitted under Section 409A and Section 424 of the U.S. Revenue Code, as applicable, the CN&CG Committee may designate a purchase price below Fair Market Value on the date of grant if the Option is granted in substitution for a stock option previously granted by an entity that is acquired by or merged with the Company or an Affiliate. Payment in respect of the exercise of an Option may be made in cash or by cheque, by surrender of unrestricted shares (at their Fair Market Value on the date of exercise) or by such other method as the Board may determine to be appropriate. The maximum term of an Option granted under the Equity Incentive Plan is ten years from the date of grant (or five years in the case of an ISO granted to a 10% Shareholder). Notwithstanding the foregoing, in the event that the expiry date of an Option falls within a Blackout Period imposed by the Company and neither the Company nor the individual in possession of the Options is subject to a cease trade order in respect of the Company’s securities, then the expiry date of such Option shall be automatically extended to the 10th business day following the end of the Blackout Period, provided that the extension contemplated by this provision does not apply to ISOs.

RSUs

RSUs are granted in reference to a specified number of Equity Shares and entitle the holder to receive, on achievement of specific performance goals established by the Board or after a period of continued service with the Company or its affiliates or any combination of the above as set forth in the applicable award agreement, one Equity Share for each such Equity Share covered by the RSU; provided, that the Board may elect to pay cash, or part cash and part Equity Shares in lieu of delivering only Equity Shares. The Board may, in its discretion, accelerate the vesting of RSUs. Unless otherwise provided in the applicable award agreement or as may be determined by the Board upon a Participant’s termination of employment or service with the Company, the unvested portion of the RSUs will be forfeited and re-acquired by the Company for cancellation at no cost.

Unrestricted Stock Bonuses or Purchases

The Board is authorized to grant unrestricted Equity Shares as consideration for services rendered to the Company or an Affiliate in the prior calendar year, or may offer a Participant the opportunity to purchase unrestricted Equity Shares for cash consideration equal to the Fair Market Value of the unrestricted Equity Shares.

Dividend Equivalents

The Board is authorized to grant dividend equivalents, under which the holder is entitled to receive payments (in cash, Equity Shares, other securities or other property, as determined by the Board) equivalent to the amount of cash dividends paid by the Company to holders of Equity Shares with respect to a number of Equity Shares determined by the Board. Subject to the terms of the Equity Incentive Plan and any applicable award agreement, such dividend equivalents may have such terms and conditions as the Board shall determine. Notwithstanding the foregoing, (i) the Board may not grant dividend equivalents to Participants in connection with grants of Options or other Awards, the value of which is based solely on an increase in the value of the Equity Shares after the date of grant of such Award, and (ii) dividend and dividend equivalent amounts may be accrued but shall not be paid unless and until the date on which all conditions or restrictions relating to such Award have been satisfied, waived or lapsed.

Restricted Exchangeable Shares

If, during the term of the Equity Incentive Plan, MPB AcquisitionCo establishes a compensatory plan or arrangement through which they may grant awards of restricted Exchangeable Shares to Participants, any restricted Exchangeable Shares awarded under such plan(s) will reduce the number of Equity Shares that may be awarded under the Equity Incentive Plan on a one-for-one basis. If any restricted Exchangeable Shares awarded under the plans of MPB AcquisitionCo are forfeited, cancelled, or are used or withheld to satisfy tax withholding obligations of an award recipient thereunder, any such restricted Exchangeable Shares that are forfeited, cancelled, used or withheld will thereafter not be treated as reducing the number of Equity Shares that are available for Awards under the Equity Incentive Plan.

General

The Board may impose restrictions on the vesting, exercise or payment of an Award as it determines appropriate. Generally, no Awards (other than fully vested and unrestricted Equity Shares issued pursuant to any Award) granted under the Equity Incentive Plan is transferable except by will or by the laws of descent and distribution. No Participant has any rights as a Shareholder with respect to Equity Shares covered by Options or RSUs, unless and until such Awards are settled in Equity Shares.

No Option is exercisable, no Equity Shares shall be issued, no certificates, registration statements or electronic positions for Equity Shares shall be delivered and no payment shall be made under the Equity Incentive Plan except in compliance with all applicable laws, the policies of Cboe Canada and any other regulatory requirements.

The Board may from time to time amend, suspend, discontinue or terminate the Equity Incentive Plan, and may amend the terms of any previously granted Award at any time, provided that: (i) no amendment, alteration, suspension, discontinuation or termination may (except as expressly provided in the Equity Incentive Plan) materially and adversely alter or impair the terms or conditions of the Award previously granted to a Participant without the written consent of the Participant or holder thereof; and (ii) any amendment, alteration, suspension, discontinuation or termination is subject to compliance with all applicable laws, rules, regulations and policies of any applicable governmental entity or stock exchange, including receipt of any required approval from the governmental entity or stock exchange, and any such amendment, alteration, suspension, discontinuation or termination of an Award shall be in compliance with the policies of Cboe Canada. For greater certainty and notwithstanding the foregoing, the Board may amend, suspend, terminate or discontinue the Equity Incentive Plan, and may amend or alter any previously granted Award, as applicable, without obtaining the approval of Shareholder, in order to:

- amend the eligibility for, and limitations or conditions imposed upon, participation in the Equity Incentive Plan, except that any such amendment to change the class or classes of persons eligible to be awarded ISOs will be submitted for Shareholder approval to the extent required by the U.S. Revenue Code, as amended from time to time, and any regulations promulgated thereunder, Section 422;
- amend any terms relating to the granting or exercise of Awards, including but not limited to terms relating to the amount and payment of the exercise price, or the vesting, expiry, assignment or adjustment of Awards, or otherwise waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively;
- make changes that are necessary or desirable to comply with applicable laws, rules, regulations and policies of any applicable governmental entity or Cboe Canada, including the policies of Cboe Canada (including amendments to Awards necessary or desirable to avoid any adverse tax results under Section 409A), and no action taken to comply shall be deemed to impair or otherwise adversely alter or impair the rights of any holder of an Award or beneficiary thereof; or
- amend any terms relating to the administration of the Equity Incentive Plan, including the terms of any administrative guidelines or other rules related to the Equity Incentive Plan.

Notwithstanding the foregoing and for greater certainty, prior approval of the Shareholders is required for any amendment to the Equity Incentive Plan or an Award that would require Shareholder approval under the rules or regulations of Cboe Canada that is applicable to the Company or which would:

- increase the shares authorized under the Equity Incentive Plan;
- remove or exceed the limits set out in a Security Based Compensation Arrangement on Awards available to any of (a) a “related party” (as defined in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*) of the Company, (b) a promoter of the Company, or, where the promoter is not an individual, an officer, director or control person of the promoter, and (c) such other Person as may be designated from time to time by Cboe Canada, in respect of the Company;
- permit a re-pricing of an Award benefiting any of (a) a “related party” (as defined in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*) of the Company, (b) a promoter of the Company, or, where the promoter is not an individual, an officer, director or control person of the promoter, and (c) such other person as may be designated from time to time by Cboe Canada;
- permit an extension of the term of an Award where the exercise price is lower than the prevailing market price, except pursuant to certain provisions of the Equity Incentive Plan;
- permit the award of Options at a price less than 100% of the Fair Market Value of an Equity Share on the date of grant of such Option;
- permit Options to be transferable;
- amend the amendment provisions of the Equity Incentive Plan; or
- increase the maximum term permitted for Options or extend the terms of any Options beyond their original expiry date.

The Board may, without prior approval of the Shareholders, correct any defect, supply any omission or reconcile any inconsistency in the Equity Incentive Plan or in any Award or Award Agreement in the manner and to the extent it shall deem desirable to implement or maintain the effectiveness of the Equity Incentive Plan.

In the event of any reorganization, merger, amalgamation, consolidation, split-up, spin-off, combination, plan of arrangement, take-over bid or tender offer, repurchase or exchange of Equity Shares or other securities of the Company or any other similar corporate transaction or event involving the change of control of the Company (or if the Company shall enter into a written agreement to undergo such a transaction or event), the Board may, in its sole discretion, take such measures or make such adjustments in regards to any securities granted pursuant to the Equity Incentive Plan, as it deems appropriate, as further described in the Equity Incentive Plan and no action taken under the Equity Incentive Plan shall be deemed to impair or otherwise adversely alter the rights of any holder of any Award or beneficiary thereof. Notwithstanding the foregoing, upon a change of control event, all Equity Shares or Options granted pursuant to the Equity Incentive Plan will immediately vest in accordance with the terms of the Equity Incentive Plan.

Unless the Awards and the Equity Shares issuable upon exercise or redemption thereof have been registered under the U.S. Securities Act, and any applicable state securities laws, any Awards or Equity Shares granted to residents of the United States will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act and will be subject to transfer restrictions under U.S. securities laws.

Tax Withholding

The Company may take such action as it deems appropriate to ensure that all applicable federal, State, provincial, local and/or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant.

Financial Assistance

The Company or any Affiliate or Related Entity may provide financial assistance to, or enter into support agreements with, Participants in connection with grants under the Equity Incentive Plan, including without limitation, full, partial or non-recourse loans (to the extent permitted by applicable laws), provided approval of the disinterested members of the Board is obtained.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table sets forth the number of Equity Shares to be issued, including upon exercise of outstanding convertible securities, pursuant to the Company's compensation plans, the weighted-average exercise price of such outstanding convertible securities and the number of Equity Shares remaining available for future issuance under equity compensation plans as at December 31, 2024.

Plan Category	Number of Equity Shares to be issued upon exercise of outstanding securities ⁽¹⁾	Weighted-average exercise price of outstanding securities ⁽²⁾	Number of Equity Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) ⁽³⁾
Equity compensation plans approved by Shareholders	3,863,288	\$ 3.08	3,827,307
Equity compensation plans not approved by Shareholders	Nil	Nil	Nil
Total	3,863,288	\$ 3.08	3,827,307

Notes:

- (1) Equity Shares issuable upon exercise or vesting, as applicable, of outstanding equity-based awards under the Equity Incentive Plan consisting of (i) 3,334,286 Equity Shares that may be issued upon the vesting of RSUs and (ii) 529,002 Equity Shares that may be issued upon the exercise of Options.
- (2) Represents the weighted-average exercise price of Options to purchase 529,002 Equity Shares. This weighted average is not applicable to and does not take into account Equity Shares that may be issued upon the vesting of RSUs.
- (3) As of December 31, 2024, based on a maximum of 10% of the 69,888,086 Equity Shares that were issued and outstanding as of December 31, 2024, and including 7,017,866 Equity Shares issuable on exchange of the Exchangeable Shares and any warrants or derivative securities that are in the money.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, proposed director, executive officer, nor any of their respective associates or affiliates, is or has been indebted to the Company or its subsidiaries since the beginning of the Company's most recently completed financial year.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE DISCLOSURE

The Board is committed to the highest standards of integrity, fiduciary duty and corporate governance. National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 *Corporate Governance Guidelines* ("NP 58-201", and together with NI 58-101, the "CSA Guidelines") set out a series of guidelines for effective corporate governance. Under the CSA Guidelines, the Company must disclose on an annual basis the corporate governance practices it has adopted. The Company summarizes such practices, in addition to certain other governance matters under Schedule "A" to this Information Circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Information Circular, neither the Company nor any director, proposed director or officer of the Company, nor any other insider of the Company, nor any associate or affiliate of any one of them has or has had, at any time since the beginning of the year ended December 31, 2024, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Company.

OTHER BUSINESS

Management of the Company is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Company Shares represented thereby in accordance with their best judgment on such matter.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca. Financial information is provided in the audited consolidated financial statements and management's discussion and analysis of the Company for the year ended December 31, 2024, which has been filed on SEDAR+. Shareholders may also contact the General Counsel and Corporate Secretary the Company by phone at (562) 264-5078, or by e-mail at legal@glasshousegroup.com to request copies of such documents.

SCHEDULE “A” STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Capitalized terms used in this Schedule “A” but not otherwise defined herein shall have the meanings ascribed thereto in the Information Circular to which this Schedule “A” is appended.

Set out below is a description of the Company’s current corporate governance practices and other information relating to the Board, per the CSA Guidelines.

The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. Listed below is a brief discussion of the Company’s approach to corporate governance.

Board of Directors

The Board’s principal duties and responsibilities are described in the Company’s Charter of the Board of Directors, a copy of which is attached hereto as Appendix 1 to Schedule “A”. Certain aspects of the composition and organization of the Board are prescribed and/or governed by the BCBCA and the constating documents of the Company.

The Board facilitates its exercise of independent supervision over management through the participation of directors. The Board has eight directors of whom six are independent within the meaning of National Instrument 52-110 *Audit Committees (“NI 52-110”)*. The Board members are Kyle Kazan, Graham Farrar, Humble Lukanga, Jocelyn Rosenwald, George Raveling, Yelena Katchko, John Nichols, Jr. and Hector De La Torre.

Humble Lukanga, Jocelyn Rosenwald, Yelena Katchko, George Raveling, John Nichols, Jr. and Hector De La Torre are independent directors in that they do not have a direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of the director’s independent judgment. Kyle Kazan is not considered independent as he is the Chairman and Chief Executive Officer of the Company. Graham Farrar is not considered independent as he is the President of the Company.

Position Descriptions

The Board has developed a position description for the Lead Director, Humble Lukanga, an independent director. The role of the Lead Director is to facilitate the functioning of the Board independently of the senior executives of the Company, provide independent leadership to the Board and to the individual directors on the Board and to reinforce the independence of the Board.

The Board has also developed a position description for the Chair of the Board, currently Kyle Kazan, a non-independent director. The role of the Chair of the Board is to provide overall leadership to, together with the Lead Director and the committees of the Board, enhance and protect the effectiveness, performance and independence of the Board, the committees of the Board, and individual directors of the Board. The Chair is selected amongst the members of the Board who have a sufficient level of experience with corporate governance issues to ensure the leadership and effectiveness of the Board.

The Board has developed a written position description for the Chief Executive Officer. The primary role of the Chief Executive Officer is to manage the Company in an effective, efficient and forward-looking way and to fulfil the priorities, goals and objectives determined by the Board in the context of the Company’s strategic plans, budgets and responsibilities, with a view to increasing Shareholder value. The Chief Executive Officer is responsible to the Board.

Further, the Board has developed written position descriptions for the chair of each Board committee. The position descriptions for the chair of each Board committee can be found in the corresponding committee charters. Copies of the position descriptions for the Lead Director, the Chair of the Board, the Chief Executive Officer and the chair of each committee can be found on the Company’s website at www.ir.glasshousebrands.com.

Meetings of Independent Directors

The independent directors may, at their election, meet for in camera sessions without non-independent directors and members of management at the end of each regular Board meeting.

Attendance

The attendance record of each director for all Board meetings held during the Company's most recently completed financial year is set out below.

Director	Board Meetings Attended	Audit Committee Meetings Attended	CN&CG Committee Meetings Attended
Kyle Kazan	5	-	-
Graham Farrar	5	-	-
Jamie Mendola ⁽¹⁾	3	-	1
Humble Lukanga	4	4	-
Jocelyn Rosenwald	5	4	-
George Raveling	5	-	2
Yelena katchko ⁽¹⁾	5	-	2
John Perez ⁽²⁾	-	-	-
Hector De La Torre ⁽³⁾	3	-	1
John Nichols Jr. ⁽⁴⁾	2	2	-

Notes:

- (1) Mr. Mendola resigned as a director of the Board on June 6, 2024.
- (2) Mr. Perez resigned as a director of the Board on February 8, 2024.
- (2) Mr. De La Torre was appointed as a director of the Board on July 15, 2024.
- (4) Mr. Nichols was appointed as a director of the Board on May 20, 2024.

Directorships

The following directors are presently directors of other reporting issuers:

Director	Name of Other Reporting Issuer	Stock Exchange
John Nichols, Jr.	Hippo Holdings Inc.	NYSE

Orientation and Continuing Education

The CN&CG Committee provides all new directors with comprehensive orientation to, among other things, fully understand the role of the Board and its committees, the contribution individual directors are expected to make, and the nature and operation of the Company's business. The CN&CG Committee also provides continuing education opportunities for all directors so that individual directors may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the Company's business remains current.

The CN&CG Committee is authorized to maintain policies and procedures to seek to ensure that sufficient orientation procedures are in place to enable new directors to operate efficiently from the beginning of their appointment. The CN&CG Committee reviews with each new member: (i) certain information and materials regarding the Company, including the role of the Board and its committees and the nature and operation of the Company's business; and (ii) the legal obligations of a director of the Company. The CN&CG Committee also ensures that sufficient continuing education and development programs are in place for all members of the Board, as required.

Ethical Business Conduct

The Company has adopted a Code of Business Conduct and Ethics (the “**Code**”), a copy of which can be found on the Company’s website at www.ir.glasshousebrands.com.

All Board members, officers and employees of the Company (“**Representatives**”) are committed to acting in a manner that will enhance the reputation of the Company for conducting its business and affairs with honesty, integrity and fairness and to avoid any conflict that might reflect unfavourably upon the Company or its Representatives.

The Company expects everyone who conducts business on behalf of the Company to be guided by, and be subject to, the following principles: (a) act ethically and honestly; (b) accept responsibility and be accountable for their actions; (c) make decisions which are in the best interests of the Company; (d) honour agreements and commitments; (e) conduct business in an environmentally and socially responsible manner; (f) communicate with all stakeholders in an honest and straight-forward manner; (g) select and treat all employees of the Company in a respectful, fair and equitable manner and foster a work environment that is safe, healthy and free from discrimination, harassment, intimidation and hostility of any kind; and (h) obey all laws governing the conduct of the business and affairs of the Company.

Conflicts of Interest

Pursuant to the Code, Representatives shall act with honesty and integrity and in the best interests of the Company and to avoid any relationship or activity that might create, or appear to create, a conflict between Representatives’ personal interests and the interests of the Company. A conflict of interest arises where Representatives’ position or responsibilities with the Company present an opportunity for personal gain, apart from the normal rewards of being a director, senior officer or other employee to the detriment of the Company. A conflict of interest also arises where outside personal interests are inconsistent with those of the Company and create conflicting loyalties. Before any Representative participates in any outside business interest which may give rise to such a conflict of interest, they should first disclose that interest to the Company and obtain approval to pursue such interest.

Pursuant to the BCBCA, any officer or director of the Company with a conflict of interest must disclose the nature and extent of such conflict to the Board and recuse themselves from a matter that materially conflicts with that individual’s duty as a director or senior officer of the Company. If a Representative is faced with a conflict, they shall promptly disclose such conflict, or potential conflict, to the General Counsel and Corporate Secretary of the Company.

Compliance with Laws, Rules and Regulations

All Representatives shall comply with the laws, rules and regulations of the jurisdictions where they carry out their duties and all jurisdictions where the Company conducts its business activities. All Representatives shall comply with the Code and all Company policies that apply to them, including, without limitation, the Code, Anti-Corruption and Anti-Bribery Policy, Disclosure Policy, Diversity Policy, Insider Trading Policy and Whistleblower Policy.

Compliance with and Violations of the Code

The Board is ultimately responsible, acting through the Audit Committee, for the Code and monitoring compliance therewith. Representatives are encouraged and expected to: (a) identify and raise potential issues before they cause problems; (b) take all responsible steps to prevent any violation of the Code; (c) report actual or potential violations of the Code of which they become aware; and (d) seek additional guidance when advisable. Retaliatory action against any individual for raising such concerns or questions or for reporting suspected violations of the Code in good faith will not be tolerated by the Company. Each member of the Audit Committee is expected to monitor the activities of Representatives with respect to compliance with the Code.

Nomination of Directors

The CN&CG Committee is currently comprised of three members, Hector De La Torre, George Raveling and Yelena Katchko. All members of the CN&CG Committee are independent directors, all of whom the Board believes have direct and indirect expertise, experience and education relevant to their role as members thereof.

The CN&CG Committee performs the following functions, among other things: (a) develops and updates a long-term plan for the composition of the Board that takes into consideration the current strengths, competencies, skills and experience of the Board members, retirement dates and the strategic direction of the Company, and reports to the Board thereon periodically; (b) undertakes on a periodic basis an examination of the size of the Board, with a view to determining the impact of the number of directors, the effectiveness of the Board, and recommends to the Board, if necessary, a reduction or increase in the size of the Board; (c) endeavours, in consultation with the Chair of the Board (or Lead Director, if applicable), to seek to ensure that an appropriate system is in place to evaluate the effectiveness of the Board as a whole as well as the committees of the Board, with a view to ensuring that they are fulfilling their respective responsibilities and duties; (d) in consultation with the Chair of the Board (or Lead Director, if applicable), and the Chief Executive Officer, annually or as required, recruits and identifies individuals qualified to become new Board members and recommends to the Board new director nominees for the next annual meeting of Shareholders; and (e) in consultation with the Chair of the Board (or Lead Director, if applicable), annually or as required, recommends to the Board the individual directors to serve on the various committees.

Compensation

For information regarding the process by which the CN&CG Committee determines compensation for the Company's directors and officers, please see disclosure under the heading "*Statement of Executive Compensation — Compensation Discussion and Analysis*" in the Information Circular to which this Schedule "A" is appended.

Board Assessments

The CN&CG Committee is responsible for monitoring the effectiveness of the Board and the performance of the directors. The CN&CG Committee assesses the operation of the Board and the committees, the adequacy of information given to directors, communication between the Board and management, and the strategic direction and processes of the Board and committees. The CN&CG Committee recommends changes to enhance the performance of the Board accordingly.

Based upon the Company's size, its current state of development and the number of individuals on the Board, the Board considers a formal process for assessing the effectiveness and contribution of the Board as a whole, its committees or individual directors to be unnecessary at this time. In light of the fact that the Board and its committees meet on several occasions each year, each director has regular opportunities to assess the Board as a whole, its committees and other directors in relation to the Board's and such director's assessment of the competencies and skills that the Board and its committees should possess. The Board plans to continue to evaluate its own effectiveness and the effectiveness of its committees and individual directors in such manner.

Director Term Limits and Other Mechanisms of Board Renewal

The Company does not have a retirement policy and does not discriminate based on age. The Company considers it to be an integral role of the Board and the CN&CG Committee to assess director engagement and fitness to be a director of the Company.

Similarly, the Board has not adopted a term limit for directors or established a formal process for the renewal of Board membership. The Board is of the view that the imposition of arbitrary director term limits may diminish the benefits derived from continuity amongst members and their familiarity with the Company and the industry in which it operates, and could unnecessarily expose the Company to losing experienced and valuable talent. The Board's renewal process is built around the concept of performance management. To that end, the Board relies on assessment procedures, and the role of the CN&CG Committee, to ensure the quality and expertise of its Board.

Diversity

Diversity Policy

The Board has adopted a Diversity Policy in recognition of the fact that a diverse Board will include and make good use of differences in the skills, regional and industry experience, professional expertise, personal skills, background, race, gender, status, age, education, nationality, culture, language, geographic background and other distinctions between directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

As set out in the Diversity Policy, the Board recognizes that gender diversity is a significant aspect of diversity and acknowledges the role that women with the right skills and experience can play in contributing to diversity of perspective in the boardroom. Selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and the contribution the chosen candidate will bring to the Board. In order to promote the specific objective of gender diversity, the Diversity Policy requires that the selection process for Board appointments must involve the following steps: (a) a short-list identifying potential candidates for the appointment must be compiled; and (b) if, at the end of the selection process, a female candidate is not selected, the Board must be satisfied that there are objective reasons to support its determination.

The CN&CG Committee will discuss and approve annually all measurable objectives for achieving diversity on the Board and recommend such objectives to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of Board diversity and measure progress accordingly.

The Diversity Policy also covers senior executive appointments and requires the Chief Executive Officer of the Company to reference the policy when selecting and assessing candidates and in presenting recommendations to the Board regarding appointments to the senior executive team. The Diversity Policy requires the Board to also consider whether potential candidates have diverse backgrounds (with a particular focus on potential candidates who are women, visible minorities, Aboriginal people and persons with disabilities), and the objectives of the policy when considering those recommendations.

In order to facilitate greater gender diversity in management and leadership roles, the Diversity Policy requires the Company to: (a) implement policies which address impediments to gender diversity in the workplace and review their availability and utilization; (b) regularly review the proportion of women at all levels of the Company; (c) monitor effectiveness of, and continue to expand on, existing initiatives designed to identify, support and develop talented women with leadership potential; and (d) continue to identify new ways to entrench diversity as a cultural priority across the organization. The CN&CG Committee will discuss and approve annually all measurable objectives for achieving diversity on the senior executive team and recommend such objectives to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of senior executive diversity and measure progress accordingly.

Consideration of the Representation of Women in the Director Identification and Selection Process

In general, the Board aspires to continuously improve the diversity of the Board and the Company's management team. As discussed above and set out in the Diversity Policy, the Board believes that diversity (including, but not limited to, gender) is important to ensure that the directors and members of the Company's executive management provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. The Company believes that diversity is an important attribute of a well-functioning Board and an efficient team of executive officers. The Company recognizes that gender diversity is a significant aspect of diversity and believes women play an important leadership role in executing on the Company's strategy. This belief forms an important part of the focus of management, in the appointment and recruitment of officers, and the Board, in the search and selection of nominee directors.

Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

At this time, the Company has not adopted a target regarding the representation of women on the Board or in executive officer positions. The Company does not adopt targets because the Company is of the view that its current practice of considering diversity as a factor in selecting candidates as potential directors or executive officers, and other measures set out in the Diversity Policy, permits the Company to balance the benefit of diversity with other relevant considerations, including relevant career experience, industry knowledge and experience, and financial and other specialized experience.

The Board has two women serving as a director (25% of directors). Currently, none of the executive officers of the Company are women. Approximately eighteen percent (18%) of the Company's senior leadership (executive officers, senior vice presidents and vice presidents) are women.

AUDIT COMMITTEE INFORMATION

The Audit Committee is governed by an Audit Committee Charter, a copy of which is attached to the Company's Annual Information Form dated March 25, 2025 (the "AIF") and available on the Company's website at www.ir.glasshousebrands.com. The information required to be disclosed by section 5.1 of NI 52-110 can be found under the heading "Audit Committee" of the Company's AIF.

APPENDIX 1 TO SCHEDULE “A”

GLASS HOUSE BRANDS INC.

CHARTER OF THE BOARD OF DIRECTORS

1. GENERAL

The Board of Directors (the “**Board**”) is responsible for the stewardship of Glass House Brands Inc. (the “**Corporation**”), for the general supervision of the management of the business and affairs of the Corporation, and for acting in the best interests of the Corporation and its shareholders. Directors shall exercise their business judgment in a manner consistent with their fiduciary duties. In particular, directors are required to act honestly and in good faith, with a view to the best interests of the Corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board discharges its responsibility for supervising the management of the business and affairs of the Corporation by delegating the day-to-day management of the Corporation to senior officers. The Board relies on senior officers to keep it apprised of all significant developments affecting the Corporation and its operations.

The Board discharges its responsibilities directly and through the delegation to its committees, currently consisting of the Audit Committee and the Compensation, Nomination and Corporate Governance Committee. In addition, the Board may from time to time, appoint such additional committees, or reconstitute the current committees, as it deems necessary and appropriate in order to discharge its duties. Each committee shall have its own charter. The Board shall meet as frequently as the Board considers necessary, but not less than once each quarter, to review the business operations, corporate governance and financial results of the Corporation. Meetings of the Board will also include in camera meetings of the independent members of the Board without management being present.

2. COMPOSITION

The Board shall be constituted at all times of a majority of “independent directors” in accordance with applicable legal requirements, the guidelines under National Policy 58-201 *Corporate Governance Guidelines* and the Listing Manual of Cboe Canada, as such rules and policies are amended or replaced from time to time.

In addition, at least three of the directors shall be “independent” in accordance with applicable legal requirements for service on an Audit Committee, pursuant to National Instrument 52-110 *Audit Committees*.

3. RESPONSIBILITIES

The Board’s responsibilities shall include:

- Succession planning including the selection, training, appointment, monitoring evaluation and, if necessary, the replacement of the senior management to ensure management succession.
- Identifying the risks of the Corporation’s business and ensuring that appropriate systems are in place to manage these risks.
- The adoption of a strategic planning process, approval at least annually of a strategic plan that takes into account business opportunities and business risks identified by the Board and/or the Audit Committee and monitoring performance against such plans.
- Overseeing the fair reporting of the Corporation’s financial performance to shareholders on a timely and regular basis and taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Corporation including reviewing and approving all annual and interim financial statements and related footnotes, management’s discussion and analysis, the annual information form and the management information circular.

- Enhancing congruence between shareholder expectations, Corporation plans and management performance.
- Reviewing with senior management material transactions outside the ordinary course of business and such other major corporate matters which require Board approval including but not limited to, the payment of dividends, the issue, purchase and redemption of securities, acquisitions and dispositions of material assets and material capital expenditures and approving such decisions as they arise.
- Satisfying itself as to the integrity of the Chairman and Chief Executive Officer (the “**CEO**”) and other officers and that such officers create a culture of integrity throughout the organization.
- The review and approval of corporate objectives and goals applicable to the Corporation’s senior management.
- Ensuring that this Charter is disclosed on an annual basis to the shareholders in the Corporation’s management information circular prepared for the annual and general meeting of shareholders or other disclosure document or on the Corporation’s website.
- Obtaining periodic reports from management on the Corporation’s operations.
- Performing such other functions as prescribed by law or assigned to the Board in the Corporation’s constating documents.
- The assignment to the various committees of the Board the general responsibility for developing the Corporation’s approach to, without limitation: (i) corporate governance and nomination of directors; (ii) financial reporting and internal controls; and (iii) compensation of officers and senior employees.
- With the assistance of the Compensation, Nomination and Corporate Governance Committee:
 - Developing the Corporation’s approach to corporate governance.
 - Reviewing the composition of the Board and ensuring it respects its independence criteria.
 - The assessment, at least annually, of the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including, consideration of the appropriate size of the Board.
 - Reviewing and approving annual disclosure of the Corporation’s corporate governance policies.
 - Ensuring that an appropriate review selection process for new nominees to the Board is in place and identifying and recommending candidates to the Board who meet the selection criteria.
 - Overseeing (a) the development and implementation of orientation programs for new directors; and (b) continuing education for all directors.
 - Approving and revising periodically the Corporation’s Code of Business Conduct and Ethics (the “**Code**”) and other corporate governance policies (“**Policies**”), ensure management has established a system to enforce the Code and Policies and monitor compliance with each.
 - Reviewing and approving corporate goals and objectives relevant to the CEO’s compensation, evaluating the CEO’s performance in light of those corporate goals and objectives, and recommending to the Board with respect to the CEO’s compensation level based on this evaluation.
 - Reviewing and approving named executive officer and director compensation, incentive-compensation plans and equity-based plans.
 - Reviewing executive compensation disclosure before the Corporation publicly discloses such information.

· With the assistance of the Audit Committee:

- Ensuring the integrity of the Corporation's internal controls and management information systems.
- Ensuring the Corporation's ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Corporation's own governing documents.
- Identifying the financial risks of the Corporation's business and ensuring that appropriate systems are in place to manage these risks.
- Reviewing the Corporation's insurance program to ensure adequacy of coverage.
- Reviewing and approving significant accounting and financial matters and the provision of direction to management on these matters.
- Selecting, appointing, determining the remuneration of and, if necessary, replacing the independent auditors.
- Assessing the independence of the auditors.

4. MISCELLANEOUS

The members of the Board are expected to attend all meetings of the Board of Directors unless prior notification of absence is provided.

The members of the Board are required to have reviewed board materials in advance of the meeting and be prepared to discuss such materials at the meeting.

Effective Date: June 29, 2021

SCHEDULE “B”
APPROVAL OF PERFORMANCE AWARDS TO THE NEOS AND A ONE-TIME FIXED INCREASE
TO THE SHARE RESERVE UNDER THE EQUITY INCENTIVE PLAN

“BE IT RESOLVED THAT:

1. The Performance Awards and the Share Reserve Increase, each as defined in the Management Information Circular of Glass House Brands Inc. (the “**Company**”) dated May 15, 2025, are hereby ratified, confirmed and approved.
2. The Company’s entry into an amended and restated equity incentive plan, giving effect to the Performance Awards and the Share Reserve Increase, is hereby ratified, confirmed and approved.
3. Any one or more directors or officers of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may be in the opinion of such director or officer of the Company be necessary or desirable to carry out the intent of the foregoing resolutions, the execution of any such document or the doing of any such other act or thing by any director or officer of the Company being conclusive evidence of such determination.”

B-1

GLASS HOUSE BRANDS INC.

3645 Long Beach Boulevard
Long Beach, California 90807, USA
E: investors@glasshousegroup.com

Download the latest about Glass House Brands Inc. at: <http://www.glasshousebrands.com>

Glass House Brands Inc. is traded on the US OTC Markets under the symbols “GLASF” for shares and “GHBWF” for warrants and on Cboe Canada in Canada under the symbols “GLAS.A.U” for shares and “GLAS.WT.U” for warrants.

Insider: Rosenwald III.J

View insider profile

Individual information

Family name	Rosenwald III
Given names (in full)	James B.
Municipality (city, town, etc.)	Redondo Beach
Province, territory or state	California
Country	United States

Issuer information

Issuer number	00047489
Issuer name	Glass House Brands Inc.
Insider's relationship to issuer	10% Security Holder of Issuer
Date the insider became an insider of this issuer	2021-06-29
Opening balance date	
Date the insider ceased being an insider of this issuer	
Registered holders	Rosenwald Family Trust Kings Bay Rosenwald Partners LP Rosenwald Capital Management Beach Front Properties LLC JBR IV TR

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Insider transaction detail - View details for insider

Transactions sorted by : Insider
 Insider family name : Rosenwald (Starts with)
 Transaction date range : January 1, 2021 - June 20, 2026
 Debt securities : Bonds, Commercial Paper, Convertible Debentures, Convertible Notes, Debentures, Medium Term notes, Notes, Promissory Notes, Other
 Equity securities : American Depositary Receipts, Common Shares, Convertible Preferred Shares, Exchangeable Shares, General Partnership Units, Instalment Receipts, Limited Partnership Units, Multiple V Units, Other

Insider name: Rosenwald III, James B.
 Legend: O - Original transaction, A - First amendment to transaction, A' - Second amendment to transaction, AP - Amendment to paper filing, etc.
 Insider's Relationship to Issuer: 1 - Issuer, 2 - Subsidiary of Issuer, 3 - 10% Security Holder of Issuer, 4 - Director of Issuer, 5 - Senior Officer of Issuer, 6 - Director or Senior Officer of 10% Security Holder of Issuer, 7 - Director or Senior Officer of 10% Security Holder of Subsidiary of Issuer, 8 - Director or Senior Officer of 10% Security Holder of Subsidiary of Subsidiary of Issuer, 9 - Director or Senior Officer of 10% Security Holder of Subsidiary of Subsidiary of Subsidiary of Issuer, 10 - Director or Senior Officer of 10% Security Holder of Subsidiary of Subsidiary of Subsidiary of Subsidiary of Issuer
 Insider.

Do you want to view transactions with remarks?

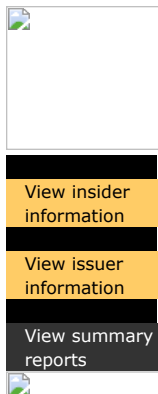
Yes

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction
Issuer name: Glass House Brands Inc. Insider's Relationship to Issuer: 3 - 10% Security Holder of Issuer Ceased to be Insider: Not applicable Security designation: Subordinate, Restricted and Limited Voting Shares				
4563321	2025-08-18	2025-08-19	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4563455	2025-08-19	2025-08-19	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4563972	2025-08-20	2025-08-20	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4709096	2025-08-21	2026-04-24	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4709097	2025-08-21	2026-04-24	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4709099	2025-08-21	2026-04-24	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4709100	2025-08-21	2026-04-24	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4565884	2025-08-22	2025-08-26	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4693526	2026-03-31	2026-04-01	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4697104	2026-04-02	2026-04-02	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4700113	2026-04-06	2026-04-07	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
O 4700115	2026-04-06	2026-04-07	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
A 4700115	2026-04-06	2026-04-07	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4700117	2026-04-06	2026-04-07	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4700121	2026-04-07	2026-04-07	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4707779	2026-04-20	2026-04-20	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4707780	2026-04-20	2026-04-20	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4707781	2026-04-20	2026-04-20	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market

4707782	2026-04-20	2026-04-20	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4708533	2026-04-22	2026-04-22	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4708858	2026-04-23	2026-04-23	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4709685	2026-04-24	2026-04-27	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4709679	2026-04-27	2026-04-27	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4565892	2025-08-25	2025-08-26	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4566099	2025-08-26	2025-08-26	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4566516	2025-08-27	2025-08-27	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4566896	2025-08-28	2025-08-28	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4567433	2025-08-29	2025-08-29	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4622975	2025-12-15	2025-12-16	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4623328	2025-12-16	2025-12-16	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4624725	2025-12-18	2025-12-18	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4626179	2025-12-19	2025-12-20	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4627682	2025-12-22	2025-12-23	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4627683	2025-12-23	2025-12-23	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4563351	2025-02-28	2025-08-19	Control or Direction : Rosenwald Family Trust	47 - Acquisition or disposition by gift
Issuer name: Glass House Brands Inc. (formerly Mercer Park Brand Acquisition Corp.) Insider's Relationship to Issuer: 3 - 10% Security Holder of Issuer Ceased to be Insider: Not applicable Security designation: Multiple Voting Shares				
4033098	2021-06-29	2022-11-22	Control or Direction : JBR IV TR	00 - Opening Balance-Initial SEDI Report
4033083	2021-06-29	2022-11-22	Control or Direction : Rosenwald Capital Management	00 - Opening Balance-Initial SEDI Report
4033044	2021-06-29	2022-11-22	Control or Direction : Rosenwald Family Trust	00 - Opening Balance-Initial SEDI Report
4040756	2022-11-30	2022-12-08	Control or Direction : Rosenwald Family Trust	47 - Acquisition or disposition by gift
Security designation: Subordinate, Restricted and Limited Voting Shares				
4033099	2021-06-29	2022-11-22	Control or Direction : JBR IV TR	00 - Opening Balance-Initial SEDI Report
4033105	2022-07-15	2022-11-22	Control or Direction : JBR IV TR	36 - Conversion or exchange
4033108	2022-11-14	2022-11-22	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4038721	2022-12-01	2022-12-05	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market

4038727	2022-12-01	2022-12-05	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4038732	2022-12-02	2022-12-05	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4040027	2022-12-05	2022-12-07	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4040028	2022-12-05	2022-12-07	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4041470	2022-12-08	2022-12-09	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4041932	2022-12-09	2022-12-09	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4364839	2024-08-19	2024-08-21	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4364842	2024-08-20	2024-08-21	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4366689	2024-08-21	2024-08-27	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4366663	2024-08-26	2024-08-27	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4375467	2024-09-11	2024-09-16	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4375471	2024-09-12	2024-09-16	Control or Direction : JBR IV TR	10 - Acquisition or disposition in the public market
4033060	2021-06-29	2022-11-22	Control or Direction : Kings Bay	00 - Opening Balance-Initial SEDI Report
4033063	2021-08-27	2022-11-22	Control or Direction : Kings Bay	36 - Conversion or exchange
4040776	2022-03-21	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4040778	2022-03-21	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4040780	2022-03-22	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4040783	2022-03-24	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4040784	2022-03-25	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4040785	2022-03-30	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4040808	2022-03-30	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4040810	2022-04-01	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4040811	2022-04-01	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4040814	2022-04-01	2022-12-08	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4033068	2022-07-20	2022-11-22	Control or Direction : Kings Bay	36 - Conversion or exchange
4364844	2024-08-19	2024-08-21	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
4364846	2024-08-20	2024-08-21	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market

O	4365746	2024-08-21	2024-08-24	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
A	4365746	2024-08-21	2024-08-27	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4366664	2024-08-26	2024-08-27	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4370416	2024-08-30	2024-09-04	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4370417	2024-09-03	2024-09-04	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4370418	2024-09-04	2024-09-04	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4373098	2024-09-05	2024-09-09	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4373099	2024-09-06	2024-09-09	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4373100	2024-09-09	2024-09-09	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4375465	2024-09-10	2024-09-16	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
O	4375466	2024-09-11	2024-09-16	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
A	4375466	2024-09-11	2024-09-16	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4375472	2024-09-12	2024-09-16	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4375474	2024-09-13	2024-09-16	Control or Direction : Kings Bay	10 - Acquisition or disposition in the public market
	4033085	2021-06-29	2022-11-22	Control or Direction : Rosenwald Capital Management	00 - Opening Balance-Initial SEDI Report
	4033089	2021-08-06	2022-11-22	Control or Direction : Rosenwald Capital Management	36 - Conversion or exchange
	4033094	2022-10-17	2022-11-22	Control or Direction : Rosenwald Capital Management	36 - Conversion or exchange
	4033046	2021-06-29	2022-11-22	Control or Direction : Rosenwald Family Trust	00 - Opening Balance-Initial SEDI Report
	4033050	2021-08-09	2022-11-22	Control or Direction : Rosenwald Family Trust	36 - Conversion or exchange
	4033055	2022-10-17	2022-11-22	Control or Direction : Rosenwald Family Trust	36 - Conversion or exchange
	4033072	2021-06-29	2022-11-22	Control or Direction : Rosenwald Partners LP	00 - Opening Balance-Initial SEDI Report
	4033073	2021-10-14	2022-11-22	Control or Direction : Rosenwald Partners LP	36 - Conversion or exchange
	4033079	2022-07-26	2022-11-22	Control or Direction : Rosenwald Partners LP	36 - Conversion or exchange



Insider transaction detail - View details for insider

Transactions sorted by : Insider

Insider family name : Rosenwald (Starts with)

Transaction date range : January 1, 2021 - June 20, 2026

Debt securities : Bonds, Commercial Paper, Convertible Debentures, Convertible Notes, Debentures, Medium Term notes, Notes, Promissory Notes, Other

Equity securities : American Depositary Receipts, Common Shares, Convertible Preferred Shares, Exchangeable Shares, General Partnership Units, Instalment Receipts, Limited Partnership Units, Multiple V Units, Other

Insider name: Rosenwald, Jocelyn May

Legend: O - Original transaction, A - First amendment to transaction, A' - Second amendment to transaction, AP - Amendment to paper filing, etc.

Insider's Relationship to Issuer: 1 - Issuer, 2 - Subsidiary of Issuer, 3 - 10% Security Holder of Issuer, 4 - Director of Issuer, 5 - Senior Officer of Issuer, 6 - Director or Senior Officer of 10% Security Holder of Issuer, 7 - Insider.

Do you want to view transactions with remarks?

Yes

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction
Issuer name: Glass House Brands Inc.				
Insider's Relationship to Issuer: 4 - Director of Issuer				
Ceased to be Insider: Not applicable				
Security designation: Subordinate, Restricted and Limited Voting Shares				
4494038	2025-04-04	2025-04-08	Direct Ownership :	11 - Acquisition or disposition carried out privately
4547484	2025-07-10	2025-07-14	Direct Ownership :	11 - Acquisition or disposition carried out privately
4671176	2026-01-10	2026-03-04	Direct Ownership :	11 - Acquisition or disposition carried out privately
4694899	2026-04-01	2026-04-01	Direct Ownership :	11 - Acquisition or disposition carried out privately
Issuer name: Glass House Brands Inc. (formerly Mercer Park Brand Acquisition Corp.)				
Insider's Relationship to Issuer: 4 - Director of Issuer				
Ceased to be Insider: Not applicable				
Security designation: Multiple Voting Shares				
3778987	2021-06-29	2021-07-19	Control or Direction : Jocelyn May Rosenwald Trust	00 - Opening Balance-Initial SEDI Report
4250936	2023-09-01	2024-01-31	Control or Direction : Jocelyn May Rosenwald Trust	11 - Acquisition or disposition carried out privately
O 3778985	2021-06-29	2021-07-19	Direct Ownership :	00 - Opening Balance-Initial SEDI Report
A 3778985	2021-06-29	2024-01-26	Direct Ownership :	00 - Opening Balance-Initial SEDI Report
Security designation: Subordinate, Restricted and Limited Voting Shares				
O 3778986	2021-06-29	2021-07-19	Control or Direction : Jocelyn May Rosenwald Trust	00 - Opening Balance-Initial SEDI Report
A 3778986	2021-06-29	2024-01-31	Control or Direction : Jocelyn May Rosenwald Trust	00 - Opening Balance-Initial SEDI Report
4250939	2021-08-11	2024-01-31	Control or Direction : Jocelyn May Rosenwald Trust	36 - Conversion or exchange
O 3915005	2022-01-18	2022-03-25	Control or Direction : Jocelyn May Rosenwald Trust	16 - Acquisition or disposition under a prospectus ex
A 3915005	2022-07-15	2024-01-31	Control or Direction : Jocelyn May Rosenwald Trust	36 - Conversion or exchange
O 3778984	2021-06-29	2021-07-19	Direct Ownership :	00 - Opening Balance-Initial SEDI Report
A 3778984	2021-06-29	2024-01-26	Direct Ownership :	00 - Opening Balance-Initial SEDI Report
4000000	2022-09-06	2022-09-08	Direct Ownership :	11 - Acquisition or disposition carried out privately
4248585	2022-12-15	2024-01-26	Direct Ownership :	57 - Exercise of rights
4250913	2022-12-30	2024-01-31	Direct Ownership :	11 - Acquisition or disposition carried out privately
4250914	2023-02-15	2024-01-31	Direct Ownership :	36 - Conversion or exchange
4101123	2023-03-22	2023-03-24	Direct Ownership :	10 - Acquisition or disposition in the public market
4115163	2023-04-12	2023-04-13	Direct Ownership :	11 - Acquisition or disposition carried out privately
4142659	2023-06-09	2023-06-12	Direct Ownership :	10 - Acquisition or disposition in the public market

4158653	2023-07-13	2023-07-14	Direct Ownership :	11 - Acquisition or disposition carried out privately
4198159	2023-10-13	2023-10-17	Direct Ownership :	11 - Acquisition or disposition carried out privately
4245700	2024-01-18	2024-01-19	Direct Ownership :	11 - Acquisition or disposition carried out privately
4297508	2024-04-05	2024-04-08	Direct Ownership :	11 - Acquisition or disposition carried out privately
4345739	2024-07-08	2024-07-09	Direct Ownership :	11 - Acquisition or disposition carried out privately
4387342	2024-10-07	2024-10-08	Direct Ownership :	10 - Acquisition or disposition in the public market
4389879	2024-10-12	2024-10-15	Direct Ownership :	11 - Acquisition or disposition carried out privately
4429725	2025-01-03	2025-01-03	Direct Ownership :	11 - Acquisition or disposition carried out privately

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Filing Details

Glass House Brands Inc.	Issuer Name
Rosenwald III, James B.	Insider Name
3 - 10% Security Holder of Issuer	Relationship as filed with regulators
4693526	Transaction ID
Apr 01, 2026	Filing Date
Mar 31, 2026	Transaction Date
Subordinate, Restricted and Limited Voting Shares	Security Type
10 - Acquisition or disposition in the public market	Transaction Nature
Control or Direction	Ownership Type
JBR IV TR	Registered Holder
-5,000	# or Value Acquired or Disposed of
\$7.842	Unit Price or Exercise Price
102,828	Closing Balance
0.000	Conversion or Exer



Date of Expiry of

Equivalent # or Value of Underlying Securities

Acquired or Disposed of
Closing Balance
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Glass House Brands Inc.	Issuer Name
Rosenwald III, James B.	Insider Name
3 - 10% Security Holder of Issuer	Relationship as filed with regulators
4624725	Transaction ID
Dec 18, 2025	Filing Date
Dec 18, 2025	Transaction Date
Subordinate, Restricted and Limited Voting Shares	Security Type
10 - Acquisition or disposition in the public market	Transaction Nature
Control or Direction	Ownership Type
Kings Bay	Registered Holder
-51,300	# or Value Acquired or Disposed of
\$9.622	Unit Price or Exercise Price
71,200	Closing Balance
0.000	Conversion or Exercise Price

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Rosenwald III, James B.	Insider Name
3 - 10% Security Holder of Issuer	Relationship as filed with regulators
4627683	Transaction ID
Dec 23, 2025	Filing Date
Dec 23, 2025	Transaction Date
Subordinate, Restricted and Limited Voting Shares	Security Type
10 - Acquisition or disposition in the public market	Transaction Nature
Control or Direction	Ownership Type
Kings Bay	Registered Holder
-16,600	# or Value Acquired or Disposed of
\$8.940	Unit Price or Exercise Price
0	Closing Balance
0.000	Conversion or Exer



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Rosenwald III, James B.	Insider Name
3 - 10% Security Holder of Issuer	Relationship as filed with regulators
4700121	Transaction ID
Apr 07, 2026	Filing Date
Apr 07, 2026	Transaction Date
Subordinate, Restricted and Limited Voting Shares	Security Type
10 - Acquisition or disposition in the public market	Transaction Nature
Control or Direction	Ownership Type
JBR IV TR	Registered Holder
-600	# or Value Acquired or Disposed of
\$8.500	Unit Price or Exercise Price
82,228	Closing Balance
0.000	Conversion or Exercise Price

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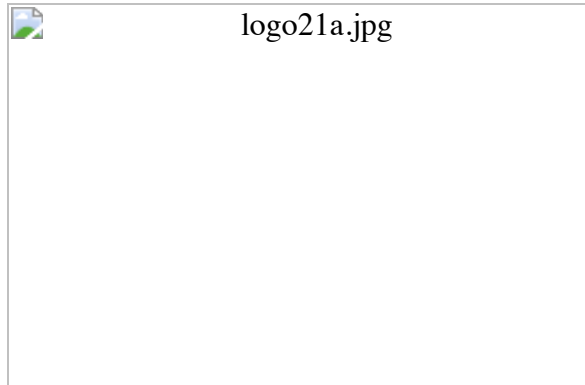
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Exhibit 99.3



GLASS HOUSE BRANDS INC.
ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2025
DATED MARCH 24, 2026

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EXPLANATORY NOTES AND DISCLAIMERS

Formation of Company

In this annual information form (this “AIF”), unless the context otherwise requires, the “**Company**,” “we,” “us” and “our” refers to Glass House Brands Inc. together with its subsidiaries, which entity was previously a publicly listed special purpose acquisition corporation named Mercer Park Brand Acquisition Corp. (“**Mercer Park**”). See “*Corporate Structure*.”

Currency of Information Provided

This AIF applies to the business activities and operations of the Company and its subsidiaries for the year ended December 31, 2025, as updated to March 24, 2026, unless otherwise stated, where applicable.

Presentation of Financial Information and Currency

The Company presents its consolidated financial statements in United States dollars and prepares such financial statements in accordance with United States Generally Accepted Accounting Principles (“**U.S. GAAP**”). Unless otherwise indicated, all references to “\$” or “US\$” in this AIF refer to United States dollars and all references to “C\$” in this AIF refer to Canadian dollars.

Market and Industry Data

Unless otherwise indicated, the market and industry data contained in this AIF is based upon information from independent industry publications, government publications, market research, analyst reports and surveys and other publicly available sources. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although the Company believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of the data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey. The Company has not independently verified any of the data from third-party sources referred to in this AIF, and accordingly, the accuracy and completeness of such data is not guaranteed.

Forward-Looking Information

This AIF contains certain “forward-looking information” and “forward-looking statements,” as defined in applicable securities laws (collectively referred to herein as “**forward-looking statements**”). All statements other than statements of historical fact are considered forward-looking statements. Forward-looking statements are based on the assumptions, estimates, analyses and opinions of management 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 as of the date hereof. Often, but not always, forward-looking statements can be identified by the use of words such as “plans,” “expects,” “is expected,” “budget,” “scheduled,” “estimates,” “continues,” “forecasts,” “projects,” “predicts,” “intends,” “anticipates” or “believes,” or variations of, or the negatives of such words and phrases, or statements that certain actions, events or results “may,” “could,” “would,” “should,” “might” or “will” be taken, occur or be achieved. The forward-looking statements contained herein include, but are not limited to, information with respect to the Company’s expectations regarding: the legislative framework regarding the licensing of cannabis and related activities; proposed and anticipated changes to applicable laws and regulations regarding the cannabis market, associated fees and taxes and the business impact on the Company; any potential future legalization of adult-use and/or medical marijuana under U.S. federal law; the ability of the Company to realize the anticipated benefits of acquired businesses and the successful integration thereof; the potential size of the adult and medical-use cannabis markets in the jurisdictions in which the Company currently operates and may in the future operate; the availability and renewal of requisite licenses and permits on terms acceptable to the Company; anticipated future cultivation, manufacturing and extraction capacity and output, and the resulting anticipated operational and financial benefits to the Company; expectations as to the development and distribution of the Company’s brands and products and the distribution of third-party products; estimated future sales, estimated future operating costs and other prospective financial performance and the resulting effects on the Company’s financial position; prospective operational performance; business prospects and objectives and near and long-term strategies, including growth strategies; competitive strengths; anticipated trends and challenges in the Company’s business and the markets in which it operates; the ability of the Company to satisfy the requirements of its debt obligations, and to repay, renew or refinance such indebtedness upon such indebtedness becoming payable; anticipated cash needs; the Company’s ability to raise funds in the capital markets and the resulting effects on the Company’s financial position; the schedule for the release of outstanding shares or other securities of the Company or its subsidiaries that are currently subject to lock-up arrangements; 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.

Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may be beyond the Company's ability to predict or control and that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: the fact that cannabis is a controlled substance and continues to be classified as a Schedule I drug under the CSA (as defined herein); the enforcement of U.S. federal law and any other relevant law; investors' contributions to and involvement in such activities which may result in U.S. federal civil and/or criminal prosecution, including forfeiture of their entire investment; the Rohrabacher-Farr Amendment (as defined herein) not being renewed; federal and state forfeiture laws; the illegality of cannabis under U.S. federal law restricting the Company's access to capital; anti-money laundering laws and regulation; restricted access to banking; heightened scrutiny by regulatory authorities; cannabis products travelling across borders; regulatory or political change; the fact that the cannabis industry is a relatively new industry and may not succeed; the Company's management team or other owners could be disqualified from ownership in the Company; public opinion and perception; general regulation; licensure; California regulatory non-compliance; reclassification or rescheduling of cannabis in the United States under the CSA; service providers; enforceability of contracts; lack of access to the U.S. bankruptcy protections or other predictable means of resolving insolvency; environmental and regulation matters; the loss of the Company's foreign private issuer status and potentially becoming a full domestic issuer in the United States; the Company's Multiple Voting Shares and capital structure generally; the Company's ability to refinance, extend or repay its indebtedness; limited operating history; reliance on management; successfully obtaining additional financing as required to fund the Company's continuing operations; lack of profitability of the Company; competition; future acquisitions or dispositions; an agricultural business; vulnerability to rising energy costs; product liability; product recalls; results of future clinical research being unfavorable; reliance on key inputs; dependence on suppliers and skilled labour; growth management; cannabis products diversion; internal controls over financial reporting and/or disclosure controls and procedures being inadequate; forecasting and projections; leased premises; reliance on a single operating jurisdiction and lack of diversification; reliable data regarding the medical and adult-use marijuana industry; ongoing and/or future litigation; intellectual property rights; competition from synthetic production and technological advances; constraints on marketing cannabis products; fraudulent or illegal activity by employees, contractors and consultants; information technology systems, security breaches and cyber-attacks; taxation matters, including, without limitation, federal and, California state and local taxes; high bonding and insurance coverage costs; global financial conditions; the fact that the Company is a holding company; increased costs as a result of being a public company; limitations on remedies and rights to indemnification; enforcing judgments and effecting service of process on directors and officers; past performance not being indicative of future results; market price volatility; the impact of the ongoing Russia-Ukraine military crisis; the Israel-Palestine conflict, and other global events on financial markets; sales by existing securityholders, including upon expiration of existing lock-up arrangements; limited market for securities; climate change; interest rates and inflation; future sales of the Company's securities and dilution; as well as the factors discussed in the "Risk Factors" section of this AIF.

All forward-looking statements made herein are qualified by this Forward-Looking Information cautionary statement. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements in this AIF. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

CORPORATE STRUCTURE

The Company was incorporated under the *Business Corporations Act* (British Columbia) ("**BCBCA**") on April 16, 2019, as a special purpose acquisition corporation with the name Mercer Park Brand Acquisition Corp. On May 13, 2019, Mercer Park completed an initial public offering and became listed on the Neo Exchange Inc., now operating as Cboe Canada ("**Cboe Canada**"). On June 29, 2021, Mercer Park completed a qualifying transaction under the rules of Cboe Canada (the "**Business Combination**") pursuant to the terms of an Agreement and Plan of Merger with GH Group, Inc., a Delaware corporation and a California-based vertically integrated cannabis company ("**GH Group**"), among other parties, dated as of April 8, 2021, as amended (collectively, the "**Business Combination**"). Upon completion of the Business Combination, the Company indirectly acquired 100% of the common equity interests of GH Group, and changed its name to Glass House Brands Inc.

As a result of the Business Combination, GH Group's shareholders became the controlling shareholders of the Company, and the Company continued to carry on the business of GH Group and its subsidiaries. The Business Combination was effected by a reverse merger of an indirect subsidiary of Mercer Park with GH Group, with GH Group as the surviving entity, as a result of which GH Group became a majority-owned indirect subsidiary of the Company.

In connection with the Business Combination, the articles of the Company (the “**Articles**”) were amended to, among other things: (i) create and set the terms of the restricted voting shares (the “**Restricted Voting Shares**”) and limited voting shares of the Company (the “**Limited Voting Shares**”), (ii) amend the terms of Mercer Park’s Class A restricted voting shares to provide for the conversion of such shares into Restricted Voting Shares, Limited Voting Shares, or subordinate voting shares of the Company (the “**Subordinate Voting Shares**,” and collectively with the Restricted Voting Shares and the Limited Voting Shares, the “**Equity Shares**”), as applicable (rather than solely into the Subordinate Voting Shares), (iii) provide for the conversion of Mercer Park’s Class B shares directly or indirectly on a one-for-one basis into Equity Shares, (iv) amend the terms of the multiple voting shares of the Company (the “**Multiple Voting Shares**”) to convert the terms of such class of shares into non-transferable, redeemable and retractable preferred shares carrying 50 votes per share with no dividend or conversion rights and a \$0.001 redemption and liquidation value, and (v) amend the terms of the Subordinate Voting Shares issuable on conversion of Mercer Park’s Class A restricted voting shares, including by amending the requirements in respect of who may hold Subordinate Voting Shares (collectively, the “**Share Terms Amendment**”). See “*Description of Capital Structure*.”

At the annual general and special meeting of shareholders of the Company held on June 23, 2023, shareholders passed a special resolution to amend the Articles to extend the “sunset” date for the Multiple Voting Shares from June 29, 2024 until June 29, 2027. A Notice of Alteration in respect of such amendment was filed with the British Columbia Registrar of Companies on July 4, 2023.

The current head office of the Company is 3645 Long Beach Boulevard, Long Beach, California 90807. The registered office of the Company is 666 Burrard Street, Suite 2500, Vancouver, BC V6C 2X8 Canada.

Set forth below is the current organizational chart of the Company, setting out all material subsidiaries and affiliates of the Company and their jurisdiction of incorporation, formation or organization.



Note:

- (1) As of December 31, 2025, the total number of voting common shares issued and outstanding in the capital of MPB Acquisition Corp. was 28,593,826 common shares, consisting of 22,147,948 Class A non-exchangeable voting common shares, all of which were issued to the Company in connection with the completion of the Business Combination, and 6,445,878 Exchangeable Shares (as defined herein), none of which are held by the Company. Accordingly, the Company currently controls approximately 77.46% and the holders of the Exchangeable Shares control approximately 22.54% of the total voting rights of MPB Acquisition Corp. as of December 31, 2025. See “*Description of the Capital Structure – Exchangeable Shares*.”

GENERAL DEVELOPMENT OF THE BUSINESS

The highlights relating to the development of the Company's business over the past three (3) years are described below.

Business Developments

Federal Agency Actions at Company Farms

On August 4, 2025, the Company provided an update regarding certain federal agency actions that occurred at two of its cultivation facilities.

On July 10, 2025, U.S. Immigration and Customs Enforcement ("ICE") executed search warrants at two of the Company's facilities in connection with an investigation involving potential immigration-related matters under Title 8 of the United States Code. Media reports have stated that approximately 360 individuals were arrested/detained in connection with the enforcement actions; however, the Company has not been able to independently verify those figures. Based on information currently available to the Company, nine individuals who were arrested or detained were Company employees; the remaining individuals were employed by third-party contractors providing agricultural labor services at the Company's Camarillo facility or were otherwise not Company employees. One individual employed by a third-party contractor sustained fatal injuries during the incident. To the Company's knowledge, based on its review of available payroll and related records for its employees and information received from its contractors, individuals working at the Company's facilities on July 10, 2025, were paid no less than the applicable federal or California minimum wage. The Company's policy is to pay lawful wages to its employees and to require third-party contractors to comply with applicable wage and hour laws.

The investigation remains ongoing. The Company is cooperating with the government and has taken steps to strengthen its labor compliance and contractor oversight practices. The Company cannot predict the outcome of the investigation or any related proceedings, including whether they may result in fines, penalties, remediation obligations, operational restrictions, or other costs.

Following the July 10, 2025, incident, the Company implemented additional measures intended to strengthen its labor compliance regulatory framework and enhanced oversight of third-party contractors. The Company has entered into updated agreements or new agreements with its existing farm labor contractors ("FLCs"), as well as new FLCs. These updated agreements and new agreements include enhanced compliance requirements, representations and certifications regarding employment eligibility verification and wage-and-hour compliance, and expanded audit and oversight provisions.

Since July 2025, the Company retained Guidepost Solutions, led by former Assistant Secretary of Homeland Security Julie Myers Wood, to assist its legal counsel in evaluating and implementing best-practice procedures for employment eligibility verification and third-party contractor oversight.

With respect to the Company's employees, the Company has enhanced its employment eligibility verification procedures and uses E-Verify for all new hires consistent with DHS standard MOU. With respect to contractor-provided labor, the Company now requires FLCs to implement employment eligibility verification procedures consistent with applicable law (including use of E-Verify for all hires placed on the Company's site, and the Company has enhanced its documentation, oversight, and audit practices for contractor compliance. The Company maintains it has enhanced site-access controls, including age-verification and visitor-management procedures, for individuals entering its cultivation facilities, including employees, contractors, vendors, visitors, and customers. In addition, the Company entered into a Labor Peace Agreement with the International Brotherhood of Teamsters covering its licensed operating entities, including the farm facilities. This agreement provides the Teamsters the opportunity to engage with certain employees concerning pay, benefits and collective bargaining.

New Distributor

In March 2025, the Company's co-packer and distributor went into receivership. The Company subsequently entered into a logistical relationship with a new distributor. In December 2025, the Company transitioned its third-party cannabis distribution to a new distributor following the prior distributor's failure to meet certain contractual obligations.

Element 7

Effective February 23, 2021, GH Group entered into a Merger and Exchange Agreement (“**E7 Merger Agreement**”) with Element 7 CA, LLC (“**E7**”) whereby GH Group had the right, subject to satisfactory completion of due diligence and certain other conditions, to obtain all of the limited liability company membership interests or other equity interests held by E7 in 17 holding companies that hold the rights to certain in-process state and local cannabis retail licenses or license applications, some of which were partially owned. In addition, GH Group entered into a License Development and Consulting Agreement (“**E7 License Agreement**,” and together with the E7 Merger Agreement, the “**E7 Agreements**”) with E7 to provide certain retail consulting services to develop and obtain up to 34 cannabis retail licenses in exchange for the payment of certain fees as set forth in the E7 License Agreement. In November 2021, GH Group terminated the E7 Agreements based on a breach of contract by E7, and as of December 31, 2021, GH Group had converted certain pre-closing financing payments and consulting fees into notes receivable in the amount of \$2.3 million. As of December 31, 2025 and 2024, the notes receivable were fully reserved by the Company. As of December 31, 2023, the Company had received limited liability membership interests or other equity interests in three E7 entities out of 17 entities that were contractually committed to be transferred under the E7 Merger Agreement.

On November 4, 2021, GH Group filed a lawsuit in the Superior Court for the County of Los Angeles, Central District (Case No. 21STCV40401) against E7 and its principals and owners Josh Black and Robert “Bobby” DiVito (together, “**Element 7**”) for a variety of claims, including fraud and breach of contract and demanded performance under the E7 Agreements.

The court proceeding was subsequently withdrawn by the Company without prejudice, and on March 13, 2022, GH Group entered into an agreement with American Patriot Brands, Inc. (“**APB**”) to jointly file suit against E7 to enforce the transfer of certain contractually committed cannabis retail licenses (“**Joint Litigation Agreement**”). GH Group and APB jointly refiled a complaint against E7 in the Superior Court of California, County of Los Angeles (Case No. 22STCV09323). The Superior Court severed the claims of GH Group and APB, which resulted in APB’s claims remaining in Superior Court and GH Group’s claims being adjudicated in Signature Arbitration (Case No. LQMGL) (collectively, “**Element 7 Proceeding**”).

Under the terms of the Joint Litigation Agreement, GH Group agreed to pay all legal fees for GH Group and APB’s joint litigation against E7. GH Group also held the option to purchase any E7 cannabis retail license or licensed entity interests recovered by APB from E7 that were included in the E7 Merger Agreement, that either have a state or local permit and a valid lease, or a local permit that is without a real property site but is in a competitive license jurisdiction, in each case at a valuation of \$750 thousand per E7 license or licensed entity, paid in Equity Shares at the 10-day volume-weighted average price (“**VWAP**”) calculated as of the date of such purchase. In addition, under the Joint Litigation Agreement, GH Group also held the right of first refusal to purchase any other E7 cannabis retail licenses or licensed entity outside of the foregoing groups, and the right to terminate the Joint Litigation Agreement at any time. As part of the Element 7 Settlement, the Joint Litigation Agreement was terminated as of September 19, 2023.

Through the process of litigation, on September 19, 2023, E7, APB and GH Group entered into a Settlement and General Mutual Release Agreement (the “**Element 7 Settlement**”), where E7 agreed to pay GH Group \$2.9 million to settle the Element 7 Proceeding; provided, that if E7 paid GH Group \$1.9 million by December 15, 2023, then E7 would have been entitled to a credit of \$1.0 million towards the \$2.9 million payment. In addition, E7 would retain ownership of its cannabis retail licenses.

E7 failed to pay GH Group \$1.9 million by December 15, 2023, and it also failed to subsequently pay GH Group the \$2.9 million that was due under the Element 7 Settlement.

On March 6, 2024, the Superior Court of Los Angeles entered into a Final Judgment and Order against E7 for the amount of \$2.9 million in favor of GH Group.

On November 19, 2024, C and H Holdings (“**C and H**”) filed a breach of contract claim among other claims against E7 and other E7 related entities (“**C and H Lawsuit**”). In addition, C and H requested that the court appoint a receiver for E7 so that the assets could be used to satisfy C and H’s claims under its loan agreement with E7 and the related E7 entities that were included in the lawsuit. C and H also named GH Group in the lawsuit to prevent GH Group from satisfying its judgment against E7.

GH Group opposed the C and H Lawsuit. On April 30, 2025, the court dismissed the lawsuit against GH Group.

On October 30, 2025, GH Group assigned its judgment against Element 7 to NUG Inc. (“NUG”) in exchange for a firm commitment buying agreement whereby NUG agreed to purchase from GH Group a certain amount of its CPG products until such time as NUG purchased either (x) net revenue in excess of \$7.2 million or (y) realized net profits in excess of \$1.4 million. For purposes of calculating such amounts, NUG shall receive credit for all qualifying purchases made by NUG on or after November 1, 2024.

SoCal Greenhouse

On September 14, 2021, the Company completed its acquisition of an approximately 5.5 million square-foot high tech greenhouse facility located in Camarillo, California (the “**SoCal Facility**”) for total consideration of \$93.0 million in cash, plus stock considerations payable to the original holder of the option to purchase the SoCal Facility (the “**Option Holder**”).

Under the terms of the definitive purchase agreements dated March 29, 2021, as amended, and the option rights to purchase the SoCal facility pursuant to the terms of an agreement to assign option dated June 6, 2021 as amended by an assignment and assumption of option agreement dated September 14, 2021 (collectively, the “**SoCal Purchase Agreements**”), the Company paid the sellers of the SoCal Facility at closing \$93.0 million (approximately C\$117.7 million) in cash and issued to the Option Holder 6.5 million Subordinate Voting Shares at a price equal to \$10.00 per share (C\$12.65). The Company held back 3.5 million Subordinate Voting Shares (the “**Contingent Shares**”), which may be issued to the Option Holder after closing upon satisfaction of certain contractual indemnity obligations. Finally, the Option Holder was entitled to earn up to \$75.0 million (approximately C\$94.9 million) of additional Subordinate Voting Shares (the “**Earn-Out Shares**”), to be priced based on the VWAP of such shares for twenty (20) consecutive trading days immediately prior to the last day of the 12-month period commencing on the date that is thirty (30) months after the date certain capital expenditures are made by the Company to the SoCal Facility, as more particularly detailed in the SoCal Purchase Agreements. The vesting of the Earn-Out Shares was determined pursuant to an earn-out formula set forth in the SoCal Purchase Agreements. See “*Material Contracts*.” During the quarter ended March 31, 2025, the measurement period for the Earn-Out Shares concluded, and it was determined that the financial metrics were not met and therefore, the Earn-Out Shares did not vest and would not be issued. During the year ended December 31, 2025, the Company issued 500,000 Equity Shares related to the contingent payment. The Company is obligated to issue up to an additional 3 million Equity Shares as a contingent payment, which are subject to certain conditions and events.

On March 10, 2022, the Company received California state cannabis licenses, as well as a cannabis business license from Ventura County, for the Phase I retrofit of the SoCal Facility. See “*Description of the Business – Cultivation*” below. The Company completed the first harvest in June 2022, four weeks earlier than scheduled.

On March 1, 2023, the Company announced plans to commence a Phase II retrofit of an additional greenhouse, Greenhouse 5, to expand production at its SoCal Facility. The Company completed the first harvest from Greenhouse 5 in the first quarter of 2024. Greenhouse 5 provides approximately one million square feet of additional cultivation capacity and is expected to produce in excess of 300,000 pounds of high-quality sun grown cannabis. This expansion plan follows the successful completion of the Company’s Phase I retrofit of the SoCal Facility in 2022.

On August 13, 2024, the Company announced plans to commence a Phase III retrofit of an additional greenhouse to expand production at its SoCal Facility, targeting approximately one million square feet of additional cultivation capacity capable of annually producing 275,000 pounds of high-quality sun grown cannabis. The Company completed the first harvest of approximately one-third of Greenhouse 2 in the fourth quarter of 2025. Cultivation for the remaining two-thirds is planned to commence in 2026. This expansion plan follows the successful completion of the Company’s Phase II retrofit, Greenhouse 5, of the SoCal Facility in 2024.

PLUS

On April 28, 2022, the Company acquired the business of Plus Products Inc. (“**PLUS**”), a leading cannabis edibles branded company based in California, through the acquisition of all outstanding securities of PLUS’ wholly owned subsidiary, Plus Products Holdings Inc. The Company acquired PLUS for approximately \$31 million through a combination of (i) the issuance of approximately C\$20,504,850 in unsecured convertible debentures to existing secured noteholders of PLUS pursuant to a debenture indenture between the Company and Odyssey Trust Company, as trustee, dated April 28, 2022 (the “**Debenture Indenture**”) (see “*Material Contracts*”), (ii) 2,102,654 Equity Shares to existing securityholders of PLUS, and (iii) approximately 1,800,000 restricted share units and 208,635 incentive shares to certain management, employees and consultants of PLUS.

Partnership with Seed Junky

On August 23, 2022, the Company announced its partnership with Seed Junky Genetics. Seed Junky is one of the premier cannabis genetics breeders both in California and globally, has created many of the most well-known strains in cannabis and powers a select few of the top premium brands in California. Under the terms of the partnership, Seed Junky partnered with the Company to breed and select strains that would be exclusively made available in the Company's brands including Glass House Farms, Forbidden Flowers, Field extracts and others.

As of March 1, 2023, the Company and Seed Junky agreed to mutually end their partnership.

Farmacy Santa Ynez

On January 9, 2023, the Company announced the soft opening of its new Farmacy dispensary in Santa Ynez, California, with the grand opening completed on January 28, 2023.

NHC Dispensaries

The Company completed the acquisition of the three (3) existing and operational Natural Healing Center ("NHC") branded dispensaries located in the Central Coast region during Q3 2022, including two dispensaries located in Grover Beach and Lemoore, California and acquired on September 6, 2022, and a dispensary located in Morro Bay, California and acquired on September 14, 2022. The Company also entered into a 5-year arm's length term lease at each location with three 5-year renewal options for a total term of up to 20 years.

The Company will issue, in total, approximately 2.35 million Equity Shares, 1.29 million Equity Shares and 2.0 million Equity Shares in connection with the Grover Beach, Lemoore and Morro Bay acquisitions, respectively, a portion of which have already been issued. A portion of the Equity Shares payable to the NHC sellers is subject to certain contractual lock-ups and escrow holdbacks and generally will be paid out over (2) two years from the applicable closing dates if all Equity Shares are released after the lock-up and holdback periods expire. They are also subject to certain contractual early-release triggers.

On April 21 2023, a fourth NHC-affiliated dispensary located in Turlock, California was acquired. The calculation for and the payment of the consideration for the Turlock dispensary is exclusively earn-out based and will occur at the end of its sixth full calendar quarter of operations, at 6 times its annualized EBITDA in said quarter. If the earn-out triggers apply, the consideration will be paid 80% in new Equity Shares priced at the 25-day VWAP of the Equity Shares as of the calendar quarter ending on the earnout date and 20% in the form of an unsecured promissory note bearing interest at 8% annually and maturing after the four-year anniversary of the closing date. Additional Equity Shares may be payable to the sellers of the Turlock dispensary in connection with the acquisition subject to certain contractual escrow holdbacks over four (4) years following the closing date if all Equity Shares are released after applicable holdback periods expire. Such Equity Shares are also subject to certain contractual early-release triggers.

During the year ended December 31, 2024, the Company issued 190,575, 107,379 and 167,843 Equity Shares in satisfaction of certain deferred Equity Shares payable as contractually required for the fiscal year 2022 acquisitions of Natural Healing Center, LLC, NHC Lemoore, LLC and NHC-MB LLC, respectively. During the year ended December 31, 2025, the Company issued 47,635, 26,840 and 41,952 Equity Shares in satisfaction of certain deferred Equity Shares payable as contractually required for the fiscal year 2022 acquisitions of Natural Healing Center, LLC, NHC Lemoore, LLC and NHC-MB LLC, respectively.

Acquisition of Noncontrolling Interest of SBDANK, LLC

On August 8, 2025, the Company entered into agreements with the minority members of SBDANK, LLC ("SBDANK"), pursuant to which the Company acquired the remaining 49% noncontrolling interest in SBDANK. The agreements resulted in the Company obtaining 100% ownership of SBDANK. As consideration for the acquisition, the Company issued 248,829 shares of its common stock to the former minority members.

Financing Transactions

Senior Secured Credit Facility

On February 28, 2025, the Company refinanced its Prior Credit Agreement (as defined below) and entered into a new senior secured credit facility for an aggregate principal amount of \$50 million maturing on February 28, 2030 (the “**Senior Secured Credit Facility**,” as amended) with certain U.S.-based banks. The Senior Secured Credit Facility is secured by a first priority blanket lien on the Company’s Camarillo, Padaro and Casitas greenhouse farms and facilities and a first priority blanket lien on the rest of the Company’s assets excluding other real estate and is jointly and severally guaranteed by several of the Company’s subsidiaries.

Payments for the first 2 years of the term are interest only. Principal and interest payments will be made during the last 3 years based on a straight-line amortization of the loan amount over a period of 15 years beginning on April 1, 2027, with a balloon payment of the remainder of the principal due on the maturity date. Interest payments began on April 1, 2025 and will be paid in monthly installments. The Senior Secured Credit Facility has optional and mandatory prepayments. The Company may make optional prepayments to repay the Senior Secured Credit Facility, in whole or in part, subject to paying an applicable premium. Mandatory prepayments include a change in control of the borrower subsidiaries including changes in parent company ownership or certain acquisition or controlling influence over the borrower subsidiaries.

The Senior Secured Credit Facility has a floating interest rate based on the Wall Street Journal’s prime rate, which was 6.75% as of December 31, 2025, plus 1.25%. On February 28, 2025, the Company entered into an interest rate swap agreement with a notional amount of \$50 million to convert the variability of cash flows resulting from fluctuations in variable rates to effectively set the interest rate at 8.58%. The interest rate swap agreement expires on February 28, 2030.

The Senior Secured Credit Facility contains a covenant which requires the Company to maintain liquidity in excess of \$10 million at all times. In March 2026, in connection with the amendment described below, this covenant was amended to require the Company to maintain liquidity in excess of \$15 million. The Senior Secured Credit Facility also contains a covenant which requires the Company to maintain a Consolidated Fixed-Charge Coverage Ratio of at least 1.25x measured quarterly on a trailing-twelve-month basis commencing as of December 31, 2024. The Fixed-Charge Coverage Ratio is defined as Adjusted EBITDA minus income tax expense divided by the current portion of long-term debt plus interest expense plus the current portion of capital leases. Preferred equity dividend payments and convertible debt payments are not included in the Fixed-Charge Coverage Ratio calculation as the former can be suspended if needed and the latter can be paid in shares.

As of December 31, 2025, the Company was not in compliance with the Fixed-Charge Coverage Ratio financial covenant under the Senior Secured Credit Facility and also experienced certain technical events of default related to administrative and guarantor provisions, none of which related to payment obligations. As a result of these events of default, the lender had the contractual right to declare the related debt immediately due and payable. On March 16, 2026, the Company entered into a First Amendment and Waiver to the Senior Secured Credit Facility pursuant to which the lender waived the financial covenant violation and the related technical events of default. The amendment also suspends testing of the Fixed-Charge Coverage Ratio for the fiscal quarters ending March 31, 2026, June 30, 2026, and September 30, 2026, with covenant testing resuming for the fiscal quarter ending December 31, 2026. As a result of the waiver and covenant suspension, the lender does not have the contractual right to accelerate the debt arising from these events of default for a period greater than twelve months from December 31, 2025.

Prior Senior Secured Credit Agreement

Effective December 10, 2021, the Company entered into a senior secured credit agreement (as amended, the “**Prior Credit Agreement**”), among the Company, MPB Acquisition Corp., GHB Usub, LLC, GH Group and a U.S.-based private credit investment fund (the “**Prior Senior Secured Lender**”) for up to \$100 million, with an initial draw of \$50 million. The Prior Credit Agreement had a variable interest rate most recently set at 12% per annum, the ceiling for such rate, prior to the repayment in February 2025. The gross proceeds of advances made under the Prior Credit Agreement were used to fund the phased retrofit of the SoCal Facility and for general corporate purposes.

On February 28, 2025, the Company used proceeds from the Senior Secured Credit Facility to repay the remaining balance of the Prior Credit Agreement term loan in the amount of \$40.6 million plus fees and extinguished in its entirety the Company’s obligations under the Prior Credit Agreement.

The conditions of the Original Loan Agreement included the issuance of 2,000,000 Listed Warrants to the Original Lender with each Listed Warrant exercisable at an exercise price of \$11.50 to acquire one Equity Share until June 26, 2026, subject to acceleration or redemption as set forth under the terms of the Warrant Agreement. Notwithstanding the payoff of the Prior Credit Agreement, the Prior Senior Secured Lender retains such Listed Warrants. See “*Material Contracts*.”

2025 Lompoc Term Loan

On August 4, 2025, the Company entered into a term loan for an aggregate principal amount of \$3 million maturing on August 4, 2035 (the “**2025 Lompoc Term Loan**”) with a U.S.-based bank (the “**2025 Lompoc Term Loan Lender**”). The 2025 Lompoc Term Loan requires monthly principal and interest payments commencing on September 4, 2025 and has an initial fixed interest rate of 8.5% for the first five years. Beginning September 4, 2030, the loan converts to a variable rate based on the Wall Street Journal prime rate plus 1%, resetting every five years, with a minimum floor rate of 5%. The loan is amortized over 25 years with a balloon payment due at maturity. Proceeds were used to acquire the remaining 76% ownership interest in a property located in Lompoc, California.

The 2025 Lompoc Term Loan includes covenants, including a requirement to maintain a minimum debt service coverage ratio of 1.25x, measured annually at the guarantor level, Glass House Brands Inc. As of December 31, 2025, the Company was not in compliance with this financial covenant. As a result, the lender had the contractual right to declare the related debt immediately due and payable. In March 2026, the lender provided a waiver of the financial covenant violation which prevents the lender from exercising its acceleration rights for a period of at least twelve months from December 31, 2025.

The 2025 Lompoc Term Loan is secured by a first-priority deed of trust on the Company’s Lompoc facility and a first priority lien on other assets of the Company excluding other real estate. The loan is jointly and severally guaranteed by several of the Company’s subsidiaries.

Offering of GH Group Series B Preferred Stock and Company Warrants

During the second half of 2022, the Company completed a non-brokered private placement of Series B Preferred Stock of GH Group, at a face value \$1,000 per share, and warrants of the Company. The offering was completed in three tranches, which closed on August 31, October 3 and December 6, 2022, respectively. The aggregate gross proceeds raised from all three tranches were approximately \$27.3 million, not including the amount used to redeem the remaining outstanding GH Group Preferred Shares. A total of 49,969 shares of Series B Preferred Stock were issued, with an aggregate face value of approximately \$50 million.

Holders of the Series B Preferred Stock of GH Group were entitled to an annual dividend at a rate of 20% for the first two years after the date of initial issuance of Series B Preferred Stock, 22.5% for the third year and, thereafter, 25% until the 54-month anniversary of the initial issuance. The dividend accrued and was paid quarterly with an annual amount equal to 10% of the initial investment being payable in cash and the balance of the dividend being paid in kind, accumulating and compounding on a quarterly basis until paid; provided that if the Series B Preferred Stock remained outstanding after the 54-month anniversary of the initial issuance, the annual dividend thereafter would have been payable solely in cash at a rate of 20%.

Series B Preferred shares were fully redeemed or converted during the year ended December 31, 2025 and are no longer outstanding.

The issuance of each share of Series B Preferred Stock of GH Group was accompanied by the delivery of 200 warrants of the Company, issued pursuant to the terms of a warrant indenture between the Company and Odyssey Trust Company, as warrant agent, dated August 31, 2022 (the “**Warrant Indenture**”) (see “*Material Contracts*”). Each warrant has a five-year term and entitles the holder to purchase one Equity Share in the capital of the Company at a price of \$5.00 per share subject to customary anti-dilution adjustments. The Company has the option to terminate any unexercised warrants if the underlying shares trade at a price of at least \$12.00 per share, subject to customary anti-dilution provisions. As a condition to the offering, holders of GH Group who held existing warrants of the Company with a \$10.00 exercise price issued in connection with the Business Combination agreed to the cancellation of such existing warrants, with 100 existing warrants to be canceled for each share of Series B Preferred Stock that is issued in exchange for GH Group Preferred Shares.

Offering of GH Group Series C Preferred Stock and Company Warrants

Beginning with an initial closing on December 29, 2022, the Company completed, in two tranches, a non-brokered private placement of Series C Preferred Stock of GH Group, at a face value of \$1,000 per share, and warrants of the Company, for aggregate gross proceeds of \$5.0 million on terms substantially similar to the Series B Preferred Stock, including the delivery of 200 warrants of the Company for each share of Series C Preferred Stock pursuant to the terms of the Warrant Indenture.

Series C Preferred shares were fully redeemed or converted during the year ended December 31, 2025 and are no longer outstanding.

Offering of GH Group Series D Preferred Stock and Company Warrants

On August 24, 2023, the Company announced that it closed the first tranche of a non-brokered private placement of shares of Series D Preferred Stock of GH Group at a face value of \$1,000 per share, and warrants of the Company, for aggregate gross proceeds of \$10.9 million. On December 12, 2023, the Company announced the closing of the final tranche of the offering for additional aggregate gross proceeds of \$4.1 million.

Holders of the Series D Preferred Stock will be entitled to an annual cash dividend at a rate of 15% for the first five years after the date of initial issuance of Series D Preferred Stock and 20% annually thereafter.

The issuance of each share of Series D Preferred Stock with a face value of \$1,000 per share was accompanied by the delivery of 200 warrants of the Company issued pursuant to the terms of a warrant indenture between the Company and Odyssey Trust Company, as warrant agent, dated August 23, 2023 (the “**2023 Warrant Indenture**”) (see “*Material Contracts*”). Each warrant entitles the holder to purchase one new Equity Share until August 23, 2028, at a price of \$6.00 per share, subject to customary anti-dilution adjustments. The Company has the option to accelerate the expiration of any unexercised warrants if the Equity Shares trade at a price of at least \$12.00 per share for a period of 10 trading days out of a period of any 15 consecutive trading days, subject to customary anti-dilution provisions.

Offering of GH Group Series E Convertible Preferred Stock

On July 16, 2025, the Company announced a recapitalization and non-brokered private placement of Series E Convertible Preferred Stock, face value of \$1,000 per share (the “**Series E Convertible Preferred**”), of GH Group. The Series E Convertible Preferred replaces GH Group’s existing Series B Preferred Stock (“**Series B Preferred**”) and Series C Preferred Stock (“**Series C Preferred**”). Any holders of Series B Preferred and Series C Preferred shares who elected not to exchange into the Series E Convertible Preferred were redeemed by GH Group, which effectively canceled the Series B Preferred and Series C Preferred on a go-forward basis.

The Series E Convertible Preferred are convertible at any time at the option of the holder into GH Group Class B Common Stock at a fixed conversion price of \$9.00 per share. Each GH Group Class B Common Share is exchangeable for one Class C Common Share of MPB Acquisition Corp., which in turn is exchangeable for one publicly traded Subordinate Voting Share of Glass House Brands Inc., resulting in an effective one-for-one exchange. GH Group may redeem the Series E Convertible Preferred, in whole or in part, at any time after the earlier of the following trigger events have occurred: (i) the 60-day volume-weighted average price of the Equity Shares is at least \$12.00; (ii) the average daily trading volume of the Equity Shares exceeds one million shares; and (iii) the Equity Shares are listed on a major United States stock exchange. Upon redemption, holders will receive the liquidation value plus any accrued and unpaid dividends.

During the year ended December 31, 2025, through the Company’s subsidiary, GH Group, the Company issued 77,500 shares of Series E Convertible Preferred in connection with the GH Group Series E Convertible Preferred financing with an aggregate value of \$77.5 million comprised of the following: (i) existing shares of Series B Preferred and Series C Preferred with aggregate face value of \$58.5 million were exchanged for 58,473 shares of Series E Convertible Preferred, (ii) Series B Preferred and Series C Preferred dividends payable of \$0.5 million were exchanged for 535 shares of Series E Convertible Preferred and (iii) a new private placement of 18,492 Series E Convertible Preferred with a face value of \$18.5 million. The Company recorded the fair value of shares of Series E Convertible Preferred in mezzanine equity in the amount of \$77.5 million. During the year ended December 31, 2025, the remaining, unexchanged shares of Series B Preferred and Series C Preferred were redeemed for \$18.5 million in cash.

At-The-Market Program

The Company commenced an at-the-market distribution program (the “**ATM Program**”) in December 2024 by means of a prospectus supplement dated December 2, 2024 to its short form base shelf prospectus dated May 16, 2024 with the securities regulatory authorities in all provinces and territories of Canada in connection with the ATM program. The ATM Program is pursuant to the terms of an equity distribution agreement dated November 13, 2024 (the “**Equity Distribution Agreement**”) with ATB Securities Inc. and Canaccord Genuity Corp., pursuant to which, the Company may from time to time sell up to \$25 million of the Company’s Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares (collectively, the “**Equity Shares**”) under the ATM Program. The Company intends to use the net proceeds primarily for an expansion of its facilities in Camarillo, California (the “**Phase III Expansion**”), and/or general corporate purposes.

Since the Equity Shares will be distributed at trading prices prevailing at the time of the sale, prices may vary between purchasers and during the period of distribution. The volume and timing of sales will be determined at management’s sole discretion and in accordance with the terms of the Equity Distribution Agreement.

During the year ended December 31, 2025, the Company issued 678,167 Equity Shares under the ATM Program at an average price of \$9.12 per share for gross proceeds of \$6.2 million. During the year ended December 31, 2024, the Company issued 10,000 Equity Shares under the ATM Program at an average price of \$6.72 per share for gross proceeds of \$67 thousand.

Board and Management Changes

The Company announced: (i) the appointment of Hilal Tabsh as Chief Revenue Officer on May 17, 2022 and (ii) the appointment of Benjamin Vega as General Counsel and Corporate Secretary on October 24, 2022.

On July 13, 2023, the Company announced that Hector De La Torre has stepped down from the Board (as defined herein) due to the time requirements of his appointment as Executive Director of the Gateway Cities Council of Governments.

On October 31, 2023, the Company announced the appointment of former California Assembly Speaker John A. Pérez to the Board and that Mr. Robert Hoban has resigned from the Board, in each case effective as of that same date.

On November 7, 2023, the Company announced the appointment of Yelena Katchko, Partner and founding member at Katchko, Vitiello & Karikomi, PC to the Board.

On February 8, 2024, the Company announced that John Perez has stepped down from the Board due to increasing commitments with his current employer.

On May 20, 2024, the Company announced the appointment of former Protective Insurance Company Chairman and Interim CEO, John “Jay” D. Nichols Jr, to the Board.

On June 6, 2024, the Company announced that Jamie Mendola has stepped down from the Board due to the time requirements of his increasing professional commitments.

On July 15, 2024, the Company announced the reappointment of Hector De La Torre to the Board.

On September 3, 2025, the Company announced the death of George Raveling who was serving on the Board at the time of his death.

On January 29, 2026, the Company announced the appointment of Alison Payne, Chief Marketing Officer, Heineken USA, to the Board.

Corporate Changes

At the annual general and special meeting of shareholders of the Company held on June 23, 2023, shareholders passed a special resolution to amend the Articles to extend the “sunset” date for the Multiple Voting Shares from June 29, 2024 until June 29, 2027. A Notice of Alteration in respect of such amendment was filed with the British Columbia Registrar of Companies on July 4, 2023.

Recent Developments Since December 31, 2025

At-The-Market Program

Subsequent to December 31, 2025, the Company issued 2,086,737 shares under the ATM Program at an average price of \$8.98 per share for gross proceeds of \$18.7 million. The Company received net proceeds of \$18.4 million after paying commissions of \$375 thousand to the sales agent for the ATM Program.

Greenhouse 2 Equipment Purchase and Supplier Financing

Subsequent to December 31, 2025, the Company entered into an agreement for the purchase and installation of equipment for Greenhouse 2 with an aggregate purchase price of approximately \$4.7 million. The agreement includes supplier financing for a portion of the purchase price, with installment payments commencing following delivery and completion of installation. The Company expects the equipment to be delivered and placed into service during the second quarter of 2026.

DESCRIPTION OF THE BUSINESS

Overview

The Company is a vertically integrated cannabis company that operates exclusively in the state of California. The Company cultivates, manufactures, and distributes cannabis bulk flower and trim to wholesalers and consumer packaged goods (“CPG”) to Company-owned and third-party retail stores in the state of California.

The Company operates multiple greenhouse cultivation facilities located in unincorporated Carpinteria and Camarillo, California, and its manufacturing facility is located in Lompoc, California. The Company generates revenue by selling its cannabis products in bulk at wholesale and at retail to its own and third-party dispensaries in California, such as raw cannabis, cannabis oil, and cannabis CPG. The Company’s “Farmacy” branded retail dispensaries are located in Santa Barbara, Santa Ana, Berkeley, Isla Vista and Santa Ynez, California. The Company’s “Natural Healing Center” or “NHC” branded retail dispensaries are located in Grover Beach, Lemoore, Morro Bay and Turlock, California. The Company operates one dispensary in Los Angeles, California under “The Pottery” brand. The Company also has certain licensing agreements in Nevada and Florida and provides retail cannabis store management services in California.

The following table sets out the Company’s revenue (comprised of wholesale biomass, wholesale CPG and retail) for each of the last three financial years (dollars in thousands):

	2025	%	2024	%	2023	%
Wholesale Biomass	\$ 114,233	62.8%	\$ 139,086	69.2%	\$ 105,696	65.7%
Wholesale CPG	19,508	10.7%	17,996	9.0%	16,062	10.0%
Retail	48,243	26.5%	43,816	21.8%	39,078	24.3%
Total	\$ 181,984	100%	\$ 200,898	100%	\$ 160,836	100%

Cultivation

The Company’s cultivation strategy focuses on marrying nature and technology with the goal of producing premium quality cannabis in greenhouses specifically designed to optimize quality and yields while minimizing inputs and environmental impact. The Company uses the sun, the climate and advanced technology to conduct precision agriculture.

As of the date hereof, the Company’s greenhouse cultivation is conducted in three (3) facilities, being: (i) the Casitas facility, an approximately 150,000 sq. ft. facility located in Santa Barbara County, California greenhouse facility (the “**Casitas Facility**” or “**Casitas**”); (ii) the Padaro facility, an approximately 375,000 sq. ft. facility located in Santa Barbara County, California (the “**Padaro Facility**” or “**Padaro**”); and (iii) the SoCal Facility located in Camarillo, California. Together the three facilities total approximately six million sq. ft. of indoor greenhouse area, although cannabis cultivation is not currently conducted in the entirety of all greenhouse areas.

Each of the Casitas and Padaro facilities had been cut flower greenhouses prior to the Company taking over the properties and were transitioned to cannabis use by the Company. The Casitas Facility includes more than 150,000 sq. ft. of greenhouse footprint with onsite nursery and flowering canopy. It originally started under the California Proposition 215 regulatory structure and was used as the model facility for the creation of the Santa Barbara County cannabis ordinance and tax plan. It underwent a full retrofit by the Company, including the addition of new growing systems, fertigation, photoperiod lights, automated light deprivation curtains, and upgraded climate control technology. The Company followed up the Casitas project with its Padaro Facility acquisition, which tripled the Company's cultivation footprint while increasing canopy planting efficiency through the use of an innovative rolling tray system. The Company retrofitted the Padaro Facility with significantly improved efficiency, lower cost per sq. ft. costs and improved operating processes. The Padaro property was the very first fully licensed and entitled cannabis facility in the Santa Barbara coastal area. The Company's Santa Barbara-based greenhouse operations were substantially expanded in 2020. Facility upgrades to Padaro were fully completed in Q3 2020, allowing 100% of the Company's 246,480 sq. ft. of licensed greenhouse canopy to be operational at the start of Q4 2020, up from 205,287 square feet in July 2020.

The Southern California climate, with over 280 days of sun per year, minimizes the need for supplemental electric lighting to drive yields, while moderate ambient temperatures and humidity levels drastically reduce climate control expenses and limit pest pressures. The Company's flower is predominantly sun-grown in "light deprivation" greenhouses, with supplemental lighting used only for photoperiod control of flowering schedules, so as to allow for the maximum number of harvests per year on a "perpetual harvest" model.

On September 14, 2021, the Company acquired the SoCal Facility located in Camarillo, California. The SoCal Facility consists of six high-tech, environmentally controlled agricultural greenhouses totaling approximately 5.5 million square feet, located on a 160-acre property in Ventura County, California. The Company received the necessary licenses to operate Phase 1 of the SoCal Facility on March 10, 2022, including all California state licenses for nursery, cultivation and processing operations, and the local cannabis business license from Ventura County. The Phase I retrofit involved the optimization of approximately 1.7 million square feet of the SoCal facility for cannabis cultivation. Included in the first phase retrofit was the conversion of two greenhouses. One consists of a nursery, growing clones to support the entire facility; and the other is used for flowering and has a capacity of approximately 300,000 dry pounds of cannabis per year. Also included was a packhouse for processing which supports the cultivation operations. The first harvest at the SoCal Facility was completed in June 2022. In 2023, the Company retrofitted an additional greenhouse to expand production at its SoCal Facility, targeting an incremental one million square feet capable of producing in excess of 300,000 pounds of high-quality sun grown cannabis annually with commercial cultivation beginning in first quarter of 2024. Two additional processing packhouses were activated in 2023 and 2025 to support expanding cannabis operations. The Company is in its Phase III retrofit of an additional greenhouse to expand production at its SoCal Facility, targeting approximately one million square feet of additional cultivation capacity capable of annually producing 275,000 pounds of high-quality sun grown cannabis. The Company completed the first harvest of approximately one-third of Greenhouse 2 in the fourth quarter of 2025. Cultivation for the remaining two-thirds is planned to commence in 2026.

In order to maintain high quality cultivation outputs, the Company's cultivation team employs Integrated Pest Management ("IPM") techniques. IPM is an ecosystem-based strategy to control pests and associated crop damage through techniques such as biological controls including the use of beneficial insects and climate control and manipulation.

The use of IPM requires constant and careful assessment of plant health by the Company's team of IPM specialists who continuously monitor plant growth, pest pressure, climate and other relevant factors and take active and pre-emptive steps to prevent issues from arising.

Cultivation Performance

As of December 31, 2025, the Company's total greenhouse licensed cultivation canopy was approximately 1,708,000 sq. ft. The Company's ability to grow productively at scale has resulted in lower unit production costs. During 2025, the Company increased production of dry equivalent pounds by 9.5%. Production costs per pound decreased from \$123 per pound in 2024 to \$111 per pound in 2025. The Company produced 666,433 pounds of dry equivalent pounds in 2025.

Cultivation and Processing Licenses

Padaro Licenses

The applicable licenses for cultivation issued by the California Department of Cannabis Control (the “DCC”) (a consolidated department of the state which assumed regulatory authority over cannabis cultivation licenses originally issued by, among other issuing agencies, the California Department of Food and Agriculture) are held by K&G Flowers, LLC and G&K Produce, LLC, respectively (each of which is a wholly owned subsidiary of GH Group).

Casitas Licenses

The applicable licenses for cultivation issued by the DCC are held by Mission Health Associates, Inc. (a wholly owned subsidiary of GH Group).

The Pottery Licenses

The applicable license for cultivation/processing as well as for distribution/transportation issued by the DCC are held by The Pottery Inc. (a wholly owned subsidiary of GH Group).

SoCal Facility Licenses

The applicable licenses for cultivation/processing issued by the DCC are held by Glass House Camarillo Cultivation, LLC (a wholly owned subsidiary of GH Group).

Manufacturing and Distribution

The Company’s Lompoc facility is a roughly 20,000 sq. ft. industrial property purpose-built to convert cannabis biomass into “CPG,” located less than a four-hour drive from both the San Francisco Bay Area and Los Angeles, and about one hour’s drive from the Company’s cultivation facilities. The facility holds Type 7 cannabis manufacturing licenses which enables it to conduct all manufacturing, extraction, infusion, conversion, and packaging processes legal in the State of California, ranging from physical, “solventless” extraction processes to volatile solvent extraction and remediation methods. This allows the facility the optionality to produce a wide variety of cannabis products.

The facility also holds a Type 11 cannabis distribution license, which designates the facility as a distribution hub for the Company’s California operations. Given the logistical issues that the state framework can engender as a result of testing, quarantine and distribution regulations, this license can simplify some of the supply chain challenges faced by an operator of the Company’s scale relying on third-party distribution services.

Lompoc Facility

The Lompoc facility was renovated in collaboration with extraction and manufacturing professionals with substantial combined experience in the category of cannabis extraction and manufacturing and in creating such facilities. Operational efficiency at scale and process optionality were core to the design philosophy implemented in anticipation of an evolving landscape for both cannabis product trends and extraction and manufacturing technologies. To this end, extensive HVAC systems, thorough access management controls, and intensive safety protocols were implemented to enable safe and compliant volatile-solvent extraction capability at large scale, and even the layout of the facility itself creates workflow efficiency while also enhancing safety. Products in process move through the facility in an optimized flow. Walls are treated with antimicrobial and antifungal coatings to ensure product purity and safety. Deep freezer capacity has been maximized to enable large-scale “live” extraction processes, which use cannabis plants flash-frozen upon harvest as their raw material. The power supply has been upgraded to support production far in excess of foreseeable output, and office space has been updated to enable better facility management.

Options for products that can be produced at the facility cover a broad range of cannabis manufactured goods, from cannabis-infused edible products to concentrates, such as rosin and resin.

Manufacturing and Distribution Licenses

The applicable license for manufacture as well as for distribution issued by the DCC is held by CA Manufacturing Solutions LLC (a wholly owned subsidiary of GH Group).

Wholesale

In addition to sending cultivated biomass to the Lompoc facility for manufacture, the Company also sells its biomass to distributors throughout the State of California. Further, the Company has a wholesale business selling Company-branded CPG to distributors and retailers in the State of California. The Company's wholesale revenue decreased by \$23.3 million, or approximately 15%, for the year ended December 31, 2025 as compared to the year ended December 31, 2024, primarily due to lower biomass production and lower average selling prices realized in the second half of the year following the Federal agency actions.

During Q1 2023, the Company's CPG business primarily sold to a single distributor, who in turn sold the Company's brands to dispensaries throughout the state. Beginning in Q2 2023, the Company moved to a logistics agreement with the distributor where the distributor only delivered the Company's product to dispensaries, and the Company became entirely responsible for managing the relationship with the dispensary. In June 2023, the distributor went into receivership, and the Company moved its logistics relationship to one of its co-packers. In March 2025, its co-packer and distributor went into receivership and the Company entered into a logistical relationship with a new distributor. In December 2025, the Company transitioned its third-party cannabis distribution to a new distributor following the prior distributor's failure to meet certain contractual obligations.

Brand, Product and Marketing

The creation of dominant, extensible CPG products and brands is the Company's long-term strategic mission. While many cannabis businesses prioritize brand building and customer acquisition before securing a reliable product flow, the Company believes that in a consumer-focused CPG space, consistent delivery of high-quality product at an attractive price point is a first principle, and a prerequisite for any other activity.

As production quantity has increased and the Company's products have become more widely distributed, the Company has been pleased to receive recognition for its improved product quality from a number of cannabis-friendly media outlets such as LA Weekly, to cannabis influencers and connoisseur cannabis reviewers, such as Respect My Region.

The Company does not aim to create a consumer-facing corporate-umbrella brand, but instead takes a "House of Brands" approach, with a portfolio of brand assets constructed on consumer data, consumer segmentation, and industry analysis and insights.

The Company has taken care to segment its consumer and product types so as to cover a broad swath of the market, from new cannabis users to connoisseurs, across a range of use cases, product formats, and price points. Glass House Farms, the Company's flagship brand, provides arguably one of the best-in-class, affordable cannabis flower products for everyday consumption. The Company sells products in various forms and categories, including flower (jars and bags) and pre-rolls (single, multi-pack and infused). The Company also sells edibles across a variety of effects and flavors. In addition, the Company sells Mama Sue (tinctures) and Allswell (flower, pre-rolls and edibles).

Retail

As of December 31, 2025, the Company operates ten retail dispensaries across California, including in Los Angeles, Santa Barbara, Santa Ana, Berkeley, Isla Vista, Grover Beach, Lemoore, Morro Bay, Santa Ynez and Turlock. In addition, in 2025, the Company entered into a management services agreement with an affiliate of LEEF Brands Inc. pursuant to which the Company provides management services for The Leaf El Paseo dispensary in Palm Desert, California.

The design of the Company's retail stores include minimalistic retail spaces with a focus on local sourcing and sustainably grown cannabis. The Company's staff has substantial knowledge on the health and wellness benefits of cannabis and is trained to educate customers on responsible adult-use, including understanding appropriate dosing.

The Company offers a curated selection of high-quality cannabis products in a variety of price tiers, servicing a wide range of the community. The product selection specifically promotes local and sustainably cultivated cannabis through sourcing of brands that are local to the retail facility and focuses on educating customers on the importance of supporting the local economy by purchasing locally grown cannabis. The Company's motto is "Local Farms, Local People, Local Values." This ethos is woven into purchasing decisions and illustrates the Company's prioritization of locally cultivated and manufactured products.

The Company intends to curate what it believes to be the best selection of cannabis products from the following categories: flower, edibles, beverages, topicals, sublinguals and concentrates. Unlike many cannabis retailers that emphasize high-tetrahydrocannabinol (“THC”) levels in their products, product curation is a specialty of the Company and focuses on educating customers seeking to match needs and desires with appropriate products to provide optimal consumer experiences. This de-emphasis on THC helps customers understand the many benefits of a wide range of cannabinoids, including cannabidiol (“CBD”), cannabinol and Tetrahydrocannabivarin.

The Company’s retail revenue increased by \$4.4 million, or 10%, for the year ended December 31, 2025, as compared to the year ended December 31, 2024. The increase was primarily attributable to increased sales due to the Company’s strategic pricing initiative implemented in the first quarter of 2024 which resulted in lower consumer prices and increased traffic.

Retail Locations

The Company offers online payment processing, as well as in-store pickup and home delivery services for adult-use and medicinal-use customers at all locations. See “*Cannabis Market Overview – Compliance with License Requirements – Retail and Distribution*” for a discussion of the Company’s online sale and delivery regulatory compliance protocols.

Farmacy SB

Farmacy SB is located at 128 W Mission Street, Santa Barbara, California. It was the first licensed adult-use retail storefront to open in the City of Santa Barbara. The Company secured one of only three (3) storefront retail permits from the City of Santa Barbara, after an exhaustive merit-based selection process. Over 60 applicants applied, and Farmacy SB’s application was one of the highest scored applications. Farmacy SB was selected for a license due to its compatibility with the surrounding neighborhood, local hiring commitment, employee benefit plans, dedication to compliance and design.

As an example of the Company’s contribution to and partnership with the local community, the Company has sponsored a popular “Neighbor Deal” program that encourages its customers to shop at nearby businesses by offering discounted product if they show a same-day receipt. In this manner, the Farmacy SB has also enhanced the quality of the surrounding neighborhood and built positive relationships with neighboring businesses.

The applicable license for retail issued by the DCC is held by Farmacy SB, Inc. (a wholly owned subsidiary of GH Group).

Farmacy Berkeley

Farmacy Berkeley is located at 3243 Sacramento St, Berkeley, California and has been in operation since 2019. The Farmacy Berkeley strives to bring together cannabis advocates who share a consistent commitment to sustainably produced cannabis products delivered in a welcoming, inviting, and open environment.¹

The applicable license for retail issued by the DCC is held by iCANN, LLC doing business as Farmacy Berkeley (a wholly owned subsidiary of GH Group).

The Pottery

The Pottery is located at 5042 Venice Blvd., Los Angeles, California, and includes cultivation, distribution and a retail dispensary with delivery and has been in operation since 2018. This property is in a high traffic area and is comprised of an approximately 21,000 sq. ft. lot with an approximately 12,000 sq. ft. building. It is centrally located between Beverly Hills, Culver City, Hollywood, Santa Monica and downtown Los Angeles. Approximately one-third of the facility’s building area is dedicated to The Pottery’s retail shop, while the remaining space is licensed for distribution and indoor cannabis cultivation.

The Pottery strives to bring together cannabis enthusiasts from within their local community and create an environment that is welcoming, energetic, and inclusive. The Pottery offers delivery services to a number of nearby cities including

Santa Monica, Culver City and West Hollywood. The Pottery also holds a license for the distribution of cannabis goods which authorizes it to package cannabis flower grown onsite.

The applicable license for retail issued by the DCC is held by The Pottery Inc.

¹ East Bay Express (2021). Best of The East Bay 2021 – Reader’s Picks: Best Cannabis Delivery. Available at: <https://eastbayexpress.com/readers-picks-cannabis/>.
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Farmacy Santa Ana

Farmacy Santa Ana, located at 1327 East St. Gertrude Place, Santa Ana, California, has been in operation since 2016.

The applicable license for retail issued by the DCC is held by Bud and Bloom (a wholly owned subsidiary of GH Group).

Farmacy Isla Vista

Farmacy Isla Vista, located at 6555 Pardall Road, Isla Vista, California, is a retail cannabis dispensary, and represents the second Farmacy storefront in Santa Barbara County. The dispensary is built to serve the needs of both recreational and medical cannabis consumers, providing curated quality products and expert staff.

The applicable license for retail issued by the DCC is held by Farmacy Isla Vista, LLC (a wholly owned subsidiary of GH Group).

NHC Dispensaries

The Company acquired three NHC-branded dispensaries located in Grover Beach, Lemoore and Morro Bay, California, in September 2022 and a fourth pre-operational NHC dispensary located in Turlock, California in April 2023. All four NHC-branded dispensaries are operational as of May 2023.

Farmacy Santa Ynez

Farmacy Santa Ynez, located at 3576 Madera Street, Santa Ynez, California, was opened on January 28, 2023.

The applicable license for retail issued by the DCC is held by SBDANK, LLC (a wholly owned subsidiary of GH Group), as described in the table below.

The Leaf El Paseo (Managed Site)

The Leaf El Paseo is located at 73740 El Paseo, Palm Desert, California. In May 2025, the Company entered into a management services agreement with an affiliate of LEEF Brands Inc., granting the Company exclusive rights to manage dispensary operations, including sales, inventory purchasing, and employee management. The agreement had an initial term of one year, with options for extension. As part of this strategic partnership, the Company also entered into a reciprocal off-take agreement with LEEF to supply raw cannabis for LEEF's extraction operations, further integrating the Company's wholesale and retail value chains.

Information Technology and Inventory Management

The Company has an information technology infrastructure that prioritizes security, compliance, business process support, customer-facing technology, operational systems, data insights, and business intelligence.

The Company used Microsoft Business Central with "Cannabis add on," a third-party software platform, to serve as its inventory management system ("IMS") and data warehouse through the first half of 2024. Beginning in July 2024, the Company began transitioning to SAP Business One ("SAP") as its enterprise resource management system ("ERP"). This system also has additional, cannabis specific, user-interfaces written by Seed & Beyond (our SAP integrator). By the end of 2024, the Company completed implementation of the new system in its Cultivation, Wholesale, and CPG segments. As of January 1, 2025, SAP serves as the Company's sole ERP.

The Company's ERP supports company-wide operations including wholesale sales, internal inventory transfer transactions, customer data management, production management, inventory management, pricing, order management, accounting, finance and purchasing.

The Company also uses the ERP for monthly full inventory counts. The Company's ERP allows for comprehensive reporting on all stages of inventory within the Company.

The new SAP ERP platform is the primary source for data stored in the Company's business intelligence platform which allows users to access key financial and operational data such as revenue, inventory, and production on as frequently as a daily basis.

The IMS and ERP systems push information into California's seed-to-sale track and trace system ("METRC").

All personally identifiable information is required to be stored and maintained by the Company in compliance with the *California Consumer Privacy Act, as amended by the California Privacy Rights Act*.

Banking & Processing

The Company and all of its operating entities have accounts with one or more Federal Deposit Insurance Corporation insured banks or banks insured by the National Credit Union Administration headquartered in the greater Los Angeles area. The Company selected one of its primary banks because it is a subsidiary of one of the largest banks in the United States, which is expected to be helpful as the Company scales its operations.

The Company currently accepts cash for sales in the retail locations and cash, ACH and check for sales to direct-to-consumer customers. See “*Cannabis Market Overview – Compliance with License Requirements – Retail and Distribution*.”

Specialized Skills

The Company specializes in the cultivation, extraction, product development, manufacturing and distribution of cannabis and cannabis products. The Company employs personnel from a variety of industries including specific cannabis industry experience, with a wide range of skill sets including those with graduate level and undergraduate level degrees in their respective fields. Comprehensive training and specialized courses are provided, as applicable, for each role. With respect to cultivation, the Company recruits individuals with plant science and agricultural experience, and personnel have the practical experience necessary to cultivate high yielding, multiple strain variety cannabis plants and to develop new cannabis strains through selective horticultural practices. With regard to extraction, the Company recruits individuals with extraction and distillation experience for its product lines, and personnel have the practical experience and knowledge necessary to process the raw, dried cannabis product through volatile extraction processes, thereby generating high yields of cannabis extracts and distillates. In addition, Company personnel have the practical experience and knowledge necessary to conduct secondary processing of cannabis biomass into crude cannabis oil, distillate, and concentrates, including shatter, wax, diamonds and crystals, and to utilize the natural terpenes in cannabis to formulate premium vaporizer oils. Terpenes are the oils that give cannabis plants their aroma and come from the same components as THC and CBD.

With regard to product development and manufacturing, the Company recruits individuals with professional culinary education for edibles product development for its edibles product line, and personnel have extensive experience in confectionary product development and manufacturing, particularly with regard to cannabis edibles, including chocolates, candies, cookies, gummies, beverages and tinctures.

With regard to sales and distribution, the Company recruits employees who retain a high degree of industry awareness and knowledge and who can interface with dispensaries state-wide and introduce our products with the intention of retaining and potentially increasing shelf-space and maintaining or increasing their market share. The Company’s sales and distribution teams are important conduits for collecting intelligence on consumer behavior and trends. Our distribution capabilities are critical to building trust with dispensaries that they will receive inventory on a timely and consistent basis.

The Company believes that it currently possesses all the specialized skills and knowledge it requires but will continue to compete with other cannabis and manufacturing companies to secure and retain such qualified staff.

Sources, Pricing and Availability of Raw Materials, Component Parts or Finished Products

The Company sources its Cannabis biomass needs for its CPG brands almost entirely from its existing cultivation facilities. The Company has more than enough capacity to supply all of its flower related brands for the foreseeable future. Currently, the Company is externally sourcing manufactured cannabis extracts for its edible products. The Company believes this material is readily available from multiple third-party sources at competitive prices.

The Company’s dispensaries sell both the Company’s brands such as Glass House Farms, Allswell, and Plus and other cannabis brands sourced from third parties at its dispensaries.

Intangible Property

The Company has developed numerous proprietary technologies and processes. These proprietary technologies and processes constitute trade secrets and include its information systems, cultivation, edibles manufacturing and extraction techniques, quality and compliance processes and new product development processes. The Company relies on non-disclosure/confidentiality arrangements and trade secret protections to protect its proprietary technologies and processes. The Company has invested significant resources towards developing recognizable and unique brands consistent with premium companies in analogous industries. To date, the Company has 14 registered trademarks with the State of California and has one trademark registered with the United States Patent and Trademark Office.

The Company owns approximately 144 domain names, including its website domain (<http://www.glasshousebrands.com/>), in addition to social media accounts across all major social media platforms. The Company maintains strict standards and operating procedures regarding its intellectual property, including the regular use of non-disclosure, confidentiality, and intellectual property assignment agreements.

Environmental

Although a number of environmental restrictions apply to the Company, they are of a general nature and often tied to limitations on land use and thus do not materially affect ongoing operations. The environmental regulations that do affect operations generally relate to natural resource use, such as water use permits, wastewater management, energy generation, pest management and air pollution limitations. Although these regulations limit the scope of potential operations, such financial and operational obligations related to such regulations are not expected to have a material impact on the Company's financial position or operations as currently conducted.

Employees

As of December 31, 2025, the Company had 357 full-time employees, 69 part-time employees and 2 independent contractors. The employees are distributed among several departments including manufacturing, cultivation, distribution and warehousing, quality assurance/control and compliance, sales, marketing, finance, accounting and administration. Additionally, the Company utilizes contract employees in security, cultivation, packaging and warehousing activities. The use of contract employees enables the Company to manage variable staffing needs and in the case of cultivation and security personnel, access to experienced, qualified and readily available human resources.

Competitive Conditions

As the Company is vertically integrated, it competes on multiple fronts, from manufacturing to retail to delivery, and experiences competition in each of these areas. From a retail perspective, the Company competes with other licensed retailers and delivery companies in the geographies where retail and delivery services are located. These other retailers range from small local operators to more significant operators with a presence throughout the State of California and other states in the United States. From a product perspective, the Company competes with other manufacturers of brands for shelf space in non-Company owned dispensaries throughout California. Similar to certain competitors in the retail space, the Company competes with manufacturers ranging in size from small local operators to significant operators with a larger presence. Indirectly, the Company competes with the illicit market, including many illegal dispensaries.

Over the last three years, the Company has significantly expanded its cultivation footprint with the addition of its two greenhouses in Camarillo, which increased square feet of cultivation from approximately 332,000 to approximately 1,525,000 in Q2 of 2024 and approximately 1,708,000 in Q4 2025. The Company monitors active license counts in cultivation to better understand cultivation capacity increases or decreases. Using data from the California Department of Cannabis Control, the Company estimated that the active license count for mixed light (greenhouse) and outdoor cultivation decreased by over 4,000 licenses, or 56%, from June 30, 2022, to December 31, 2024, the period during which the Company's first greenhouse at Camarillo was fully operational. Based on this data, the Company estimates that more than 22 million square feet of cultivation production capacity left the market during this period. This decrease is well in excess of the additional capacity the Company added during Q3 2022 and Q2 2024.

Cyclicality

California cultivation experiences significant seasonal swings in productions during the year. As of December 31, 2025, approximately 80% of the active licenses in California are mixed light and outdoor licenses. As a result, the Company believes California cultivation production is much larger in the second half of the year than the first half. Because cultivation production yields in mixed light facilities are positively impacted by the increased sunlight and intensity during the late spring, summer and early fall, production output increases significantly during the second half of the year. Also, due to weather, outdoor cultivation facilities typically do not harvest in the first half of the year and get 2 harvests in the second half of the year. These factors contribute to significantly more production in the second half of the year. The higher production leads to lower prices for bulk biomass sales in the second half of the year which can be as much as 20% lower than in the first half of the year.

CANNABIS MARKET OVERVIEW

In accordance with the Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities of the Canadian Securities Administrators* (“**Staff Notice 51-352**”), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly or indirectly involved through its subsidiaries. In accordance with Staff Notice 51-352, the Company intends to evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended and made available 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 the Company’s licensing, business activities or operations are required by Staff Notice 51-352 to be promptly disclosed by the Company.

The legalization and regulation of marijuana for medical and adult-use purposes is being implemented at the State level in the United States, and in California, at the State and local levels. State laws regulating cannabis are in direct conflict with the federal *Controlled Substances Act of 1970* (“**CSA**”), which lists cannabis as a Schedule 1 drug and renders cannabis use and, except in very limited circumstances, possession federally illegal. Although certain states and territories of the U.S. authorize medical and/or adult-use 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 federal law under any and all circumstances under the CSA, subject to limited appropriation-based restrictions and the exercise of prosecutorial discretion by federal authorities. Although the Company’s activities are compliant with applicable United States State and local laws, strict compliance with State and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. The risk of federal enforcement and other risks associated with the Company’s business are described under “*Risk Factors*.”

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is, directly or indirectly involved through its subsidiaries. The Company and its subsidiaries are directly engaged in the cultivation, manufacture, possession, use, sale and distribution of cannabis, and hold licenses in the adult-use and/or medicinal cannabis marketplace in the State of California. In accordance with Staff Notice 51-352, the Company will continue to 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 cannabis regulation. As noted under “*Non-Compliance with State and Local Cannabis Laws*” below, the Company intends to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations.

Exposure to U.S. Marijuana Related Activities

As of December 31, 2025, substantially all of the Company’s business was directly derived from U.S. cannabis-related activities conducted in the State of California, based on the existing operations of the Company. As such, the Company’s balance sheet and operating statement exposure to U.S. cannabis related activities is 100%.

California Cannabis Market

Management believes that California, given its talent pool, wealth of brand and product expertise and superior growing conditions, is the most strategic base for expansion once cannabis is legalized at the federal level clearing the way for interstate commerce. It is management's view that California has significant impact on global consumer trends, especially the CPG industry. In other states and around the world, California cannabis strains are often perceived as 'the gold standard'. With over 30 million adult residents and approximately 271 million visitors annually, the legal market for California cannabis product sales was \$4.0 billion in 2025 per the California Department of Tax and Fee Administration and is larger than any other state in the United States. It is commonly estimated that the total market in California, including legal and non-legal cannabis sales, is US\$10-15 billion, making it the largest cannabis market in the world. The total size of the US legal market for cannabis in 2024 was estimated at US\$32.1 billion by the MJBiz Factbook, and this source projects that the market will grow to US\$54.2 billion by 2029. Such estimates are based on third-party industry sources and are inherently uncertain, particularly given the continued presence of illicit market activity and evolving regulatory conditions.

Legal and Regulatory Framework

United States Federal Regulatory Environment

The federal government of the United States regulates controlled substances through the CSA, which places controlled substances on one of five schedules. Currently, marijuana is classified as a Schedule I controlled substance. A Schedule I controlled substance means the Drug Enforcement Agency considers it to have a high potential for abuse, no accepted medical treatment, and a lack of accepted safety for the use of it even under medical supervision. Overall, the United States federal government has specifically reserved the right to enforce federal law regarding the sale and disbursement of medical or adult-use marijuana even if such sale and disbursement is sanctioned by State law.

The current U.S. presidential administration under President Donald J. Trump ("**President Trump**") has taken executive actions addressing federal drug policy and enforcement priorities. In December 2025, President Trump issued an executive order directing the U.S. Department of Justice, the Drug Enforcement Administration ("**DEA**"), the Department of Health and Human Services ("**HHS**"), and other federal agencies to coordinate administrative review and enforcement priorities relating to controlled substances, including cannabis. The executive order directed federal agencies to continue evaluating the appropriate classification and scheduling of marijuana under the CSA, to assess the alignment of federal enforcement priorities with state cannabis regulatory regimes, and to report on public safety, diversion, and regulatory impacts associated with cannabis scheduling.

Executive orders do not amend the CSA, do not legalize cannabis, do not create statutory or regulatory safe harbors for state-legal cannabis activities, and do not eliminate the discretion of federal prosecutors to enforce existing federal law. Executive orders may be modified, rescinded, or narrowly interpreted, and their implementation is subject to agency rulemaking, budgetary constraints, and judicial review.

Accordingly, notwithstanding the December 2025 executive order and related public statements by the current presidential administration (the "**Trump Administration**") expressing support for cannabis rescheduling to Schedule III, cannabis remains a Schedule I controlled substance under U.S. federal law as of the date of this filing, and the Company's cannabis-related activities remain illegal under the CSA. Federal authorities retain the authority to enforce applicable federal laws against the Company at any time, including through criminal prosecution, civil enforcement actions, asset forfeiture, or administrative sanctions, which could have a material adverse effect on the Company and its securityholders.

There is currently no binding federal statutory or regulatory safe harbor protecting state-legal cannabis activity from federal enforcement. Federal prosecutorial discretion may be exercised inconsistently across jurisdictions and may change without notice.

Accordingly, there are a number of significant risks associated with the business of the Company and unless and until the United States Congress amends the CSA to remove marijuana as a scheduled controlled substance 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, and further there can be no assurance that any action by the United States Congress to place marijuana on a different schedule under the CSA would operate to reduce risk under federal law with respect to Company's business operations), and makes certain other changes at the federal level to enable the state-level regulatory and legal regimes regarding commercial cannabis activity under which the Company operates, 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 in the United States. See "*Risk Factors*."

The Company's operations, to the Company's knowledge, are in compliance with applicable State laws, regulations and licensing requirements in all material respects. Nonetheless, for the reasons described above and risks described under the headings "*Forward-Looking Information*" and "*Risk Factors*," but not limited to these reasons, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all the risk factors contained herein.

The following sections describe the legal and regulatory landscape in respect of the State of California, being the only jurisdiction in which the Company currently operates in the United States.

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 Company's 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 and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

There can be no assurance as to the position any U.S. presidential administration may take on marijuana or that current federal enforcement priorities will remain unchanged and future administrations or changes in agency leadership may elect to enforce federal cannabis laws more aggressively. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively. See "*Risk Factors – The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined*" for further information regarding guidance made by federal authorities or prosecutors regarding the risk of federal enforcement action.

California State Level Review

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the *Compassionate Use Act* ("**CUA**"). This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine or any other illness for which marijuana provides relief. In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as *Medical Cannabis Regulation and Safety Act* ("**MCRSA**"). MCRSA established a general 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 adult use 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as the *Medical and Adult-Use Cannabis Regulation and Safety Act* ("**MAUCRSA**"), which combined and expanded upon MCRSA and AUMA to provide a set of comprehensive 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. The California Bureau of Cannabis Control (the "**BCC**"), the California Department of Food and Agriculture (the "**Cdfa**"), the California Department of Public Health – Manufactured Cannabis Safety Branch (the "**CDPH**"), and the California Department of Tax and Fee Administration all have some degree of regulatory responsibility for marijuana operations. MAUCRSA became effective on January 1, 2018.

From January 2018 through mid-2021, three (3) different state programs licensed and regulated cannabis businesses: the BCC, the CDFA, and the CDPH. In July 2021, the DCC was established by consolidating the three former state cannabis authorities, the BCC, the CDFA, and the CDPH. The DCC released consolidated regulations in September 2021 aimed at:

- creating a single point of contact for licensees, local governments and other stakeholders;
- simplifying and centralize licensing and regulatory oversight;
- supporting businesses to be successful and compliant with state law; and
- improving enforcement coordination.

In July 2019, California enacted A.B. 97. In relevant part, this bill authorizes licensing authorities to issue citations and fines to a licensee or an unlicensed person who violates MAUCRSA. The maximum fine is \$5,000 per violation for licensees and \$30,000 per violation for unlicensed persons. Each day of a violation constitutes a separate violation. A.B. 97 also repeals a prior requirement that an applicant for a provisional license first hold a temporary license. The bill also requires applicants for provisional licenses to submit evidence of compliance with the *California Environmental Quality Act* (“CEQA”), limits the validity of a provisional license to 12 months with subsequent renewals as approved by the relevant licensing authority, and allows licensing authorities to revoke provisional licenses for failing to diligently pursue final licensure. Finally, the bill requires the CDPH to establish a certification program for manufactured cannabis products comparable to the *National Organic Program and the California Organic Food and Farming Act*. In October 2019, California enacted A.B. 1529. This bill mandates that all cannabis vaping cartridges and cannabis vaporizers must include a universal symbol identifying the product as a vaping product.

In recent years, California has continued to pass legislation impacting the state’s cannabis industry. With limited exceptions, including certain social equity licenses, the DCC ceased issuing and renewing provisional licenses and no provisional license may remain effective after January 1, 2026. California passed legislation to bring an end to DCC-issued provisional licenses; in particular, following January 1, 2025, the DCC will not renew provisional licenses, though there are exceptions for social equity licenses. In September 2022, Governor Newsom signed into law SB 1326, which creates a process for California to enter into agreements with other states to allow cannabis transactions, subject to federal illegality, with entities outside California—though the Company notes that this legislation is considered highly experimental and does not reduce risk with respect to the Company, as it is predicated on inter-state cannabis transactions being U.S. federally legal, and industry stakeholders tend to view the framework established by this bill as highly theoretical. SB 1186, also signed into state law, pre-empts local bans on medicinal cannabis delivery, expanding patients’ access to legal, regulated cannabis products. Various additional bills were passed in 2022 regarding cannabis packaging, labeling, advertisement, and marketing, as well as an assembly bill attached as a trailer bill to the state budget that eliminated, beginning July 1, 2022, the cultivation tax from harvested cannabis entering the commercial market. In 2023 and 2024, California adopted cannabis-related legislation to protect job applicants from discrimination based on prior cannabis use, and effective 2025, legislation went into effect allowing licensed cannabis dispensaries to, provided local regulations allow, operate consumption lounges.

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 requires license holders to operate in local jurisdictions with cannabis licensing programs. Therefore, local jurisdictions in California are allowed to determine the number of licenses they will issue to cannabis operators or can choose to outright ban licensed commercial cannabis activity. Local jurisdictions also are free to require additional permits, and impose ordinances, rules, and regulations that surpass state laws and regulations.

To the best of the Company’s management’s knowledge, there have not been any statements or guidance made by federal authorities or prosecutors regarding any changes to the risk of enforcement actions specific to the State of California. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, “*Risk Factors – Risks Related to the Regulatory Environment – U.S. federal law and enforcement pertaining to cannabis and hemp*” and “*Risk Factors – Risks Related to the Regulatory Environment – Risks related to heightened scrutiny by regulatory authorities.*”

California Licenses and Regulations

In California, State and most local medical and adult use cannabis business licenses are renewed annually. Each year, licensees are required to submit a renewal application per regulations and guidelines published by the DCC. While state-level renewals are annual, there currently is no limit to the number of renewals a licensee may obtain. Assuming requisite renewal fees are paid, renewal applications are submitted in a complete and timely manner, and the establishment has not been cited for material violations, renewal applicants can anticipate approval in the ordinary course of business. However, any unexpected denials, delays or costs associated with a licensing renewal could impede planned operations and may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

With certain exceptions for social equity licenses, the DCC ceased issuing and renewing provisional licenses and no provisional license may remain effective after January 1, 2026.

Retail

The DCC is responsible for licensing and regulating cannabis retailers in California. Adult use retailer licenses permit the sale of cannabis and cannabis products to any individual age 21 years of age or older and customers at least 18 years of age who are in possession of a valid physician's recommendation. Thus, should a Company subsidiary be awarded an adult-use retailer license, it will be authorized to sell cannabis and cannabis products to adults 21 and over, and qualified medical consumers 18 and over subject to customer presentation of a valid government-issued photo ID. As with all state-legal marijuana programs, only cannabis grown in California by an appropriately-licensed cultivator, or microbusiness authorized to engage in cultivation, can be sold in California and retail licensees may only sell cannabis products procured from a duly licensed distributor or licensed microbusiness authorized to engage in distribution. All cannabis products are subject to regulatory laboratory testing, packaging, labeling, and tracking requirements. Upon receipt, licensed retailers must confirm cannabis products have not expired, are properly packaged and bear unique identification numbers which correspond with tracking and laboratory analysis documentation, among other requirements. Cannabis and cannabis products may only be displayed for inspection and sale on the sales floor of the facility, and may only be removed from packaging for customer inspection if properly contained and under the immediate control of licensee staff (who must remain with the customer throughout such inspection). Cannabis product displayed or inspected in this manner may not be sold or consumed and must be destroyed when no longer being used for inspection or display purposes. Retailers may only provide free cannabis products under certain, very limited circumstances and may not sell other goods, with the exception of cannabis accessories and branded merchandise. Cannabis retailers operate under a host of additional rules and restrictions under state law and regulations, in addition to any applicable local ordinances, regulations, and policies.

Medicinal retailer licenses permit the sale of medicinal cannabis and cannabis products for use pursuant to the CUA, found at Section 11362.5 of the Health and Safety Code, by a qualified medicinal cannabis patient in California who is at least 18 years of age and who possesses a valid physician's recommendation. Only certified physicians may provide medicinal cannabis recommendations.

Distribution

The DCC is responsible for licensing and regulating cannabis distributors in California. Cannabis distribution licenses permit the licensee to transport cannabis goods between licensees, store cannabis products, package cannabis products, arrange for testing of cannabis goods, and conduct the quality assurance review of cannabis goods to ensure compliance with all packaging and labeling requirements. Licensed distributors may also package flowers and roll and package pre-rolls on their licensed premises. A licensed cannabis distributor may only distribute cannabis goods, cannabis accessories and licensees' branded merchandise or promotional materials. Cannabis distributors operate under a host of additional rules and restrictions under state law and regulations, in addition to any applicable local ordinances, regulations, and policies.

Manufacturing

The DCC is responsible for licensing and regulating cannabis manufacturers and for establishing statewide standards for the packaging and labeling of cannabis and cannabis products. A cannabis manufacturer is anyone who makes or packages a prepared cannabis product, including edibles, topicals, tinctures, extracts, vape cartridges, capsules and more. Cannabis manufacturers can also package flower and roll and package pre-rolls on their licensed premises. Manufacturing licenses are issued based on the type of manufacturing operations to be conducted on the licensed premises. License types include extraction (using volatile and nonvolatile solvents), infusion, packaging and labeling, and shared-use facilities. Cannabis manufacturers operate under a host of additional rules and restrictions under state law and regulations, in addition to any applicable local ordinances, regulations, and policies.

Cultivation

The DCC is responsible for licensing and regulating cannabis cultivators, nurseries and processors. The DCC is authorized to issue 22 different types of cannabis cultivation licenses, depending on the type of cultivation (outdoor, indoor, mixed-light) and the size (small, medium, large). The DCC also issues licenses to nurseries and processors. Cannabis cultivators operate under a host of additional rules and restrictions under state law and regulations, in addition to any applicable local ordinances, regulations, and policies.

Reporting Requirements

The DCC manages the California Cannabis Track-and-Trace system (“CCT&T”), which tracks all commercial cannabis and cannabis products. The state of California has selected Franwell Inc.’s METRC solution (“METRC”) as the CCT&T system used to track commercial cannabis activity and movement along California’s legal supply chain; regulatory enforcement actions may result from inaccuracies, misreporting, delays or other omissions in track-and-trace reporting. While METRC is interoperable with other third-party systems via application programming interface, only licensees have access to METRC itself.

Operating Procedure Requirements

Licensing applicants must maintain and make available to the DCC certain standard operating procedures (“SOPs”) describing how the operator will, among other requirements, secure the facility, manage inventory, comply with seed-to-sale requirements, dispense cannabis, and handle waste. Licensees must provide their employees with SOP training and, in certain instances, seek written approval from governing regulating bodies before materially changing their SOPs.

Site-Visits & Inspections

The DCC and its authorized representatives have broad authority, with or without notice, to inspect licensed cannabis operations, including premises, facilities, equipment, books and records (which may be copied, and such copies retained), and cannabis products. Failure to grant representatives from the DCC full and immediate access to facilities, property, and premises, and to cooperate with inspections and investigations may result in disciplinary action. Laws and regulations enacted by many local jurisdictions grant local cannabis governing bodies and law enforcement agencies similar and, in some cases, more comprehensive inspection authority.

Storage and Security

To ensure the safety and security of cannabis facilities and operations, the DCC requires licensees to implement certain storage and security measures, including without limitation to:

1. Maintain a fully operational security and alarm system;
2. Contract for security alarm services;
3. Maintain a video surveillance system that records continuously 24 hours a day;
4. Ensure adequate lighting is installed and maintained on and about licensed facilities;
5. Only transact business during authorized hours of operations;
6. Store cannabis and cannabis product only in areas identified for such purposes on drawings submitted to and approved by the State in connection with licensure;
7. Store all cannabis and cannabis products in a secured, locked room or a vault;
8. Report to DCC and local law enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and
9. To the extent applicable based on a licensee’s authorized scope of operations, ensure the safe transport of cannabis and cannabis products between licensed facilities, maintain a transportation manifest in any vehicle transporting cannabis and cannabis products. Only vehicles that meet DCC distribution requirements, are to be used to transport cannabis and cannabis products for wholesale distribution.

In addition to DCC storage and security requirements, local jurisdictions may have additional storage and security requirements. Such requirements, to the extent they exist, may vary from one locality to another. California regulators have increased enforcement focus on diversion prevention and inventory discrepancies in recent years.

California Home Delivery Requirements

California law allows certain licensed retailers to deliver cannabis to adult customers at any private address within the state, including within those jurisdictions that have land use and zoning ordinances prohibiting the establishment of commercial cannabis businesses. In 2019, at least 25 local jurisdictions where cannabis sales are banned sued the state, seeking to overturn the rule allowing home deliveries statewide. On November 17, 2020, the court issued an order dismissing the suit (for lack of ripeness) and upholding the underlying DCC regulation allowing licensed cannabis delivery companies to offer services throughout the state. The court, however, affirmed that local jurisdictions can forbid such operations, though enforcement of any local ban remains with local governments. To the best knowledge of Company's management, there have been no significant enforcement efforts mounted by local governments.

The State of California requires the satisfaction of various regulatory compliance obligations in order to operate a cannabis delivery service. The cannabis license that permits the operation of a storefront dispensary in the State of California (also referred to as a retail license) currently permits that entity to also establish a delivery operation. If an entity does not wish to set up and operate a storefront dispensary location at which it can sell products to customers in person, California has established a separate license which allows for a retail delivery operation (also referred to as a non-storefront retail license). California regulations regarding the delivery of cannabis products include the following requirements:

1. All deliveries of cannabis goods must be performed by a delivery employee (at least 21 years of age) who is directly employed by a licensed retailer.
2. All deliveries of cannabis goods must be made in person.
3. Prior to providing cannabis goods to a delivery customer, a delivery employee must confirm the identity and age of the delivery customer (as is required if such customer was purchasing the product in the physical dispensary) and ensure that all cannabis goods sold comply with the regulatory requirements.
4. A licensed cannabis entity is permitted to contract with a third-party service that provides a technology platform to facilitate the sale and delivery of cannabis goods, in accordance with all of the following: (1) the licensed cannabis entity does not allow for the actual delivery of cannabis goods by the technology platform service provider; (2) the licensed entity does not share in the profits of the sale of cannabis goods with the technology platform service provider, or otherwise provide for a percentage or portion of the cannabis goods sales to the technology platform service provider; (3) the licensed cannabis entity does not advertise or market cannabis goods in conjunction with the technology platform service provider, outside of the technology platform, and ensures that the technology platform service provider does not use the licensed cannabis entity's license number or legal business name on any advertisement or marketing that primarily promotes the services of the technology platform; and (4) provides various disclosures to customers about the source of the delivered cannabis goods.
5. Cannabis may only be delivered to a physical address but cannot be delivered to an address located on publicly owned land or an address on land or in a building leased by a public agency, and the delivery cannot be to a location outside of the State of California.
6. The delivery operations must satisfy any local jurisdiction requirements for the delivery of cannabis products.
7. A delivery employee is not permitted to carry cannabis goods in the delivery vehicle with a value in excess of \$10,000 at any time.
8. The delivery vehicle and its use must satisfy certain regulatory requirements such as continuous and dedicated GPS, use of locked containment units for the cannabis products, and unmarked vehicles.

The Company is, to the Company's best knowledge, in all material respects in compliance with the laws of the State of California and the related cannabis licensing framework. To the Company's best knowledge, there are no current incidences of non-compliance, citations or notices of violation which are outstanding which may have an impact on the Company's licenses, business activities or operations in the State of California. Notwithstanding the foregoing, as is common for companies operating within the regulated cannabis industry, the Company may from time to time experience incidences of non-compliance with applicable rules and regulations in the states in which the Company operates, including the State of California, and such non-compliance may have an impact on the Company's licenses, business activities or operations in the applicable state.

However, the Company, takes steps to minimize, disclose and remedy all incidences of non-compliance which may have an impact on the Company's licenses, business activities or operations in all states in which the Company operates, including the State of California. See "*Legal and Regulatory Framework – Compliance.*"

Compliance with License Requirements

The Company currently has cannabis cultivation, manufacturing, distribution, retail, and delivery operations in the State of California and is, to the Company's best knowledge, in material compliance with applicable State licensing requirements and the California cannabis regulatory framework. The Company maintains the appropriate licenses for its California cultivation, manufacturing, distribution, retail and delivery operations, as applicable.

The licenses of the Company and its subsidiaries are independently issued for each approved activity for use at the Company's facilities in California. License renewal applications are submitted in accordance with, as applicable, the guidelines published by local cannabis regulators and the DCC. The Company has a strong track record of maintaining its licenses in good standing.

The Company has developed and implemented a comprehensive compliance program designed to achieve its strategic business goals. This compliance program integrates external regulations and requirements with internal procedures and rules to effectively outline the employee duties and standards of work. The Company has implemented policies and procedures to seek to ensure compliance with applicable laws and regulations.

In addition, the Company employs individuals dedicated to monitoring California law and local regulations for changes and update regularly. Further, the Company has contracts with external consultants, attorneys, and external advisors that regularly assist in the monitoring, notification, and interpretation of any changes.

The Company conducts quarterly internal audits to monitor compliance with regulations and to identify the areas for improvement. In addition, the Company has received and continues to receive legal input regarding (a) compliance with applicable State regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law in certain respects. The Company receives such input on an ongoing basis but does not have a formal legal opinion on such matters.

Cultivation Operations Compliance

The Company's onsite operations maintain compliance by merging compliant operations into day-to-day activity. Onsite staff is trained on compliance matters and is required to operate in accordance with SOPs that have merged compliance functions with daily operational activity necessary to propagate, cultivate, harvest, and cure cannabis.

Onsite staff are required to understand and adhere to compliance requirements related to cultivation. Cultivation operations include the below-referenced departments, each of which has a manager or supervisor responsible for maintaining regulatory compliance, updating the SOPs, confirming with compliance department managers any changes to operations or the premises, and reporting, both within their chain of command but also, in many cases, into systems or reporting chains in compliance and finance.

The teams that have material compliance obligations with respect to the Company cultivation operations include:

- propagation;
- integrated pest management;
- general cultivation;
- track and trace;
- inventory control;
- facilities; and
- operations.

Facilities, in conjunction with compliance staff, designate and maintain premises diagram information, including lighting plans and implementation, and canopy areas. Canopy areas are marked using easily identifiable ribbon lines and attaching the relevant licenses to such contiguous canopy spaces. General cultivation staff are aware of the canopy limitations and are required to ensure that all cultivation is kept within canopy boundaries.

The track and trace team is led by a Track and Trace Manager that ensures strict compliance with CCT&T and includes four (4) additional staff who manage compliance with respect to track and trace operations, including requesting unique identifiers (“UIDs”), tagging immature plant lots, upon moving immature plants to mature plant growth area tagging such plants with new UIDs, assisting in harvesting measurement and data input in conjunction with various cultivation team members.

The track and trace team members have each completed training to enter the cultivation licenses daily track and trace activities in the METRC system. The Track and Trace Manager oversees all data entry to seek to ensure accuracy and perform corrections within 24 hours of identified data entries. The Track and Trace Manager is also responsible for general track and trace compliance reconciliation, record storage, cross-functional reporting, and notifying the DCC in the event of any outage that keeps the account offline and is required to maintain a record of track and trace activities which occurred while offline.

The propagation team is responsible for initiating a transfer from nursery licensed areas to mature plant licensed areas. The propagation issues an external transfer sheet containing the UIDs and quantities of plant batches and licensed destination to the track and trace team. Upon receiving a transfer sheet, the track and trace team enters the information into the METRC system, producing a manifest to initiate the movement of plants from the nursery to the mature cultivation licensed areas.

The processing team led by the Processing Manager is responsible for oversight of the post-harvesting and processing of all cannabis batches. This includes working with the track and trace team to providing the required harvest information, including, for each plant and UID, the wet weight and waste weight (such waste is required to be processed in accordance with the applicable guidelines).

The track and trace team works with Inventory Managers to maintain accurate inventory records and update weights after drying and curing processes. A certified scale is used to weigh the total dry weight of a harvested batch as soon as the drying phase is completed, typically after approximately 10 days from harvest. This total dry weight is recorded prior to any processing activity. The total dry weight is then reconciled upon completion of processing the harvest batch by comparing final product and waste weights.

In addition to the general cultivation operations, track and trace teams are responsible, along with inventory team members, for issuing manifests for nursery transfers onsite, transfer of cannabis offsite, and any other inbound or outbound cannabis goods processing as well as general inventory management and information collection at the required times and processes. In order to seek to ensure accuracy, a cycle count schedule is in place at each cultivation facility to accomplish a 30-day reconciliation of all cannabis plant and processed inventory.

Senior Cultivation Managers are responsible for drafting and updating an integrated master plan (“IPM”) in conjunction with compliance staff. The IPM plan includes any county-imposed limitations, legal limitations, and label guidelines for application. In addition, the Company imposes its own strict guidelines on the use of active ingredient products and categorically excludes certain product classes.

The Company did not grow any cannabis at The Pottery in 2024 or 2025. The indoor grow is permitted to operate with a Specialty Indoor license. This license is regulated by a maximum of 500 sq. ft. of canopy space which suits the premises as the physical design as constructed is just under 500 square feet.

Additional regulatory requirements for this license type, such as weighmaster licenses and local permits, are maintained by The Pottery’s operation and compliance teams.

Required record retention for cultivation licenses is generally as follows:

- *Financial records:* The cultivation managers send copies of all receipts & invoices (cash & card) to the Company’s accounting team. These records are maintained in the Company’s electronic filing system and can be produced upon request for audit and inspection purposes. Onsite copies are kept in a filing system at The Pottery cultivation by Cultivation Managers.
- *Personnel records:* The Company’s human resources department keeps all employee files stored both electronically and hard copy records in the Company’s office.
- *Disposal records:* Disposal records are maintained electronically.

The compliance department is generally responsible for maintaining licenses in good standing, including ancillary licenses such as weighmasters licenses, State Water Resources Control Board registrations and reporting, and maintaining information on the Company's ability to meet license obligations. The responsibility includes maintaining accurate state level licenses and amending and updating such licenses and related license information, such as the premises diagrams, when required.

The Company's compliance and licensing team is responsible for audits of onsite activities, implementing reporting guidelines, and acting as a resource to onsite team members. The compliance team calendars license renewals and other regulatory deadlines and submits, or approves the submission through contractors, of all documents to cannabis regulators. The compliance/licensing manager is responsible for preparing and submitting license renewals prior to expiration of both cannabis and other regulatory licenses, for example, State Water Resources Control Board licenses and waivers, weighmasters certificates and local use permits.

The Company has a robust financial reporting and compliance system in place. Financial reporting is reconciled against METRC reporting for maintenance of accuracy and prevention of loss. The cultivation business units are led by a Cultivation Controller who reports to the Corporate Controller who in turn reports to the Company's Chief Financial Officer. In conjunction with operations staff, the finance team provides for the payment of local cannabis taxes, California cultivation and excise taxes and the tracking of outbound and inbound products transfers.

The finance team is also responsible for maintaining records relating to financial interest holders, tax payments, contracts and transaction records which are produced as needed for regulatory review.

Manufacturing Operations Compliance

Under applicable State regulatory requirements, licensed cannabis manufacturers are required to establish a safety and security plan to include measures preventing access to the premises by unauthorized persons and to protect physical safety of employees and to install a security alarm system designed to prevent theft or loss.

The Company seeks to comply with such security requirements through the following policies and procedures:

Security and Security Plans

Security management: The Director of Security, in coordination with managers and security advisors, is responsible for the development, upkeep, and adherence to a security plan.

Security training: All employees receive adequate security training which includes (i) the proper use of security measures and controls for the prevention of diversion, theft, or loss of cannabis or cannabis products, (ii) procedures and instructions for responding to an emergency, and (iii) education of department managers, who are responsible for the ongoing security training in daily operations. Employees are required to report any suspicious activity or security concerns to their supervisor immediately or security officer on duty immediately.

Personnel security: Each person working is supplied with a unique identification code to document entry and egress. This is accomplished with the use of a credentialed fob device that is controlled by the Director of Security. Security codes and fobs are kept secure and inaccessible to any unauthorized person. The Human Resources Manager maintains personnel records (separate from payroll records) to be kept for seven years for each employee. The Human Resources Manager is assigned responsibility for personnel policy and procedure documentation, maintenance, implementation, and training.

Security access: Each person employed is supplied with a unique identification code contained in a credentialed fob device for access. Visitors, including outside vendors and consultants, must obtain a visitor identification badge prior to entering an enclosed locked area and will be escorted and monitored by a Manufacturing Manager.

Theft or diversion: Any incident involving theft, diversion or any other criminal activity pertaining to the operations of the licensee will be reported to the DCC and local law enforcement within 24 hours. Local regulations may impose additional or more severe notice requirements related to theft, diversion, or any other criminal activity pertaining to the operations of the licensee.

Facility security: Consists of four primary systems: (i) contracted physical security, including 24 hour onsite armed security; (ii) CCTV 24-7 recording; (iii) manual code access doors equipped with ID card readers; and (iv) intrusion alarms.

Quality Control Program

Each cannabis manufacturing licensee is responsible for implementing a quality control program to ensure that cannabis products are not adulterated or misbranded. The quality control program includes quality control operations for all of the following:

- *The grounds, building, and manufacturing premises:* This is accomplished by the Company's Manufacturing Facilities Manager and staff following internal SOPs to maintain the manufacturing premises so that they remain in a clean condition, free from any contamination or potential disturbance to the quality and safety of products on site.
- *Equipment and utensils:* The Company's manufacturing team has established procedures for validating that all equipment and machinery is in compliance with design specifications, including built as designed with proper materials, capacity, and functions, in addition to properly connected and calibrated. The Equipment Production Supervisor oversees that team performs a visual inspection, looks for any contaminants, foreign objects, or quality issues with the equipment, supplies, raw materials or the facility. If a quality control issue is discovered when performing a visual inspection, staff must immediately notify the Manager on duty so that batch is remediated before further processing. The manufacturing team establish that operating ranges are shown to be capable of being held as long as necessary during routine productions and have a schedule for routine re-verification of all equipment and machinery.
- *Personnel:* The Company's manufacturing team seeks to ensure that all cannabis and cannabis products are processed, manufactured, packaged, labeled, handled, and stored in a safe and sanitary manner and seeks to ensure that the identity, strength, quality, and purity of cannabis and cannabis products are maintained. All employees working in direct contact with cannabis must conform to hygienic practices.
- *Cannabis product components:* All production materials, packaging components, labeling, and other supplies must be physically inspected and stored under quarantine until they are sampled, if necessary, and released for use. All containers are inspected for appropriate labeling as to contents, container damage, or broken seals and contamination.
- *Shipment inspection:* Shipments unloaded from carriers are inspected for physical damage. If there is slight or moderate physical damage, the material will be more closely inspected. If any consequential damage is found, the material in question will not be permitted into the facility and the Inventory Manager will be immediately notified. The Inventory Manager and/or a Quality Assurance Specialist will make the decision to either accept or return the material. Any damaged material, which cannot be left on the truck, will be brought to the quarantine area and clearly marked as "DAMAGED" or "REJECTED."

Manufacturing Processes and Procedures

The Company's manufacturing operations have organized their processes and procedures by outlining each process that occurs in designated areas in the following order:

- *Pre-processing/preparation area:* This area is used for preparing the raw plant material. Mechanical homogenizers are used to grind the material to a uniform size. Large, super-low temperature freezers are used for storage. After preparation, material is brought to the extraction room.
- *Extraction room:* Non-volatile or volatile extraction is completed in the designated "extraction room" by an original equipment manufacturing-trained and certified technician. After the initial extraction is completed, the product can move into the designated area for post-production and refinement.
- *Post-processing/refinement lab:* This room houses solvent reclamation equipment, hazardous/flammable material storage, vacuum ovens, vacuum pumps, small benchtop chillers, water heaters, heating mantels, distillation apparatus, etc. The area meets U.S. National Fire Protection Association criteria for class 1B flammable liquids and vapors. All product completed in this section of the facility is deemed safe for handling by the QA Specialist before entering the packaging area. When products reach the end of their refinement cycle and pass quality control sampling/testing, they are moved to the designated finished product area.
- *Commercial food processing "kitchen:"* The area referred to as the food processing facility or "kitchen" is utilized to infuse active cannabis ingredients into consumable goods. All employees working in this area have sufficient training in Hazard Analysis Critical Control Point training and are "Serv Safe" certified. All food products are stored according to their perishability in a clean and efficacious work environment for the purpose of food processing.

- *Packaging/labeling area:* Finished products are moved to this area, and products still in need of formulation go to the “formulation and filling room,” where the various derivative products are volumetrically packaged and labeled by way of automated or manual robotic filling machines, then returned to this area. All products prior to being packaged and labeled undergoes a quality assessment to seek to ensure product is free of debris. An enhanced visual inspection and an olfaction inspection may be performed at this time. A log is compiled by every employee delineating employee number, product batch code, date and net batch weight. When a product has been counted and logged, the items are moved to the “secured product storage vault” and locked until further distribution.
- *Formulation and filling room:* This area is considered a clean room to create “nutraceutical style” products and can be used as a clean area for future work. Products to be volumetrically filled and formulated primarily consist of vape devices and topical products and tinctures.
- *Secured product storage vault:* This area is the most secure space in the facility, surrounded by a U.S. Drug Enforcement Agency-style “cage” comprised of anchored rod iron and Kevlar/steel inserts within the drywall. This area is tightly climate-controlled to seek to ensure hazard controls for any consumable products that are at risk for food-borne bacteria.
- *Testing:* All cannabis received is tested for contaminants and cannabinoid and terpenoid profile, though testing of cannabis that will undergo further processing before sale is not required by State law or regulation. In lieu of initiated testing with an independent testing laboratory, a lot specific report or Certificate of Analysis may be accepted from the supplier of the cannabis provided the results are reported by an independent testing laboratory that is licensed by the State of California. The Quality Assurance department establishes the reliability of the supplier’s analyses through confirmation of the supplier’s test results at appropriate intervals.

Inventory Control

The Company has a written inventory control plan capable of tracking the location and disposition of all cannabis and cannabis products at its licensed premises. The Director of Inventory Management and Control follows the internal Inventory Tracking standard operating procedure and oversees that the inventory team reports all tracking of inventory items accurately.

In addition, the Company reconciles the on-hand inventory of cannabis and cannabis products at its licensed premises with the records in the track-and-trace database at least once every 30 calendar days. The Director of Inventory Management and Control and team produce a 30-day inventory reconciliation for all inventory in the track and trace system. This is overseen by the Operations Coordinator who reports to the Plant Manager.

Retail and Distribution

Each of the Company’s retail locations is managed by an Operations Manager who is responsible for maintaining compliant operations. CCT&T obligations are handled by the inventory and compliance team whose duties include receiving inbound cannabis products, checking the products against the manifest, accepting or rejecting products and updating the track and trace database when accepted, destruction of product, processing returns, compliance training and inventory reconciliation. At the time of delivery, the receiving employee is charged with examining the product packaging to seek to ensure that it meets packaging and labeling requirements.

The track and trace system, METRC, is only one of multiple data sets used to manage, track, reconcile, and reduce loss of inventory. The Company also enters all inventory into its general inventory management system, by porting METRC tags through the Company’s enterprise resource planning software. Each dispensary has its own assigned tags. METRC manifests, tags, certificates of analysis, inventory reconciliations, and invoices are kept for records retention. Manifests are required to be kept for seven years.

The inventory and compliance team reviews and fully assesses all on-hand inventory every 30 days and cross-references to the general inventory database.

Safety and security measures are an integral part of each floorplan. Licensed premises are designed to control customer flow and prohibit unauthorized entry to limited-access areas. Limited-access areas include spaces utilized to secure, store, transfer, or receive cash, salable goods, records and surveillance equipment (excluding the sales floor). These areas are accessible only to authorized individuals; authorization is granted by necessity of job function. Additionally:

- no one under age 21 may enter a limited-access area;
- only authorized individuals are permitted entry to a limited-access area, which may include:
 - employees;
 - outside vendors;
 - contractors; or
 - anyone doing business that requires access to the limited-access area;
- authorized individuals who are not employees must:
 - be accompanied by an employee at all time;
 - have their visits recorded in a log (including date, time, name, purpose of visit, areas visited, employee escort name; logs are retained in compliance with State record keeping requirements and available to licensing agencies and authorities upon request); and
- only employees and contractors are permitted on site outside of retail store hours.

Employees are required to display a laminated identification badge. Visitors are provided a visitor's badge. To enter each retail licensed area, a customer is required to present a valid government issued photo ID.

Each Company retail licensee location has specific access controls related to both inventory and cash management. Cash is secured in specialized vaults as a safety measure against robbery and is regularly deposited.

When transporting cash, each Company retail store is required to comply with all DCC regulations, security protocols and internal best business practices defined by the retail finance team in all transportation of cash. Armored car transportation is the preferred method of transportation. This service in combination with retail security protocols are designed to safeguard all transportation of cash to and from the specific site.

There are several specific controls related to general retail merchandising that include limits on customer interactions with samples, product display, and purchasing requirements. Store merchandising is directed and approved by the VP of Retail and implemented by store management and designees. Changes to merchandising are reviewed for compliance, and, where appropriate, proposed changes are evaluated by the corporate compliance managers.

To place an online order for cannabis products, a customer is required to upload a valid California identification and a self-photo, both of which are electronically verified by retail employees. No online sales or home deliveries are made to individuals outside the State of California. On delivery, the Company's delivery employee electronically scans the customer's identification and utilizes mobile technology to process electronic payments and to upload data into the Company's inventory management system.

Delivery operations must be conducted by an employee over the age of 21. A copy of the licensee's license, the driver's government identification, and the employee badge are required to be carried by the driver. At the time of delivery, the driver must confirm the age and identify of the customer in accordance with general retail customer data collection procedures.

Certain restrictions on where delivery is allowed to occur include the requirement that it be to a physical address within California, cannot be to a school, youth center, or childcare center, and cannot be delivered to any public or United States land.

Retail delivery may only be accomplished by using an enclosed motor vehicle, equipped with a GPS device capable of tracking and recording all vehicle movement and maintaining 90 days of travel data. Only employees are permitted in the vehicle during delivery operations. Delivery vehicles may not have markings that indicate cannabis may be contained within. The total value of goods carried cannot exceed \$10,000 at any time, or more than \$5,000 in goods that do not have associated pre-orders.

Cannabis goods are kept in a lockable case (either combination or lock) that is secured to the inside of the vehicle.

Distributor obligations include separation of non-cannabis goods storage from cannabis goods, a requirement to store by batches of similar products and not store mixed product batches together. Batch labeling of products must occur and include, manufacturer or processor license number and information, date of entry into storage, UID for each batch, a description of the goods and the unit weight or batch weight and count (as accomplished by licensed weighing devices and personnel), and the best by or any expiration dates.

Batch testing is accomplished by state licensed laboratories who take samples while products are held. Testing operations, including those accomplished while the goods are held, are highly regulated. A Company employee must be present when sampling occurs. The sampling process must be on video with the batch number identified on video and the recording maintained for 90 days. Chain of custody records for anyone possessing and moving the sample are required.

All cannabis goods transported by distribution require a manifest in the CCT&T system prior to shipment, the information required includes testing and sampling data, sale of goods, description of goods and weight and count of goods. Prior to shipment, the manifest must be submitted to the purchaser or transferee and the DCC. The receiving licensee is required to check the manifest and reject any non-conforming goods or goods not on the manifest.

While the Company is compliant with State and local cannabis laws, its cannabis-related activities remain illegal under United States federal law. See “*Risk Factors*.”

Non-Compliance with State and Local Cannabis Laws

From time to time, as with all businesses and all rules, it is anticipated that the Company may experience incidences of non-compliance with applicable rules and regulations, which may include minor matters such as:

- staying open slightly too late due to an excess of customers at stated closing time;
- minor inventory discrepancies with regulatory reporting software;
- missing fields in regulatory reports;
- cleaning schedules not available on display;
- educational materials and/or interpreter services not available in a sufficient number of languages;
- updated staffing plan not immediately available on site;
- improper illumination of external signage;
- cannabis infused product utensils improperly stored;
- labels out of compliance with current regulatory guidelines;
- out-of-date or non-compliant documents in the license record which must be updated or further developed;
- insufficient disclosures made on the Company’s good-faith interpretation of the applicable rules and regulations;
- delayed or remedial measures to report or correct reporting related to regulatory “Owners” or “Financial interest holders” of the Company;
- partial obstruction of camera views; and
- onsite surveillance room used for any other function (i.e., storage).

In addition, either on an inspection basis or in response to complaints, such as from neighbors, customers or former employees, State or local regulators may among other things issue “**show cause**” or “**Notice to Comply**” letters, give warnings to or cite the Company for violations, including those listed above. Such regulatory actions could lead to the requirement to remedy the situation, usually within a specified timeframe, or, in more serious cases, lead to penalties and/or amendments, suspensions or revocations of licenses or otherwise have an impact on the Company’s licenses, business activities or operations.

The Company conducts and intends to continue to conduct internal audits with respect to compliance with applicable State and local cannabis rules and regulations.

The Company intends to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations, and the Company intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations.

Ability to Access Public and Private Capital

The Company has historically, and will continue to have, access to equity financing from the public capital markets by virtue of its status as a reporting issuer in each of the provinces and territories of Canada other than Québec.

The Company has historically, and continues to have, access to equity and debt financing from the prospectus exempt (private placement) markets in the U.S. The Company also has relationships with sources of private capital (such as investment funds, family offices and high net worth individuals) that could be investigated at a higher cost of capital.

The Company currently has access to equity financing through the private markets in the U.S. In addition, the Company has accessed the U.S. credit markets through a credit facility for up to \$100 million through the Prior Senior Secured Credit Agreement, which is fully paid off (see “*General Development of the Business – Financing Transactions – Prior Senior Secured Credit Agreement*”) and is currently party to the Senior Secured Credit Facility providing up to \$50 million (see “*General Development of the Business – Financing Transactions – Senior Secured Credit Facility*”). However, there can be no assurance the Company will continue to access these financing options in the future.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in cannabis-focused companies and businesses similar to that of the Company. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is currently available to cannabis license holders and license applicants. 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 to the Company. The Company’s inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See “*Risk Factors – The Company may be subject to restricted access to banking services in the United States and Canada.*”

RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. The following are certain factors relating to the Company and its business that may have a material adverse effect on the Company’s business, financial condition, results of operations and prospects, or the trading price of the Equity Shares. 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 actually occur, security holders of the Company could lose all or part of their investment and the business, financial condition, liquidity, cash flows, results of operations and prospects of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

Risks Related to Legality of Cannabis

While legal under applicable U.S. State law, the Company's business activities are illegal under U.S. federal law.

Investors are cautioned that in the United States, cannabis is largely regulated at the State level, and in California, at both the State and local levels. To the Company's knowledge, as of the date hereof the medical use of cannabis has been legalized in 38 states and the District of Columbia. The recreational or adult-use of cannabis has been approved in DC and 24 states. Another 10 states have decriminalized its use. Additional states have pending legislation regarding the same. Although California authorizes medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other states have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia remain illegal, under the CSA and such acts may constitute criminal offenses under federal law, subject to limited appropriations-based restrictions and the exercise of prosecutorial discretion by federal authorities. The concepts of "medical cannabis," "retail cannabis" and "adult-use cannabis" do not exist under U.S. federal law. Marijuana is currently classified as a Schedule I drug under the CSA. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. Although the Company believes that the business of the Company is and will be materially compliant with applicable U.S. State and local law, even strict compliance with State and local laws with respect to cannabis does not necessarily absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may result in a material adverse effect on the Company.

Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities. The Company cultivates, manufactures and distributes medical and adult-use cannabis and cannabis products. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another's criminal activities, and/or claims related to money laundering or tax evasion. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." Accordingly, the U.S. DOJ retains the authority to allege that the Company has aided and abetted violations of federal law in connection with its cannabis-related activities. As a result, the U.S. Department of Justice ("DOJ"), under the current presidential administration, could allege that the Company has "aided and abetted" violations of federal law by providing financing and services to the Company. Under these circumstances, the federal prosecutor could seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on the Company.

U.S. Customs and Border Protection ("CBP") enforces the laws of the United States. Crossing the border while in violation of the CSA and other related federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the *Immigration and Nationality Act* to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. Investment in, or employment by, a cannabis business engaged in activities that are illegal under U.S. federal law may adversely affect the admissibility of non-U.S. citizens into the United States and could potentially result in lifetime inadmissibility. See "*Risk Factors – U.S. border officials could deny entry of non-U.S. citizens into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.*"

As of December 31, 2025, the Company derives substantially all of its revenues from the cannabis industry in the State of California, of which the industry is currently illegal under U.S. federal law and the Company has certain intellectual property licensing agreements in Nevada and Florida. Even where the Company's cannabis-related activities are compliant with applicable State and local law, such activities remain illegal under U.S. federal law. The enforcement of relevant laws is a significant risk. The Company is at risk of being prosecuted under U.S. federal law and having its assets seized.

Historically, medical cannabis has been protected against federal enforcement by enacted legislation from the United States Congress in the form of what is commonly called the “**Rohrabacher-Farr Amendment**,” or “**Blumenauer Amendment**,” which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state-level, subject to the United States Congress restoring such funding. Notably, this amendment has always applied to only medical cannabis programs, must be annually renewed, and has no effect on the pursuit of recreational cannabis activities. The amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature, expire at the end of a fiscal year or other defined term. Historically, Congress has included an appropriations rider restricting the Department of Justice from using funds to interfere with the implementation of state medical cannabis laws. Such rider must be renewed annually and does not amend substantive federal law. Funding for fiscal year 2025 is currently operating under a continuing appropriations resolution that references prior-year authorities and conditions; however, the rider is not restated in the current law, may be subject to differing interpretations and may be modified, omitted, or terminated at any time in subsequent appropriations legislation.

In July 2020, the House of Representatives passed the “Blumenauer-McClintock-Norton-Lee amendment” to the Commerce, Justice, Science (CJS) Appropriations bill. That amendment proposed continuing the Rohrabacher-Farr Amendment’s protections for state medical cannabis programs and extend those protections to include recreational programs in states where recreational cannabis is legal. The amendment was not included in the final spending bill, so at this time the protections afforded by the Rohrabacher-Farr Amendment apply only to medical cannabis programs.

Should Congress fail to include the Blumenauer Amendment language in the next appropriations package, there can be no assurance that, upon expiration of the Blumenauer Amendment, the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings 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, even if such proceedings were concluded successfully in favor of the Company. The Company’s activities and operations in the United States are, and will continue to be, subject to evolving regulation by governmental authorities. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Trump Administration has made various statements indicating that the Trump Administration intends to take a more balanced approach to the enforcement of existing federal marijuana laws and regulations.

In December 2025, President Trump issued an executive order entitled “Increasing Medical Marijuana and Cannabidiol Research,” directing the Attorney General to take all necessary steps to complete the ongoing administrative rulemaking process to reschedule marijuana from Schedule I to Schedule III under the CSA in the most expeditious manner consistent with federal law, including the statutory procedures required for such rescheduling. The executive order also directs federal health agencies to expand research into medical marijuana and cannabinoid products and calls for coordination with Congress on statutory definitions of hemp-derived cannabinoid products. The executive order does not itself change the scheduling of marijuana, does not amend the CSA, and does not create any legally enforceable rights or protections on its own; any change in marijuana’s scheduling under the CSA will result only from the completion of the formal administrative rulemaking process or future statutory action. Executive orders may be modified, rescinded, narrowly interpreted, or implemented inconsistently and their effectiveness is subject to agency rulemaking, budgetary constraints and judicial review.

Federal authorities previously initiated an administrative review of cannabis scheduling. In August 2023, HHS recommended that cannabis be reclassified to Schedule III, and in April 2024 the DEA issued a notice of proposed rulemaking to that effect. As of the date hereof, the DEA has not finalized any rescheduling determination, and cannabis remains classified as a Schedule I substance under federal law. Even if cannabis were reclassified to Schedule III, such reclassification would not legalize commercial cannabis activity and would likely subject the Company to increased regulation and oversight by the DEA and the U.S. Food and Drug Administration (“**FDA**”), including registration, inspection, recordkeeping, manufacturing standards, labeling restrictions, and enforcement actions for non-compliance.

Any changes in the federal government's enforcement of current federal laws and regulations could adversely affect our ability to conduct commercial cannabis activity under our current local and state-level authorizations. Marijuana is a Schedule I controlled substance under the CSA meaning that it has a high potential for abuse, has not currently "accepted medical use" in the United States, lacks accepted safety for use under medical supervision, and may not be prescribed, marketed or sold in the United States. No drug product containing natural cannabis or naturally-derived cannabis extracts have been approved by the FDA for use in the U.S. or obtained registration from the DEA for commercial production and the DEA may never issue the registrations required of the commercialization of such products. The Company will continue to assess potential strategic acquisitions of existing or new businesses in the cannabis industry, should the Company determine that such activities are in its best interests and the best interests of its stockholders. Any such pursuit would involve additional risks with respect to the regulation of cannabis, particularly, if the federal government determines to actively enforce all federal laws applicable to cannabis.

California has continued to refine its cannabis regulatory framework, including the elimination of provisional licenses, with most provisional licenses no longer renewable and no provisional license permitted to remain effective after January 1, 2026, and the adoption of additional labor, environmental, delivery and consumer-use regulations. Compliance with evolving California regulations may increase operating costs and regulatory risks and failure to maintain required licenses could result in suspension or revocation of the Company's operations.

Overall, the cannabis industry remains subject to significant legal, regulatory, political and enforcement uncertainty at both the federal and state levels. The inability of the Company to successfully navigate the myriad of risks could have a material adverse effect on its business, financial condition, results of operations and prospects.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical and adult-use cannabis licenses in the United States, its financial position, operating results, profitability or liquidity or the market price of its publicly-traded shares. In addition, it will be difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

As a result of the conflict between state and federal law regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the U.S. DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the U.S. DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the U.S. DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, then newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he had previously stated that he did not believe it had been implemented effectively and, on January 4, 2018, former Attorney General Jeff Sessions issued a memorandum (the "**Sessions Memorandum**"), which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

As discussed above, since the appropriations rider commonly referred to as the “Rohrabacher-Farr Amendment” or “Blumenauer Amendment” apparently has not been renewed, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such appropriations-based restrictions apply only to medical cannabis programs, do not apply to adult-use cannabis activities, must be renewed annually and do not create substantive rights or immunity from prosecution.

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Trump. Following Mr. Sessions’ resignation, Matthew Whitaker began serving as Acting United States Attorney General, and William Barr was eventually appointed to the role. During his Senate confirmation hearing, Mr. Barr stated that he disagrees with efforts by states to legalize marijuana but would not target cannabis companies in states that legalized it under the policies from the former Obama administration. He stated further that he would not upset settled expectations that have arisen as a result of the Cole Memorandum. Federal enforcement of cannabis-related activity remain consistent with the priorities outlined in the Cole Memorandum throughout Attorney General Barr’s tenure. Federal enforcement activity during Attorney General Barr’s tenure remain generally consistent with discretionary enforcement practices rather than formal guidance.

In January 2021, Joseph R. Biden Jr. was sworn in as the new President of the United States. President Biden nominated federal judge Merrick Garland to serve as his Attorney General. During his confirmation hearings in the Senate on February 22, 2021, Attorney General nominee Garland confirmed that he would not prioritize pursuing cannabis prosecutions in states that have legalized and that are regulating the use of cannabis, both for medical and adult use. The Senate confirmed Judge Garland as Attorney General on March 10, 2021.

On October 6, 2022, President Biden announced a series of marijuana-related initiatives. Included amongst them was a directive to the Secretary of Health and Human Services and the Attorney General “to initiate the administrative process to review expeditiously how marijuana is scheduled under federal law. Federal law currently classifies marijuana in Schedule I of the CSA, the classification meant for the most dangerous substances.” This administrative review would be conducted by the FDA and the DEA. This review could result in efforts to remove cannabis from Schedule I of the CSA, and such efforts are formally underway as of the date of this MD&A. On August 30, 2023, the Department of Health and Human Services published its recommendation that marijuana should be moved to Schedule III. In April 2024, the DEA presented a proposed change rescheduling cannabis to Schedule III and opened a public comment period. That public comment period ended on July 22, 2024. While a significant number of comments supported rescheduling, the process was subsequently delayed by procedural challenges, congressional scrutiny, and administrative appeals. A DEA administrative hearing scheduled for January 2025 was ultimately canceled, and as of the date hereof, no final rescheduling determination has been issued. On January 20, 2025, President Trump was sworn in as the 47th President of the United States. President Trump has publicly stated that his administration would support reclassification of cannabis as a Schedule III controlled substance under the CSA and would not stop or reverse a Schedule III determination by the DEA. In December 2025, President Trump issued an executive order directing the DOJ, DEA, HHS, and other federal agencies to coordinate administrative review and enforcement priorities relating to controlled substances, including cannabis, and specifically to continue evaluating the proposed reclassification of marijuana to Schedule III.

The December 2025 executive order does not amend the CSA, does not legalize cannabis, does not create any statutory or regulatory safe harbor for state-legal cannabis activity, and does not limit the discretion of federal prosecutors to enforce existing federal law. Executive orders may be rescinded, modified, or narrowly implemented, and their effectiveness is subject to agency rulemaking, budgetary constraints, and judicial review. At present, absent an act of Congress, the DEA retains final authority to determine whether cannabis will be rescheduled under the CSA and is not bound by HHS recommendations or executive branch statements.

Reclassification of cannabis to Schedule III would not decriminalize cannabis or eliminate the conflict between state and federal law. Schedule III classification would likely subject cannabis to increased regulation by the DEA and the FDA, including registration, inspection, recordkeeping, manufacturing standards, labeling restrictions, and limitations on medical claims, which could materially increase compliance costs and operational complexity for the Company. If the DEA does not finalize a rescheduling determination, Congress could elect to take legislative action to amend the CSA, including moving cannabis to a different schedule or removing it entirely from the CSA. There can be no assurance that Congress will take such action or that any such legislation would be implemented in a manner favorable to the Company.

If cannabis is reclassified as a Schedule III, Schedule II or lower controlled substance, the resulting re-classification would result in the need for approval by the FDA and the DEA. As a result of such a reclassification, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products could become subject to a significant degree of regulation and oversight by the FDA and the DEA. The Company may be required to obtain federal registrations, comply with enhanced security, reporting and inventory controls and submit to periodic inspections. Failure to comply with such requirements could result in civil or criminal penalties, suspension, revocation, registrations or enforcement actions that could have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, should the United States federal government legalize cannabis, it is possible that the FDA would seek to regulate it 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 and processing of medical and adult-use cannabis. Clinical trials may be needed to verify efficacy and safety of medical cannabis products. It is also possible that the FDA would require that facilities where cannabis is grown or manufactured register with the agency and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is uncertain and could include the imposition of new costs, requirements, and prohibitions. If the Company is unable to comply with the regulations or registration as prescribed by the FDA, it may have an adverse effect on our business, operating results, and financial condition.

Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis as currently scheduled as a Schedule I drug (and as to the timing or scope of any such potential amendments there can be no assurance) in such a manner as to enable the existing operation of commercial cannabis activity across state lines as otherwise sanctioned under state law, and otherwise legislates to implement a legal and regulatory paradigm to allow state—sanctioned commercial cannabis markets to safely operate under federal law, and federal regulators implement regulations in harmony with such Congressional action, there is a risk that U.S. federal authorities may enforce current U.S. federal law, or change federal laws, regulations, and policies that are not favorable to the Company or the state markets in which it operates. 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 and the Company would be materially adversely affected.

Such potential proceedings 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, 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 Company assets; however, as of the date hereof, the Company believes that proceedings of this nature are likely to be remote.

There is no certainty as to how the DOJ, Federal Bureau of Investigation, DEA, FDA or other federal, state and local government agencies will handle cannabis matters in the future. The Company regularly monitors the activities of the current administration and state legislators in this regard.

The Company is subject to restricted access to banking services in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network (“**FinCEN**”) of the U.S. Treasury Department issued guidance through a memorandum (the “**FinCEN Memorandum**”) with respect to financial institutions providing banking services to cannabis businesses. This guidance includes burdensome due diligence expectations and reporting requirements and does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the U.S. DOJ, FinCEN or other federal regulators. Thus, many banks and other financial institutions in the United States choose not to provide banking services to cannabis-related businesses or rely on this guidance, which is non-binding, does not confer legal protection and may be rescinded, revised or narrowly interpreted at any time by the current presidential administration or a future administration. In addition to the foregoing, banks may refuse to process debit card payments, and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. The inability, or limitation of the Company’s ability, to open and maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently, increase cash-handling risks, raise operating costs and limit the Company’s ability to engage in ordinary-course commercial transactions.

Legislation commonly referred to as the SAFE Banking Act or similar federal banking reform proposals (of which there have been many over the past decade or more) have not been enacted into law as of the date hereof. Accordingly, there remains no federal statutory safe harbor for financial institutions providing services to cannabis businesses and there can be no assurance that banking access for the Company will improve in the near term.

Additionally, Canadian banks may potentially refuse to provide banking services to companies engaged in U.S. cannabis activities while it is illegal under U.S. federal law or may impose enhanced diligence, pricing or structural requirements that increase the Company’s cost of capital or limit available banking relationships.

There are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and businesses similar to the Company. Although there has been an increase in the amount of private financing available over the last several years, such financing remains difficult to obtain and there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. Institutional lenders, commercial banks and large financial institutions continue to approach the U.S. cannabis industry cautiously due to federal illegality, regulatory uncertainty and compliance risks. 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 to the Company. The Company’s inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

The differing regulatory requirements across State jurisdictions may significantly hinder or otherwise prevent the Company from achieving economies of scale.

State-by-state cannabis regulatory frameworks impose varying ownership restrictions, licensing requirements, tax regimes and disclosure obligations, which may limit the Company’s ability to efficiently deploy capital or integrate operations across jurisdictions. It may not be achievable to implement traditional rules of investing in the cannabis industry. For example, while it would be common for investment managers to purchase equity in companies in different states to reach economies of scale and to conduct business across State lines, such an investment thesis may not be feasible in the cannabis industry because of varying state-by-state legislation. Applicable regulations in many states may require advance disclosure of and approval of State regulators to accomplish an investment. As no two regulated markets in the cannabis industry are exactly the same, doing business across State lines may not be possible or commercially practicable, and is likely to result in numerous inefficiencies and duplicative costs. As a result, the Company may be limited to identifying opportunities in individual states, which may have the effect of slowing the growth prospects of the Company.

Risk of legal, regulatory or other political change.

The success of the business strategy of the Company depends on the legality of the cannabis industry and the promulgation of laws, regulations, and policies that render feasible successful participation in the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To the Company’s knowledge, as of the date hereof, the medical use of cannabis has been legalized in 38 states and the District of Columbia. The recreational or adult-use of cannabis has been approved in the District of Columbia and 24 states. Another 10 states have decriminalized its use. The risk remains, however, that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Company’s business, results of operations, financial condition or prospects.

Delays in enactment of new State or federal regulations could restrict the ability of the Company to reach strategic growth targets. The growth strategy of the Company is contingent 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 could be negatively impacted, 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.

Further, there is no guarantee that State laws legalizing and regulating the sale, taxation, and use of cannabis will not be repealed or overturned or dramatically changed, or that local governmental authorities will not limit the applicability of State laws within their respective jurisdictions, including prohibiting ownership of cannabis businesses by public companies, or implementing unfavorable local rules and regulations that make infeasible participation in the local cannabis market. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal under State law, or if existing applicable State laws are repealed, unfavorably changed, or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit, tax, and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business in that jurisdiction, which may adversely affect the Company's continued operations. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable marijuana legislation could adversely affect the Company and its business, results of operations, financial condition and prospects.

The Company is also aware that multiple states are considering or have passed additional or special taxes or fees on businesses in the cannabis industry, including excise taxes, gross receipts taxes and local cannabis-specific use permitting fees and assessments. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. Should such additional or special taxes or fees be adopted, this could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the State and federal level. The inability of the Company to expeditiously and appropriately respond to the changing and often unpredictable regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

The Company faces significant competition from the illegal cannabis market.

The Company continues to face competition from producers and distributors of cannabis and cannabis products that are unlicensed and unregulated and operating exclusively in the illegal cannabis market. The illicit market currently in California is generally understood to dwarf the size of the legal cannabis market, though reliable statistics concerning the magnitude of illegal cannabis sales and the impact on the regulated cannabis market are difficult to quantify with precision. State and local regulators have historically devoted limited enforcement resources to addressing illicit cannabis activity and while California has announced periodic enforcement initiatives, sustained and comprehensive suppression of the illicit market has not been achieved. Illicit market participants generally produce and sell cannabis and cannabis products with higher concentrations of active ingredients, use pesticides, terpenes or other additives which the Company may not be permitted to use, do not pay taxes and fees that regulated cannabis companies pay, and/or sell cannabis and cannabis products at prices that a regulated cannabis company could not feasibly offer, and/or engage in advertising and promotion activities from which the Company is prohibited; further, such participants do not incur compliance, testing, labor or environmental costs required of licensed operators. As these illegal market participants do not comply with the laws and regulations governing the legalized cannabis industry, their operations may also have significantly lower costs than those of the Company. The perpetuation of the very robust illegal market for cannabis and cannabis products in California and other states continues to exert downward pressure on pricing, compress margins, reduce legal market share and distort consumer demand and has a material adverse effect on the Company's business, financial condition, results of operations and prospects, as well as the public's perception of regulated cannabis products.

The cannabis industry is a relatively new industry that may not succeed.

Should the U.S. federal government change course and decide to pursue widespread enforcement actions against state-legal medical or adult-use cannabis businesses or should federal or state regulatory frameworks materially change, there may not be any market for the Company's products and services. It is a relatively new industry subject to extensive regulation, and exposed to legal, political, taxation, enforcement and market risks that are not present in more mature industries and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Company to succeed. The Company is treating, and will treat, the cannabis industry as a highly regulated and evolving market and may adjust its future operations, product mix and market strategy as the industry develops and matures.

The Company's operations in the U.S. cannabis market may become the subject of heightened scrutiny.

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 and the U.S. 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.

Given the heightened risk profile associated with cannabis in the U.S., CDS Clearing and Depository Services Inc. ("CDS") may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the U.S. 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 ("TMX MOU") with Cboe Canada, the Canadian Securities Exchange, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The TMX 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 U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Equity Shares to make and settle trades. In particular, Equity Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of Equity Shares through the facilities of a stock exchange.

In light of the myriad of political and regulatory uncertainties surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice") setting out their disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. The Staff Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The Staff Notice includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views the Staff Notice favorably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the Company.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the U.S. or elsewhere. A negative shift in the public's perception of medical and/or adult-use cannabis 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 and/or adult-use cannabis, 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 result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Settlement by Securityholders Resident in the United States.

Given the heightened risk profile associated with cannabis in the United States, capital markets participants may be unwilling to assist with the settlement of trades for U.S. resident securityholders of companies with operations in the United States cannabis industry which may prohibit or significantly impair the ability of securityholders in the United States to trade the Equity Shares. In the event residents of the United States are unable to settle trades of the Equity Shares, this may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices and the liquidity of these securities.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations in the various states in which the Company 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, Securities and Exchange Commission, the U.S. DOJ, the Financial Industry Regulatory Advisory or other federal, State or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical and/or adult-use purposes in the U.S. 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 Company's 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 ability to raise additional capital, create a public trading market in the U.S. for securities of the Company or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

The Company's investments in the U.S. are subject to applicable anti-money laundering laws and regulations.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the *U.S. 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*, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and other related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under U.S. federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. As a result, a majority of the United States' banks and financial institutions have refused to open bank accounts for the deposit of funds from businesses directly or indirectly involved with the cannabis industry. Others have agreed to accept deposits from medical cannabis sales, but not recreational cannabis sales. The inability to open bank accounts with certain institutions could materially and adversely affect the business of the Company. See "*Risk Factors – The Company may be subject to restricted access to banking in the United States and Canada.*"

In February 2014, the U.S. Department of the Treasury's Financial Crimes Enforcement Network issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors in the 2014 Cole Memorandum relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum.

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, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there is no current intention by the Company to declare or pay dividends on the Equity Shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Any re-classification of cannabis under the CSA or changes in U.S. federal controlled substance laws and regulations may affect the Company's business.

On August 29, 2023, HHS issued a recommendation to the DEA that cannabis be reclassified from Schedule I to Schedule III under the CSA. The scientific review supporting HHS's recommendation to the DEA that cannabis be reclassified from a Schedule I to a Schedule III drug was publicly released, in response to a request made under the Freedom of Information Act, 5 U.S.C. § 552, on January 12, 2024. In April 2024, the DEA issued a notice of proposed rulemaking to reclassify cannabis as a Schedule III controlled substance and opened a public comment period which concluded on July 22, 2024. It cannot be known whether the appropriate federal bodies will indeed reclassify cannabis as a Schedule III controlled substance, whether such classification will be finalized or when such a reclassification might take place. Classifying cannabis as a Schedule III substance would, however, have significant implications for the Company.

If, for example, cannabis is re-categorized as a Schedule III or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be simpler and more accessible; however, if cannabis is re-categorized as a Schedule III or other controlled substance, the resulting re-classification would result in the requirement for heightened FDA regulatory approval if medical claims are made for the Company's products such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the DEA. In that case, the Company may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of the Company's current or anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on the Company's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.

In December 2025, President Trump issued an executive order directing the Attorney General to take all necessary steps to complete the ongoing administrative rulemaking process to reschedule marijuana from Schedule I to Schedule III under the CSA in the most expeditious manner consistent with federal law. The executive order further directs HHS, the FDA, the National Institutes of Health, and other federal agencies to expand research into medical marijuana and cannabinoid products and to coordinate efforts relating to such research. The executive order does not amend the CSA, does not legalize cannabis, does not mandate rescheduling, and does not create any statutory or regulatory safe harbor for state-legal cannabis activity. Executive orders may be rescinded, modified, narrowly interpreted, or implemented inconsistently, and their effectiveness is subject to agency rulemaking, budgetary constraints, and judicial review.

It is important to note that reclassifying cannabis under a different Schedule under the CSA would not resolve the current conflict between state and federal law regarding commercial cannabis activity permitted under applicable state law. Even if cannabis were reclassified to Schedule III, cannabis would remain illegal to produce or sell under U.S. federal law absent FDA approval, as it would remain an unapproved drug, and additionally would not guaranty alignment between state-legal compliance regimes and the overarching federal framework, all of which could have a material adverse effect on the Company.

The Company faces intense competition from other companies and increasing legalization of cannabis and rapid growth and consolidation in the worldwide cannabis industry may further intensify competition.

The cannabis industry is undergoing rapid growth and substantial change, and the legal landscape for medical and recreational cannabis is rapidly changing both domestically and internationally. An increasing number of jurisdictions globally are passing legislation allowing for the production and distribution of medical and/or recreational cannabis in some form or another. Federal legalization or normalization of cannabis in the United States, if it occurs, could increase competition by enabling entry by larger, well-capitalized domestic or international companies, including consumer packaged goods, pharmaceutical, alcohol, tobacco, or agricultural companies. Entry into the U.S. domestic cannabis market by international competitors might lower the demand for the Company's products.

The foregoing legalization and growth trends in the worldwide cannabis industry has resulted in an increase in competitors, consolidation and formation of various strategic relationships. Such acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, shrinking revenue and market share or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the cannabis industry may intensify and place downward pressure on retail prices for products and services, which could negatively impact profitability.

The Company faces and expects to continue to face intense competition from other companies, some of which can be expected to have longer operating histories, stronger brand recognition, and significantly greater financial resources, manufacturing and marketing experience than we have. This may enable them to adapt to changing market conditions and take advantage of new market opportunities more quickly than the Company is able to. Increased competition is likely to result in price compression, reduced gross margins and loss of market share. In addition, consolidation in the cannabis industry may create larger companies with greater financial resources, manufacturing and marketing capabilities and product offerings than the Company's resources, capabilities and offerings. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed on terms that are considered acceptable. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect our business, financial condition and operations.

The availability of favorable locations may be severely restricted.

In California and other states, the local municipality pursuant to local zoning and land use laws and regulations has authority to choose where any cannabis establishment will be located. Many jurisdictions continue to impose caps, moratoria, buffer requirements, or outright bans on cannabis businesses, significantly limiting the number of available locations.

Because the cannabis industry remains illegal under U.S. federal law, the disadvantaged tax status of businesses deriving their income from cannabis, and the reluctance of the banking industry to support cannabis businesses, it may be difficult for the Company to locate and obtain the rights to operate at various preferred locations. Property owners may violate their mortgages by leasing to the Company, and those property owners that are willing to allow use of their facilities may require payment of above fair market value rents to reflect the scarcity of such locations and the risks and costs of providing such facilities. Such constraints may increase operating costs, limit expansion opportunities, and adversely affect the Company's ability to grow or maintain profitability.

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

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-U.S. citizen or foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. 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 marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, CBP has affirmed that, employees, directors, officers, managers, agents, representatives, and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States potentially for life. 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 U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

Risks Related to Hemp

The Company Entered the Regulated Hemp Industry in the United States

The Company has entered the regulated hemp industry in the U.S. where state, local and territorial laws permit such activities. The Company and its subsidiaries and managed entities also may directly participate in the cultivation, manufacture, processing, sale and distribution of industrial hemp and products containing hemp or hemp-derived substances, and such entities possess or will possess a hemp cultivation license as required for participation in the regulated hemp marketplace. In the future, the Company may, through its wholly-owned or managed affiliates, make further investments into other companies directly and indirectly participating in the regulated hemp industry across the U.S. and internationally.

The Company's Statement of Financial Position and Operating Statement Exposure to U.S. Hemp Related Activities.

As of the date of this document, no revenues of the Company's business were directly derived from U.S. hemp-related activities. The Company has procured from Ventura County, a local jurisdiction of California, a registration to cultivate industrial hemp and although the Company is not currently actively growing industrial hemp under this registration, the registration remains valid. As part of the California authorized state hemp program, the Company has entered into and recently renewed a partnership with the Regents of the University of California to cultivate hemp for scientific research purposes.

Reform of Federal Legislation of Industrial Hemp and Hemp-Based Cannabinoids

United States Regulation of Industrial Hemp and Hemp-Based Cannabinoids. On December 20, 2018, President Trump signed the Agriculture Improvement Act of 2018, Pub. L. 115- 334, (popularly known as the "**2018 Farm Bill**") into law.² Under the 2018 Farm Bill, industrial and commercial hemp are no longer to be classified as a Schedule I controlled substance in the U.S. The definition of "hemp" includes the plant *cannabis sativa* L and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers, which contain no more than 0.3% of delta-9 THC concentration by dry weight. The 2018 Farm Bill allows states to create regulatory programs allowing for the licensed cultivation of hemp and the production of hemp-derived products. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines, provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program approved by the U.S. Department of Agriculture and which otherwise meets the definition of "hemp."

The recent amendments to federal law were designed to close the so-called "hemp loophole" by revising the definition of "hemp," which had enabled the sale of intoxicating hemp-derived products beyond the 2018 Farm Bill's intent to legalize industrial hemp. In November 2025, Congress enacted the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026, H.R. 5371 (119th Cong.) which was signed by President Trump and became Public Law No. 119-37 on November 12, 2025. Section 781 of Public Law 119-37 amends the federal "hemp" definition in 7 U.S.C. § 1639, and provides that these amendments take effect 365 days after enactment. As amended, the definition shifts to a "total tetrahydrocannabinols" standard, expressly including THCA, capped at not more than 0.3% on a dry-weight basis, and adds statutory exclusions that remove certain cannabinoid products from treatment as lawful "hemp." Those exclusions include (among other things): (i) "intermediate hemp-derived cannabinoid products," including products containing specified synthesized/manufactured cannabinoids and/or exceeding a combined total of more than 0.3% "total tetrahydrocannabinols" plus other "THC-like cannabinoids" (as determined by HHS), and (ii) "final hemp-derived cannabinoid products" exceeding a per-container threshold of 0.4 milligrams combined total (including THCA and other "THC-like cannabinoids" as determined by HHS). Once effective, after affording a compliance period through late 2026, these amendments are expected to materially narrow the range of hemp-derived cannabinoid products that qualify as lawful "hemp" under federal law and could materially increase federal controlled-substance risk for non-compliant products. Despite the removal of CBD extracted from hemp and other hemp extracts produced under authorized state hemp programs excluded from the CSA, the FDA's stated position remains that it is a prohibited act under the Federal Food, Drug, and Cosmetic Act ("**FD&C Act**") to introduce into interstate commerce a food to which CBD, THC or cannabinoids has been added, or to market a product containing these ingredients as a dietary supplement.³

² H.R.2 - 115th Congress (2017-2018): Agriculture Improvement Act of 2018, Congress.gov (2018), <https://www.congress.gov/bill/115th-congress/house-bill/2/text>.

³ Notably, to date, the FDA's enforcement activities in respect of the sale of CBD foods and supplements has been largely focused upon those manufacturers and distributors that have made impermissible claims about the efficacy of CBD for treating certain diseases and medical conditions.

The FDA continues to enforce against violations of the FD&C Act by issuing warning letters to companies marketing and selling hemp-derived products. Over the past several years, the FDA has issued warning letters to companies marketing and selling unapproved hemp-derived CBD products. The letters reiterate the agency's position that CBD cannot be added to food and dietary supplements, and as such, the agency has targeted companies whose products violated the FD&C Act's prohibition against: (i) marketing CBD as or in a dietary supplement, human and animal food, or food additives; (ii) marketing a dietary supplement, human and animal food, or cosmetic with disease or drug claims (i.e., claims suggesting that a product is intended to treat, cure, or prevent diseases); (iii) including a substance in human or animal food when that substance is not GRAS (generally recognized as safe); and (iv) selling products that are misbranded due to their failure to include "adequate directions for use by a layperson." The FDA also issued a consumer update reaffirming its position that CBD cannot lawfully be added to a food or marketed as a dietary supplement due to existing provisions of the FD&C Act and outlining the data and potential safety issues it is considering as part of its ongoing evaluation of potential regulatory frameworks for CBD. Notably, the FDA states that it could not conclude based on available data that CBD is "generally recognized as safe" for use in human or animal food. While this is broad and may not be applicable in all instances, it nevertheless could materially and adversely impact the Company's business and financial condition. Further, the FDA has repeatedly stated that it will continue to police the market and enforce against CBD products. On March 22, 2021, for example, the agency issued warning letters to two companies for selling OTC products labeled as containing CBD, alleging the products were illegally marketed, unapproved drugs, which were misbranded due to prominent featuring of CBD on the labeling, followed by additional warning letters issued in 2021 and 2022. The FDA's enforcement against the unlawful sale and marketing of CBD products has to date been limited to the issuance of warning letters, but other enforcement mechanisms are available to the FDA, including civil and criminal penalties. The FDA's current prohibition on certain hemp-derived products and the unknowns and associated risks of potential future regulations governing hemp-derived products may have a material adverse effect on the Company's business, revenues, operating results, financial condition, or prospects.

On January 26, 2023, the FDA announced its conclusion that existing regulatory pathways are not appropriate for CBD and that a new regulatory pathway would benefit consumers by providing safeguards and oversight to manage and minimize risks related to CBD products. The agency also stated that it is prepared to work with Congress on this matter and that it "will continue to take action against CBD and other Cannabis-derived products to protect the public, in coordination with state regulatory partners, when appropriate" by "monitoring the marketplace, identifying products that pose risks and acting within our authorities." We note that although much of the official discussion on hemp-derived products had been localized to hemp-derived CBD, other hemp-derived cannabinoids should be assumed to be included. Although initial regulatory focus was on hemp-derived CBD, other hemp-derived cannabinoids, including so-called "intoxicating" cannabinoids have increasingly become the subject of regulatory scrutiny.

Since 2024, Congress has introduced various legislation to amend the 2018 Farm Bill for the purpose of prohibiting or curbing the commercial production, sale, and distribution of certain hemp-derived cannabinoids with an "intoxicating" effect. As noted above, Public Law No. 119-37 in November 2025 introduced amendments to the federal hemp definition originally established by the 2018 Farm Bill (effective 365 days after enactment) that (i) adopt a "total tetrahydrocannabinols" standard (including THCA) for hemp plant material and (ii) create product-based exclusions, including a per-container THC/cannabinoid threshold for certain final hemp-derived cannabinoid products. These amendments, once effective in late 2026, are expected to directly and materially affect the legality, commercial viability, and regulatory compliance of hemp-derived cannabinoid products in which the Company may have a direct or indirect interest. The new laws will, once they become effective, directly and materially affect the legality, commercial viability, and regulatory compliance of products manufactured, distributed or otherwise produced using industrial hemp, in which the Company may have a direct or indirect interest. As a result, there can be no assurance that federal law will continue to permit the manufacture, distribution or sale of hemp-derived intoxicating products, and such changes to federal law or regulation may materially and adversely affect the business operations, prospects, and cash flows if hemp industry stakeholders.

As a result of the 2018 Farm Bill, federal law dictates that cannabinoids (like CBD and THC) derived from hemp are not a controlled substance; however, cannabinoids derived from hemp may still be considered a controlled substance under applicable state law. In addition, the federal amendments enacted in Public Law No. 119-37 (effective 365 days after enactment) exclude certain hemp-derived cannabinoid products, including specified synthesized or manufactured cannabinoids and products exceeding statutory THC or cannabinoid thresholds, from the definition of lawful “hemp,” which may cause such products to be treated as controlled substances under federal law. Individual states take varying approaches to regulating the production and sale of hemp and hemp-derived cannabinoids. Some states explicitly authorize and regulate the production and sale of hemp-derived cannabinoids (and/or products that contain them) or otherwise provide legal protection for authorized individuals to engage in commercial hemp activities. Other states, however, maintain drug laws that do not distinguish between marijuana and hemp and/or hemp-derived cannabinoids which results in hemp being classified as a controlled substance under certain state laws. State laws are in many cases not consistent between or among states and, in some instances, with federal law regarding hemp.

State-Level Hemp-Related Legislation

Various U.S. state and local authorities have enacted legislation and/or regulations to create regulatory programs regarding the cultivation of hemp as well as the manufacturing and distribution of hemp products, especially hemp products containing “intoxicating” hemp-derived cannabinoids. California, for instance, recently took steps to enact certain regulatory and statutory changes to curb the market for “intoxicating” hemp-derived cannabinoids. Other states are moving to take action to regulate hemp products (for example, Missouri has recently adopted a state-level legal framework for hemp products, Illinois is exploring a regulatory regime for hemp, and Tennessee passed legislation effective in 2026 to regulate hemp products) creating a patchwork of laws and regulations that vary, and sometimes conflict between states. Other states have instituted bans or significant restrictions on some or all products with some or all hemp-derived cannabinoids, and others are considering legislation involving similar bans or significant restrictions. As a result, the regulatory and legal challenges associated with operating within the hemp industry are, generally, increasing both in terms of the quantity and complexity.

Notably, California Assembly Bill 8 (“AB 8”) was signed into law by Governor Gavin Newsom on October 2, 2025. The measure integrates “intoxicating hemp” and hemp-derived cannabinoids, including delta-8 THC and delta-10 THC, into the state’s regulated cannabis market. AB 8 revises the definition of “industrial hemp” to apply a “total THC” standard (encompassing delta-9 THC and its precursors) and restricts the manufacture, distribution, and retail sale of intoxicating hemp products to entities licensed under California’s cannabis regulatory framework. Once effective, the law prohibits unlicensed sales of such products, aligns testing, labeling, and packaging requirements with cannabis regulations, and expands enforcement authority for state and local agencies. The legislation establishes a phased implementation timeline. Certain provisions, including limitations on the use of hemp extract in foods, beverages, and dietary supplements, take effect January 1, 2026. Full statutory enforcement of the transition—under which intoxicating hemp products must be sold only through licensed cannabis channels—commences January 1, 2028. Accordingly, AB 8 creates a multi-year transition period intended to harmonize the previously unregulated hemp-derived intoxicant market with the existing cannabis control regime.

The CDPH previously adopted emergency regulations on September 24, 2024, prohibiting the sale of hemp products containing any detectable amount of THC or other intoxicating cannabinoids and limiting sales to individuals 21 years of age or older. These emergency rules remain in effect and serve as the operative regulatory framework pending final rulemaking. CDPH has initiated permanent regulations that would codify many of the emergency provisions and those proceedings are ongoing. AB 8 is designed to complement and ultimately supersede the emergency regime, providing a statutory foundation for continued enforcement against unregulated intoxicating hemp products until its full operative date in 2028.

The Company’s hemp-related activities are limited, contingent, and may not result in commercial revenues.

The Company’s current involvement in the U.S. hemp industry is limited and primarily indirect. The Company does not currently generate revenues from hemp-related activities and has not commenced active commercial operations under its hemp cultivation or manufacturing licenses. The Company’s entry into the hemp industry includes a research-focused partnership under California’s authorized state hemp program with the Regents of the University of California. In addition, the Company’s hemp licenses and research activities may not lead to commercial production or revenue-generating operations. The Company may elect not to pursue further hemp-related activities depending on regulatory developments, market conditions, capital availability or strategic priorities. As a result, the Company’s hemp-related initiatives may not contribute meaningfully to revenues or profitability and could result in losses, impairment charges, or write-downs of invested capital.

Regulatory uncertainty surrounding hemp-derived cannabinoids could adversely affect the value of the Company's hemp-related licenses.

Although hemp was removed from Schedule I of the Controlled Substances Act under the 2018 Farm Bill, the regulatory framework governing hemp-derived cannabinoids—particularly cannabinoids with intoxicating effects—remains unsettled and subject to significant change at the federal and state levels. Recent federal legislative amendments, proposed Farm Bill reforms, and state-level actions, including California's emergency regulations and Assembly Bill 8, have narrowed or may further narrow the range of hemp-derived products that may be lawfully manufactured, distributed, or sold. Changes in federal or state law, regulation, guidance, or enforcement policy could restrict or prohibit the manufacture, sale, or distribution of hemp-derived cannabinoid products. Any such changes could limit or eliminate the Company's ability to operate under its hemp licenses, or result in stranded assets, sunk costs, or foregone business opportunities.

The Company's hemp-related activities may be subject to state and federal regulatory scrutiny and enforcement risk despite their limited scope.

Even though the Company's hemp-related activities are currently limited and primarily non-commercial, hemp cultivation, processing, research, and product development activities are subject to oversight by multiple regulatory authorities, including the U.S. Department of Agriculture, the FDA, and applicable state and local agencies. Regulatory requirements governing hemp, including testing standards, THC thresholds, recordkeeping, reporting, and product classification, are complex, evolving, and in some cases inconsistently interpreted or enforced. Failure by the Company, its affiliates, research partners, or investment counterparties to comply with applicable federal and state hemp-related laws or regulations, whether due to changes in law, interpretive guidance, or enforcement priorities, could result in enforcement actions, fines, license suspension or revocation, product seizures, contractual disputes, or reputational harm. Such outcomes could adversely affect the Company's ability to pursue hemp-related opportunities in the future, even if its current exposure remains limited.

The Company may incur hemp-related compliance costs and operational constraints without realizing corresponding strategic or financial benefits.

If the Company elects to expand its hemp-related activities, it may be required to incur additional costs related to licensing, regulatory compliance, testing, legal review, insurance, internal controls and operational oversight. There can be no assurance that such costs would be offset by revenues, strategic benefits, or investment returns, particularly given the uncertainty surrounding hemp-derived cannabinoid regulation, enforcement trends and consumer demand. Any increase in the compliance burden or regulatory risk without corresponding commercial success could have a material adverse effect on the Company's business, financial condition or results of operations.

Business Structure Risks

Unpredictability caused by the Company's capital structure.

Although other Canadian-based companies have dual class or multiple voting share structures, given the concentration of voting control that is held indirectly by the founders of GH Group (being Kyle Kazan, Graham Farrar, James Rosenwald III and IV, Laura Parker Rosenwald, Jocelyn Rosenwald and Kris Hulgren) (collectively, the "**Company Founders**") by virtue of their Multiple Voting Shares, the Company is not able to predict whether this control will result in a lower trading price for or greater fluctuations in the trading price of the Equity Shares or will result in adverse publicity to the Company or other adverse consequences.

The Company's multi-class structure has the effect of concentrating voting control and the ability to influence corporate matters with the Company Founders.

The Multiple Voting Shares have 50 votes per share, whereas the Equity Shares have one vote per share (other than in respect of the election of directors of the Company, for which the Limited Voting Shares do not have any entitlement to vote). As of December 31, 2025, the Company Founders hold approximately 76% of the voting power in the Company on a non-diluted basis, and approximately 64.6% on a diluted basis, based on their ownership of 100% of the Multiple Voting Shares (without taking into account any Equity Share they may hold). Accordingly, each of the Company Founders has significant influence over the management and affairs of the Company and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. In addition, because of the 50-to-1 voting ratio between the Multiple Voting Shares and Equity Shares, the holders of Multiple Voting Shares control a majority of the combined voting power of the Company's voting shares even though the Multiple Voting Shares represent a substantially reduced percentage of the total outstanding shares of the Company. The concentrated voting control of the holders of Multiple Voting Shares limits the ability of the holders of Equity Shares to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to the Company's decisions to amend its share capital, create and issue additional classes of shares, make significant acquisitions, sell significant assets or parts of its business, merge with other companies and/or undertake other significant transactions. As a result, holders of Multiple Voting Shares have the ability to influence or control many matters affecting the Company and actions may be taken that the holders of Equity Shares may not view as beneficial. The market price of the Equity Shares could be adversely affected due to the significant influence and voting power of the holders of Multiple Voting Shares. Additionally, the significant voting interest of the holders of Multiple Voting Shares could discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Equity Shares, might otherwise receive a premium for the Equity Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Multiple Voting Shares. At a special meeting of the shareholders conducted on June 23, 2023, the shareholders voted to extend the Multiple Voting Shares structure for an additional 3 years, with a sunset period ending on June 29, 2027. See "*Description of Capital Structure – Equity Shares*" and "*Description of Capital Structure – Multiple Voting Shares*."

The issuance of Preferred Shares (as defined herein) could decrease earnings and assets available to holders of the Equity Shares and may decrease the market price of the Equity Shares.

The issuance of Preferred Shares and the terms selected by the board of directors of the Company (the "**Board**") could decrease the amount of earnings and assets available for distribution to holders of Equity Shares or adversely affect the rights and powers, including the voting rights, of the holders of the Equity Shares without any further vote or action by the holders of the Equity Shares. The issuance of Preferred Shares, or the issuance of rights to purchase Preferred Shares, could make it more difficult for a third-party to acquire a majority of the Equity Shares and thereby have the effect of delaying, deferring or preventing a change of control of the Company or an unsolicited acquisition proposal or of making the removal of management more difficult. Additionally, the issuance of Preferred Shares may have the effect of decreasing the market price of the Equity Shares.

Loss of FPI status.

The Company currently qualifies as a "**foreign private issuer**" ("**FPI**") as defined in Rule 405 under the United States *Securities Act of 1933, as amended* ("**U.S. Securities Act**") and Rule 3b-4 under the United States *Securities Exchange Act of 1934, as amended* ("**U.S. Exchange Act**"). While the terms of the Multiple Voting Shares and Equity Shares are intended to avoid such a circumstance, if, as of the last business day of the Company's second fiscal quarter for any year, more than 50% of the Company's outstanding voting securities (as determined under Rule 405 of the U.S. Securities Act) are directly or indirectly held of record by residents of the United States, the Company will no longer meet the definition of an FPI, which may have adverse consequences on the Company's ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Company's FPI status may result in substantially increased U.S. reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect the Company's business, financial condition and results of operations.

The Company will become subject to Section 16 reporting requirements applicable to foreign private issuers, which may increase our compliance costs and regulatory burden.

On December 18, 2025, the Holding Foreign Insiders Accountable Act (“HFIAA”) was enacted as part of the National Defense Authorization Act for Fiscal Year 2026. Pursuant to the HFIAA, effective March 18, 2026, directors and executive officers of foreign private issuers will be subject to the reporting requirements of Section 16(a) of the U.S. Exchange Act, including the requirement to file Forms 3, 4 and 5 with the SEC to report beneficial ownership interests in company securities. In response to these requirements, we expect to enhance our existing compliance framework, including the adoption of additional policies, procedures and controls, which may result in increased legal, administrative and compliance costs. While we intend to take reasonable measures to support compliance by the Company and its directors and executive officers, the application of Section 16 to foreign private issuers is relatively recent, and related regulatory interpretations, guidance and market practices may continue to develop. Accordingly, compliance with these requirements may require additional management attention and resources and could, from time to time, increase our regulatory compliance burden, which could adversely affect our business, results of operations or the market price of our securities.

General Regulatory and Legal Risks

The Company may be subject to the 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 were 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.

The Company may lack access to U.S. bankruptcy protections.

Because the use of cannabis is illegal under U.S. federal law, many U.S. 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, it is unlikely that U.S. federal bankruptcy protections would be available to the Company’s U.S. operations (the Company would indeed expect such protections would be unavailable), which could have a material adverse effect on the Company.

The Company may be subject to the risk of an inability to enforce its contracts.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level, judges in multiple states and U.S. federal courts have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of State law. There remains doubt and uncertainty that the Company will be able to legally enforce some or all of its contracts it enters into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, which would have a material adverse effect on the Company.

The Company may be subject to the risk of changes in Canadian laws or regulations, or a failure to comply with any such laws and regulations.

The Company is subject to laws and regulations enacted by the federal and provincial governments of Canada. In particular, the Company is required to comply with certain Canadian securities laws, income tax laws, the rules of Cboe Canada and other Canadian legal and regulatory requirements. Compliance with, and monitoring of, applicable laws and regulations in Canada (in addition to U.S. laws and regulations) may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application also may change from time to time and those changes could have a material adverse effect on the Company’s business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could result in a material adverse effect on the Company’s business, financial condition, results of operations or prospects.

The Company is subject to general regulatory and licensing risks.

The Company is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of the Company’s business objectives is contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may result in a material adverse effect on the Company’s business, financial condition, results of operations or prospects.

The Company is required to obtain or renew further 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, public hearings and costly undertakings on the part of the Company. As of April 1, 2022, California no longer issued provisional licenses, instead requiring all cannabis businesses to obtain annual licensure and meet certain defined milestones to move the licenses to annual status. No provisional license will be effective after January 1, 2026. Transitioning a provisional license to an annual license is a comprehensive process which includes completed and sometimes lengthy review under the California Environmental Quality Act for every facility seeking licensure. 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 or to achieve the growth of its business. 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 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, results of operations or prospects.

Many of the licenses held by the Company are subject to renewal on an annual or periodic basis; however, they are generally renewed, as a matter of course, if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations. These renewals are contingent upon the registration holder's past and continued ability to meet the statutory and regulatory requirements of the given program. The Company's Licensing Manager, supported by Compliance personnel, actively monitor renewal dates for licenses to seek to ensure that licenses are renewed as and when required. The Company has implemented a centralized tracking, review, and upkeep system with respect to license maintenance.

While the Company believes that its compliance controls have been developed to mitigate the risk of violations of any licenses it holds arising, there is no assurance that the Company's licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Company could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may become involved in a number of government or agency proceedings, investigations and audits, including, without limitation, proceedings to renew or extend certain regulatory approvals required to conduct commercial cannabis activity (e.g., renewal, review, or extension of a Development Agreement). 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 money, 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 the Company management's attention and resources or have a material adverse impact on the Company's business, financial condition, results of operations or prospects.

California regulatory regime and transfer and grant of licenses.

Cannabis business activities are heavily regulated in California at both the state and local levels. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, relating to the cultivation, manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical and recreational marijuana and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant the DCC, and local regulatory bodies broad administrative discretion over the activities of the Company in California, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Government approvals, including state licenses and local permits, are currently required in connection with the operations of the Company. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from cultivating, manufacturing, distributing and selling medical or adult use cannabis in California. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by the DCC and local governmental authorities and obtaining all regulatory approvals from the DCC, and local governmental authorities, where necessary, for the cultivation, manufacturing, distribution and sale of its cannabis products.

The Company may not be able to, through no fault of its own, obtain or maintain the necessary licenses, permits, certificates, authorizations or accreditations to operate its respective business, or may only be able to do so at great cost. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. The Company will incur ongoing costs and obligations related to regulatory compliance and obtaining new licenses. Failure to comply with regulations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from the California cannabis market or of its key personnel, and the imposition of fines and censures. The inability to obtain or maintain necessary licenses, permits, certificates, authorizations or accreditations, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations, financial condition and prospects of the Company.

The Company's current Senior Secured Credit Facility requires the Company to comply with certain restrictive loan covenants which may limit the Company's ability to operate its business.

Under the terms of the current Senior Secured Credit Facility, the Company has made certain customary representations and warranties, and is subject to customary affirmative and negative covenants, including restrictions on the Company's or its subsidiaries' ability to incur additional debt, create additional liens, transfer or dispose of assets, make distributions, consolidate, dissolve or merge, and other potential events of default (including payment defaults, covenant defaults, cross defaults and bankruptcy defaults). The Senior Secured Credit Facility also contains various financial covenants, including a minimum fixed charge coverage ratio and minimum liquidity covenant.

As of December 31, 2025, the Company was not in compliance with the Fixed-Charge Coverage Ratio financial covenant under its Senior Secured Credit Facility and also experienced certain technical events of default related to administrative and guarantor provisions, none of which related to payment obligations. As a result of these events of default, the lender had the contractual right to declare the related debt immediately due and payable. On March 16, 2026, the Company entered into a First Amendment and Waiver to the Senior Secured Credit Facility pursuant to which the lender waived the financial covenant violation and the related technical events of default. The amendment also suspends testing of the Fixed-Charge Coverage Ratio for the fiscal quarters ending March 31, 2026, June 30, 2026, and September 30, 2026, with covenant testing resuming for the fiscal quarter ending December 31, 2026. As a result of the waiver and covenant suspension, the lender does not have the contractual right to accelerate the debt arising from these events of default for a period greater than twelve months from December 31, 2025. Accordingly, the related debt has been classified as noncurrent as of December 31, 2025. The Company will incur significant costs annually complying with such covenants and can provide no assurance that, if it is unable to comply with these covenants in the future, the Company will be able to obtain the necessary waivers or amend the Senior Secured Credit Facility to prevent a default with its senior secured lenders.

A breach of any of these covenants or requirements could result in a default under the Senior Secured Credit Facility. If the Company defaults under the Senior Secured Credit Facility and is unable to cure the default or obtain a waiver, the Company will not be able to access the credit available under the Senior Secured Credit Facility, the Company could have valuable collateral foreclosed upon and there can be no assurance that the Company would be able to obtain alternative financing. The Senior Secured Credit Facility also includes customary default provisions that entitle the senior secured lenders to take various actions in the event of a default, including, but not limited to, demanding payment for all amounts outstanding. If this occurs, the Company may not be able to repay such indebtedness or borrow sufficient funds to refinance. Even if new financing is available, it may not be on terms that are acceptable to the Company. No assurance can be given that the Company's future operating results will be sufficient to achieve compliance with the covenants and numerous requirements under the Senior Secured Credit Facility.

Regulatory action and approvals from the U.S. Food and Drug Administration.

The Company's cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Company's cannabis-based products are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the *Food, Drug and Cosmetic Act* ("FDCA").

Some or all of the Company's cannabis-based products may be classified as cosmetic products, in which case such products are subject to various federal and state laws and regulations, including relating to the formulation, testing (including clinical testing), manufacture, storage, transportation, import, export, sale, handling, distribution, packaging, packing, labeling, advertising, and safety of the products, including, but not limited to, the laws administered by the FDA under the FDCA and its implementing regulations, as well as the United States Department of Agriculture (the "USDA"), the Modernization of Cosmetics Regulation Act, and by all other state and local laws parallel to the aforementioned federal requirements. Cosmetic products containing THC or CBD are not specifically prohibited by FDA, but while the ingredients that can be included in cosmetics are not highly limited by FDA, it does require that such ingredients be "safe" within the meaning of applicable laws and regulations. It is likely that the Company's products, to the extent classified as cosmetics products, are not in compliance with the applicable federal laws and regulations as enforced by the FDA, and this could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

Similarly, some or all of the Company's cannabis-based products may be classified as food and dietary supplement products, in which case such products are subject to various federal and state laws and regulations, including relating to the formulation, testing (including clinical testing), manufacture, storage, transportation, import, export, sale, handling, distribution, packaging, packing, labeling, advertising, and safety of the products, including, but not limited to, the laws administered by the FDA under the FDCA and its implementing regulations, as well as the USDA, the Dietary Supplement and Nonprescription Drug Consumer Protection Act, and by all other state and local laws parallel to the aforementioned federal requirements. In the prevailing federal legal and regulatory landscape, such cannabis-based products would not be found to be compliant; all ingredients included in a food must be generally recognized as safe ("GRAS"), but to date, the FDA does not recognize cannabis as GRAS. It is likely that the Company's products, to the extent classified as food and dietary supplement products, are not in compliance with the applicable federal laws and regulations as enforced by the FDA, and this could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

FDA enforcement action against the Company could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Company's production or distribution of its products. Any such event could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

Disruptions at the FDA, including due to a reduction in the FDA's workforce and/or inadequate funding for the FDA, could prevent the FDA from performing normal functions on which our business relies, which could negatively impact our business.

The ability of the FDA to review and approve new products or review other regulatory submissions can be affected by a variety of factors, including statutory, regulatory and policy changes, inadequate government budget and funding levels or a reduction in the FDA's workforce and its ability to hire and retain key personnel. Such changes and other disruptions at the FDA may increase the time to meet with the FDA and receive FDA feedback, review and/or approve our submissions, conduct inspections, issue regulatory guidance, or take other actions that facilitate the development, approval and marketing of regulated products, which would adversely affect our business. In addition, government proposals to reduce or eliminate budgetary deficits may include reduced allocations to the FDA and other related government agencies. For example, the Trump Administration recently established the Department of Government Efficiency, which implemented a federal government hiring freeze and announced certain additional efforts to reduce federal government employee headcount and the size of the federal government. It is unclear how these executive actions or other potential actions by the Trump Administration or other parts of the federal government will impact the FDA or other regulatory authorities that oversee our business. These budgetary pressures may reduce the FDA's ability to perform its responsibilities. If a significant reduction in the FDA's workforce occurs, the FDA's budget is significantly reduced or a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions or take other actions critical to the development or marketing of our products, if approved, which could have a material adverse effect on our business.

Limited Trademark Protection.

The Company is not currently able to register any U.S. federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is federally illegal under the CSA. The United States Patent and Trademark Office 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 geographic areas in which it and its subsidiaries conduct business. The use of its trademarks outside the states in which they operate by one or more other persons could have a material adverse effect on the value of such trademarks.

Business Risks Related to the Cannabis Industry

Scientific research related to the benefits of cannabis remains in early stages, is subject to a number of important assumptions and may prove to be inaccurate.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in early stages. To the Company's knowledge, there have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids, as such trials are severely restricted under the current U.S. federal legal and regulatory framework. Any statements made in this AIF concerning the potential medical benefits of cannabinoids are based on published articles and reports. As a result, any statements made in this AIF are subject to the experimental parameters, qualifications, assumptions and limitations in the studies that have been completed.

Although the Company believes that the articles and reports, and details of research studies and clinical trials that are publicly available reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, prospective and current shareholders of the Company should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may be unable to attract and retain customers.

The Company's future success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to its ability to continually produce desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in its aggregate number of customers. The failure to acquire and retain customers would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Negative publicity or consumer perception may affect the success of the Company's business.

The success of the cannabis industry may be significantly influenced by the public's perception of marijuana. Both the medical and adult-use of marijuana are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to marijuana will be favorable. The cannabis industry is in its relatively early-stages and that is constantly evolving with no guarantee of viability. The market for medical and adult-use marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of marijuana, whether in Canada, the U.S. or elsewhere, may have a material adverse effect on the Company's business, financial condition, results of operations, customer base or prospects.

Public perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political trade winds, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, political positions, media attention or other publicity will be favorable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, political positions, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical marijuana and on the business, results of operations, financial condition, cash flows or prospects of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or associating the consumption of adult-use and medical marijuana with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise. Among other things, a negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could cause State jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, 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, results of operations or prospects.

Controversy surrounding vaporizers and vaporizer products may materially and adversely affect the market for vaporizer products and expose the Company to litigation and additional regulation.

There have been a number of highly publicized cases involving lung injuries, illnesses and deaths that have been associated with vaporizer devices and products used in such devices including cannabis-derived and nicotine-based vaporizer liquids. Although the precise causes of many of these incidents remain the subject of ongoing investigation, such events have resulted in heightened public scrutiny, adverse media coverage and increased regulatory attention directed toward vaporizer products generally. In response, certain jurisdictions in the United States have taken steps to prohibit or restrict the manufacture, distribution, sale, marketing or use of vaporizer products, including through bans on certain device types, flavor restrictions, enhanced testing requirements, labeling mandates, age-verification requirements and limitations on advertising and promotion. These regulatory trends may continue, accelerate or expand and additional jurisdictions may adopt similar or more restrictive measures. Negative public sentiment and regulatory action may further limit the cannabis industry's ability to sell vaporizer products and may reduce consumer demand for such products which could materially and adversely affect the Company's revenues and operating results.

In addition, vaporizer products, including cannabis vaporizer devices and cartridges, are subject to heightened regulation under the federal Prevent All Cigarette Trafficking Act, as amended (the "**PACT Act**"). The PACT Act is a United States federal law originally enacted in 2009 and expanded in 2021 to cover electronic nicotine delivery systems and vaporizer products, and it applies only to activities conducted in or affecting U.S. commerce. The PACT Act expanded U.S. federal regulation to include "electronic nicotine delivery systems," a category that has been interpreted by certain federal agencies and private carriers to include vaporizer devices and related components regardless of whether they contain nicotine. As a result, the PACT Act imposes significant compliance obligations, including registration with federal and state authorities, age-verification requirements, detailed recordkeeping and reporting obligations, tax compliance requirements and restrictions on shipping and delivery services. Many common carriers have ceased transporting vaporizer products altogether. Compliance with the PACT Act and analogous state laws may increase the Company's costs, restrict distribution channels, limit direct-to-consumer sales, and reduce the availability of shipping and logistics options, any of which could materially adversely affect the Company's business, financial condition, results of operations or prospects.

Litigation relating to vaporizer products is also increasing at an alarming rate, including product liability claims, consumer class actions, and actions alleging failure to warn, design defects, manufacturing defects, or violations of consumer protection or public health laws. Such litigation could expand to include the Company or its products, even if the Company has complied with applicable regulations. Defending against such claims could be costly, time-consuming, and distracting to management and adverse judgments, settlements, recalls, or enforcement actions could result in significant financial liability, reputational harm, or restrictions on the Company's ability to continue selling vaporizer products. Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The cannabis industry is difficult to forecast.

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, as well as the difficulties inherent to monitoring the illicit cannabis market, which is generally understood to substantially undercut the market for regulated cannabis products, the market data available is limited and unreliable. Federal and State laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Company of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Company's management team as of the date of this AIF.

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

The Company may be subject to the risk of constraints on marketing products.

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the U.S. limits companies' abilities 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 results of operations or prospects could be adversely affected.

Risks Related to the Company's Business

The Company may not successfully execute its business strategy.

An important part of the Company's business strategy involves expanding operations in additional U.S. markets, including in markets where it does not currently operate. The Company may be unable to pursue this strategy in the future at the desired pace or at all. The Company may be unable to, among other things, identify suitable businesses to acquire or invest in, complete acquisitions on satisfactory terms, successfully expand its infrastructure and sales force to support growth, achieve satisfactory returns on acquired businesses or enter into successful business arrangements for technical assistance or management expertise.

In addition, the process of integrating acquired businesses, particularly in new markets, may involve unforeseen difficulties, such as loss of key employees, and may require a disproportionate amount of management's attention and financial and other resources. The Company can give no assurance that it will ultimately be able to effectively integrate and manage the operations of any acquired business or realize anticipated synergies. The failure to successfully integrate the cultures, operating systems, procedures and information technologies of an acquired business could have a material adverse effect on the Company's business, financial condition or results of operations.

If the Company succeeds in expanding its business (which is currently exclusively operating in the state of California), such expansion may place increased demands on management, operating systems, internal controls and financial and physical resources. If not managed effectively, these increased demands may adversely affect the services provided to customers. In addition, the Company's personnel, systems, procedures and controls may be inadequate to support future operations, particularly with respect to operations in U.S. states in which it does not currently operate. Consequently, in order to manage growth effectively, the Company may be required to increase expenditures to increase its physical resources, expand, train and manage its employee base, improve management, financial and information systems and controls or make other capital expenditures. The Company's business, financial condition and results of operations could be adversely affected if it encounters difficulties in effectively managing the budgeting, forecasting and other process control issues presented by future growth.

The Company has a limited operating history.

As a high-growth enterprise, the Company does not have a current history of profitability. As such, the Company has no immediate prospect of generating profit from its intended operations. The Company will therefore be 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 its shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

The Company is heavily reliant on its management team.

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these 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, operating results, financial condition or prospects.

News media have reported that U.S. immigration authorities have increased scrutiny of Canadian citizens who are crossing the U.S.-Canada border with respect to persons involved in cannabis businesses in the U.S. There have been a number of Canadians barred from entering the U.S. as a result of an investment in or act related to U.S. cannabis businesses. In some cases, entry has been barred for extended periods of time. Company employees traveling from Canada to the U.S. for the benefit of the Company may encounter enhanced scrutiny by U.S. immigration authorities that may result in the employee not being permitted to enter the U.S. for a specified period of time. If this happens to the Company employees, then this may reduce our ability to effectively manage our business in the U.S.

Certain of the Company's officers and directors may now be, and all of them in respect of the Company may in the future become, affiliated with entities engaged in business activities similar or dissimilar to those intended to be conducted by the Company and, accordingly, may have conflicts of interest in allocating their time and determining to which entity a particular business opportunity should be presented or how much time should be allocated to a particular business activity related or unrelated to the Company.

The Company's officers and directors also may become aware of business opportunities which may be appropriate for presentation to the Company and the other entities to which they owe duties. In the course of their other business activities, the Company's officers and directors may owe similar or other duties, and may have obligations, to other entities or pursuant to other outside business arrangements, including seeking and presenting investment and business opportunities. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. These conflicts may not be resolved in our favor, as the Company's officers and directors are not required to present investment and business opportunities to the Company in priority to other entities with which they are affiliated or to which they owe duties, and such conflicts may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company's officers, directors, security holders and their respective affiliates and associates may have interests that conflict with the Company's interests.

The Company has not adopted a policy that expressly prohibits its directors, officers, security holders, affiliates or associates from having a direct or indirect financial interest in any investment to be acquired or disposed of by the Company or in any transaction to which the Company is a party or has an interest. Such persons or entities may have a conflict between their interests and ours, which may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Failure to establish and maintain effective internal control over financial reporting may result in the Company not being able to accurately report its financial results, which could result in a loss of investor confidence and adversely affect the market price of the Equity Shares.

The Company is responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Despite the Company's financial control and management systems, such internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of the Equity Shares and harm the Company's ability to raise capital in the future.

If management of the Company is unable to certify the effectiveness of its internal controls, or if material weaknesses or significant deficiencies in its internal controls are identified, the Company could be subject to regulatory scrutiny and a loss of public confidence, which could harm its business. In addition, if the Company does not maintain adequate financial and management personnel, processes and controls, it may not be able to accurately report its financial performance on a timely basis, which could cause a decline in the price of Equity Shares and harm the Company's ability to raise capital.

It is not expected that the Company's disclosure controls and procedures and internal control over financial reporting will prevent all errors or fraud. A control system, no matter how well designed and implemented, 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. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to errors or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected, which could also cause investors to lose confidence in its reported financial information.

The Company may be subject to the risk of competition from synthetic production and technological advances.

The pharmaceutical industry may attempt to dominate the cannabis industry, and in particular, legal marijuana, through the development and distribution of synthetic products which emulate the effects and treatment of organic marijuana. If they are successful, the widespread popularity of such synthetic products, or a more favorable regulatory and tax environment with respect to such synthetic products, could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Company to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future that may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may be subject to the risks associated with fraudulent or illegal activity by its employees, contractors and consultants.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent, ultra vires or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Certain events or developments in the cannabis industry more generally may impact the Company's reputation.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not, and frivolous litigation. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that our business might attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of the Company. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not, and the cannabis industry in general, whether true or not. It is increasingly the case that cannabis marketplace competitors will bring frivolous lawsuits against fellow stakeholders for purposes of generating publicity, undermining the reputation of the litigation target, and/or creating a public platform to decry unpopular policies. The Company does not ultimately have direct control over how it or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its business strategy and realize on its growth prospects, thereby having a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Third parties with whom the Company may do business may perceive themselves as being exposed to reputational risk as a result of their relationship with the Company.

The parties with which the Company may do business may perceive that they are exposed to reputational risk as a result of the Company's cannabis-related business activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of the Company's business may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may be subject to advertising and promotional risk in the event it cannot effectively implement a successful branding strategy.

The Company's future growth and profitability may depend on the effectiveness and efficiency of advertising and promotional costs, including its ability to (i) create brand recognition for any products we may develop or sell; (ii) determine appropriate advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that advertising and promotional costs will result in revenues for the Company's business in the future or will generate awareness for any of the Company's products. In addition, no assurance can be given that the Company will be able to manage our advertising and promotional costs on a cost-effective basis.

The Company is subject to product liability regimes and strict product recall requirements.

The Company distributes products designed to be ingested by humans. Accordingly, the Company faces the risk of exposure to potentially numerous product liability claims, regulatory action and litigation if any of its business's products are alleged to have caused significant loss or injury, or are deemed unsafe for consumption, or are found to be out of compliance with numerous laws and regulations applicable to such products. In addition, the sale of cannabis 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 cannabis 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 specific cannabis products caused injury or illness, 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 our reputation with the Company's clients and consumers generally, and may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

In addition, manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. To the extent any 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. Moreover, a recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on the Company. Product recalls may lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company may not be able to successfully develop new products or find a market for their sale.

The cannabis industry is in its early stages of development and the Company, and its competitors, may seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of research and development capital in order to successfully develop and generate revenues from new products introduced by the Company. The Company may also be required to obtain additional regulatory approvals from Health Canada various U.S. regulatory authorities, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is reliant on third-party suppliers, manufacturers and contractors.

The Company maintains a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and 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. Loss of these suppliers, manufacturers and contractors may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is reliant on key inputs.

The marijuana business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a 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 or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

The Company is reliant on equipment and skilled labor.

The ability of the Company to compete and grow is dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Service providers could suspend or withdraw service.

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third-party service providers to the Company could suspend or withdraw their services at any time, which may have a material adverse effect on the Company's business, revenues, operating results, financial condition or prospects.

The Company may be subject to the risk of litigation.

The Company is currently a party to certain litigation and may become party to other litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and/or the market price for the Equity Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

The Company may be subject to risks related to the protection and enforcement of intellectual property rights and may become subject to allegations that the Company is in violation of intellectual property rights of third parties.

The ownership and protection of intellectual property rights may be a significant aspect of the Company's future success, particularly with respect to protections for cultivation processes and technologies. The Company may rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain its competitive position. The Company tries to protect its intellectual property by entering into confidentiality agreements with parties that have access to it, such as the Company's partners, collaborators, employees and consultants. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In addition, trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which event the Company could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products, trade secrets, technical know-how and proprietary information. Policing the unauthorized use of the Company's future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Company's future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly. Any or all of these events could result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent-protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

The Company may be subject to risks related to information technology systems, including cyber-attacks.

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology 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, in part, on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive 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. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access may become a priority to ensure the ongoing success and security of the business. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company may be subject to risks related to security breaches.

Given the nature of the Company's products and its lack of legal availability outside of highly regulated channels approved by state and local governments, as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

In addition, the Company collects and stores personal information about its patients and customers and is responsible for protecting that information from data privacy breaches. A data privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attacks. Any such theft or data privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations or prospects.

The Company may be subject to risks related to high bonding and 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. The Company 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.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its business, results of operations, financial condition or prospects.

The Company may have increased labor costs based on union activity.

Labor unions are working to organize workforces in the U.S. cannabis industry, and particularly in the State of California where the Company currently operates. Although the Company has entered into multiple labor peace agreements, including, without limitation, with the International Brotherhood of Teamsters, currently, there is no major labor organization that has been recognized as a representative of the Company's employees. However, it is possible that certain retail and/or manufacturing locations will be union affiliated or organized in the future, which could lead to work stoppages or increased labor costs and adversely affect the Company's business, profitability and the Company's ability to reinvest into the growth of its business. We cannot predict how stable the Company's relationships with U.S. labor organizations will be or whether the Company would be able to meet any unions' collective bargaining requirements without materially and adversely impacting its financial condition. Labor unions may also limit the Company's flexibility in dealing with its workforce. Work stoppages and instability in the Company's union relationships could delay the production and sale of the Company's products, which could strain relationships with customers and cause a loss of revenues which would adversely affect the Company's operations.

The Company may be subject to transportation risks.

The Company's business involves, both directly and indirectly, the production, sale and distribution of cannabis products. Due to the perishable nature of such products, the Company depends on fast and efficient direct and third-party transportation services to distribute its products. Any prolonged disruption of third-party transportation services providers could have an adverse effect on the Company. Rising costs associated with the third-party transportation services providers retained by the Company to ship its products may also adversely impact the business of the Company.

The Company's operations may be vulnerable to rising energy costs.

The Company's business involves the production of cannabis products which consumes considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs, including in connection with the impacts of the ongoing Russia-Ukraine military conflict, conflict in the Middle East or political tensions in Venezuela, may adversely impact the business of the Company and its ability to operate profitably.

The Company is subject to risks inherent in an agricultural business.

The Company's business involves the growing of cannabis, which is an agricultural product. As such, the business may be subject to the risks inherent in the agricultural business, such as insects, plant diseases, mildew and mold, and similar agricultural risks. Even when grown indoors under climate-controlled conditions monitored by trained personnel, there can be no assurance that natural elements, such as insects and plant diseases, will not have a material adverse effect on the production of cannabis products and on the Company's business, financial condition, results of operations or prospects of the Company.

Management of growth may prove to be difficult.

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may be subject to the risks of leverage.

It is anticipated that the Company will continue to utilize leverage in connection with the Company's investments in the form of secured or unsecured indebtedness. Although the Company will seek to use leverage in a manner it believes is prudent, such leverage will increase the exposure of an investment to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment. If the Company defaults on secured indebtedness, the lender may foreclose and the Company could lose its entire investment in the security of such loan. If the Company defaults on unsecured indebtedness, the terms of the loan may require the Company to repay the principal amount of the loan and any interest accrued thereon in addition to heavy penalties that may be imposed. Because the Company may engage in financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, the Company could lose its interest in performing investments in the event such investments are cross-collateralized with poorly performing or nonperforming investments.

In addition to leveraging the Company's investments, the Company may borrow funds in its own name for various purposes and may withhold or apply from distributions amounts necessary to repay such borrowings. The interest expense and such other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by the Company. If investments fail to cover the cost of such borrowings, the value of the investments held by the Company would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of investors in the Company could be subordinated to such leverage, which will compound any such adverse consequences.

The Company may undertake future acquisitions or dispositions, which bear inherent risks.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increased scope and complexity of the Company's operations; (vi) the Company may not be able to obtain required regulatory approvals and third-party consents; and (vii) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional Equity Shares in connection with such transactions, which would dilute a shareholder's holdings in the Company or indirect holdings in the Company.

The Company has a history of expansion through strategic acquisitions and anticipates further expansion in this manner. The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. 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.

Risks related to the difficulty of attracting and retaining personnel.

The Company's success depends to a significant degree upon its ability to attract, retain and motivate highly skilled and qualified personnel. Failure to attract and retain necessary technical personnel, sales and marketing personnel and skilled management could adversely affect the Company's business. If the Company fails to attract, train and retain sufficient numbers of these highly qualified people, its prospects, business, financial condition and results of operations will be materially and adversely affected.

Co-investment risk in terms of control over the Company's investments.

The Company may co-invest in one or more investments with certain strategic investors, operators and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests, competing interests or superior rights to those of the Company. Although it is the Company's intent to retain control and other superior rights over the Company's investments, under certain circumstances it may be possible that the Company relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In addition, even when the Company does maintain a control position with respect to its investments, the Company's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Company, or may be in a position to take (or block) action in a manner contrary to the Company's objectives. The Company may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Co-investments by third parties may or may not be on substantially the same terms and conditions as the Company, and such different terms may be disadvantageous to the Company.

Liabilities arising from accessibility to the Company's websites.

The Company currently owns and/or controls dozens of websites. Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent the Company sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with State law, the Company may face legal action in other jurisdictions which are not the intended object of any of the Company's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

Certain remedies may be limited to the Company.

Pursuant to its governing documents, the Company and the shareholders of the Company may be prevented from recovering damages for alleged errors or omissions made by the members of the Board and its officers. The Company's governing documents also provide that the Company will, to the fullest extent permitted by law, indemnify members of the Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of the Company.

The Company may have difficulty enforcing judgments and effecting service of process on directors and officers.

The directors and officers of the Company currently reside outside of Canada. Most or all of the assets of such persons are located outside of Canada. Therefore, it may not be possible for the Company's 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.

Past performance is not indicative of future results.

The prior investment and operational performance of the Company is not indicative of the future operating results of the Company. There can be no assurance that the historical operating results achieved by the Company will be achieved, and the Company's performance may be materially different.

Financial projections may prove materially inaccurate or incorrect.

Any Company financial estimates, projections and other forward-looking information or statements included in this AIF were prepared by the Company without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this AIF. Shareholders should inquire of the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, shareholders should not rely on any projections to indicate the actual results the Company might achieve.

The Company may not pay dividends.

It is not intended that the Company will pay any dividends on the Equity Shares in the foreseeable future. Dividends paid by the Company would potentially be subject to both U.S. and Canadian tax and, potentially, withholdings.

Market and Economy Risks

The Company may be vulnerable to currency exchange fluctuations.

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue is earned in U.S. dollars, but a portion of its operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial position or results of operations or prospects.

The Company may be subject to market price volatility risks.

The market price of the Equity Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Equity Shares.

There may be restrictions on the market for the Equity Shares.

Notwithstanding that the Equity Shares are listed in Canada on Cboe Canada (and in the U.S. on the OTCQX secondary market), various regulatory regimes in the United States forbid the transfer of such Equity Shares in quantities that exceed published thresholds without receiving advanced approval of the State regulators. Failure to obtain approval may result in the Company's licenses in that State being revoked.

There may be a limited market for the Equity Shares.

Notwithstanding that the Equity Shares are listed on Cboe Canada (and in the U.S. on the OTCQX secondary market), there can be no assurance that an active and liquid market for such Equity Shares will be maintained, and a Company shareholder may find it difficult to resell any securities of the Company.

Subsequent offerings will result in dilution to holders of the Equity Shares.

The Company may sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Equity Shares or other equity securities) and may issue additional Equity Shares or other equity securities to finance acquisitions, operations, or other projects. The size of future issuances of Equity Shares or other equity securities (or of securities convertible into Equity Shares or other equity securities) nor the effect, if any, that future issuances and sales of such securities will have on the market price of the Equity Shares can be predicted at this time. Any transaction involving the issuance of previously authorized but unissued Equity Shares, securities convertible into Equity Shares, or other equity securities and convertible debt securities of the Company would result in dilution to holders of Equity Shares. Exercises of issued and outstanding warrants may also result in dilution to the holders of Equity Shares.

Inflation, supply chain constraints, labor shortages and various other macroeconomic factors could materially and adversely affect the business and operations of the Company.

The Company's operating results could be materially impacted by changes in the overall global macroeconomic environment and other economic factors that impact the Company's cost structure and revenue results. Changes in economic conditions, including recessionary conditions, the implementation of tariffs, supply chain constraints, logistics challenges, labor shortages and steps taken by governments and central banks, particularly in response to the COVID-19 pandemic, as well as other stimulus and spending programs has lead to higher inflation, resulting in an increase in costs and changes in fiscal and monetary policy, including increased interest rates. In a higher inflationary environment, the Company may be unable to raise the prices of its products and services sufficiently to keep up with the rate of inflation. Moreover, negative macroeconomic conditions could adversely impact the Company's ability to obtain financing in the future on terms acceptable to it, or at all. In addition, geopolitical instability (such as the ongoing conflict between Russia and Ukraine and the ongoing conflict in the Middle East involving Israel and Hamas and the ongoing tensions in Venezuela and Iran) and related sanctions could continue to have significant ramifications on global financial markets, including volatility in the U.S. and global financial markets. In addition, higher inflation may reduce consumer discretionary spending and therefore reduce purchases of cannabis products. These inflationary pressures and other negative macroeconomic conditions could impact the Company's revenues and resulting margins and could have an adverse impact on results of operations and could cause the market value of the Equity Shares to decline.

The Company is exposed to changes in interest rates.

The Company is exposed to interest rate risk from fluctuations in interest rates which could adversely affect the operations or financial performance of the Company. Market interest rates are currently at historically high levels which significantly impacts the cost of capital. The Company is exposed to changes in market interest rates on cash, cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates expose the Company to cash flow interest rate risk. Debt issued at fixed rates exposes the Company to fair value interest rate risk. In addition, changes in U.S. federal or state fiscal, monetary, regulatory, Chair of the U.S. Federal Reserve or enforcement regimes, including changes affecting capital markets, credit availability, or regulated industries, could influence interest rate conditions, lender risk tolerance, and the Company's ability to access or refinance debt on favorable terms. The Company's borrowings, current and future, will require interest payments and need to be repaid or refinanced, which could require the Company to divert funds identified for other purposes to debt service and could create additional cash demands or impair its liquidity position and add financial risk. Diverting funds identified for other purposes for debt service may adversely affect business and growth prospects.

Environmental Risks

The Company may be subject to significant environmental regulations and risks.

The Company's operations are subject to federal, state and local 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 production of medical marijuana or from proceeding with the development of its operations as currently contemplated.

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 or suspended, 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 of marijuana, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

The Company may be subject to unknown environmental risks.

There can be no assurance that the Company will not encounter hazardous conditions and/or substances at the facilities where it operates its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of the Company may be suspended for any period of time. The presence of other hazardous conditions may require significant expenditure of the Company's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Company.

The Company may be adversely affected by climate change and climate change regulations.

Climate change is occurring around the world and may impact the Company's business in numerous ways. Such change could impact the price of raw materials and packaging. Rising temperatures and increased frequency of extreme weather events, such as earthquakes, wildfires, storms, hurricanes, floods, and droughts could cause increased disruption to the production and distribution of the Company's products and have an adverse impact on consumer demand and spending. Severe weather conditions may also occur with higher frequency or may be less predictable in the future due to the effects of climate change.

Legislative and regulatory authorities in California (such as the California Air Resource Board), North America and internationally will likely continue to consider numerous measures related to climate change and greenhouse gas emissions. In order to produce, manufacture and distribute products, the Company and its suppliers will need to use fuels, electricity and various other inputs that results in the release of greenhouse gas emissions. Concerns about the environmental impacts of greenhouse gas emissions and global climate change may result in environmental and carbon taxes, charges, regulatory schemes, assessments or penalties, which could restrict or negatively impact the Company's operations. The Company may not be able to pass any resulting cost increases along to its customers. Any enactment of laws or passage of regulations regarding greenhouse gas emissions or other climate change legislation in any jurisdiction where the Company conducts business could adversely affect its financial condition and results of operations.

While the Company has insurance policies in place that may cover some of the costs associated with extreme weather events and fires, it is possible such policies will not fully cover the damages and impacts associated with such events. The cost of such insurance coverage may become increasingly more expensive and such policies may be subject to limitations in the future, in which case the Company may bear more or all of the costs associated with extreme weather events and fires.

Tax Risks

U.S. and Canadian tax residence of the Company.

The Company is treated as a U.S. corporation for U.S. federal income tax purposes under section 7874 of the Code, and therefore is subject to U.S. federal income tax on its worldwide income. For Canadian tax purposes, however, the Company is treated as a Canadian resident company (as defined in the *Income Tax Act* (Canada) ("**Tax Act**")) for Canadian federal income tax purposes. Consequently, the Company is subject to income taxes both in Canada and the U.S.

The deduction of certain expenses of the Company may be restricted.

Section 280E of the Code generally prohibits businesses from deducting or claiming tax credits with respect to expenses paid or incurred in carrying on any ordinary 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 CSA) which is prohibited by U.S. federal law or the law of any state in which such trade or business is conducted. The position of the U.S. Internal Revenue Service is that Section 280E of the Code applies to businesses operating in the cannabis industry, irrespective of whether such businesses are licensed and operating in accordance with applicable state laws. The application of section 280E of the Code generally causes such businesses to pay significantly higher effective U.S. federal income tax rates than similar businesses in other industries due to the above-noted loss of certain deductions and credits. The impact of section 280E of the Code on the effective tax rate of a cannabis business generally depends on how large the ratio of non-deductible expenses is to the business's total revenues. Consequently, section 280E of the Code, as administered by the Internal Revenue Service, may adversely affect the Company's profitability and, in fact, may cause the Company to operate at a loss. While recent legislative proposals or regulatory changes, if enacted into law, could eliminate or diminish the application of section 280E of the Code to cannabis businesses such as the rescheduling (to Schedule III) or descheduling of cannabis under the CSA, the enactment of any such law or regulation is uncertain and until any changes in federal law, it is anticipated that the Company will continue to be subject to section 280E of the Code. The Company, in consultation with its tax advisors, has taken the reporting position that section 280E of the Code no longer applies to its state-legal cannabis business. Should it disagree with the Company's position, the Internal Revenue Service may assess the Company for tax attributable to section 280E of the Code and interest as well as penalties; however, the Company has indicated that it intends to vigorously dispute any such assessment.

Dividends paid by the Company may be subject to withholding tax.

It is unlikely that the Company will pay any dividends on the Equity Shares in the foreseeable future. However, dividends received by holders who are residents of Canada for purposes of the Tax Act will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-U.S. Tax Convention (as defined below) as amended. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. Holders (as defined below) 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 United States Internal Revenue Code of 1986, as amended (the "**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. These dividends may however qualify for a reduced rate of Canadian withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty.

For purposes of the discussion contained in this section, a "**U.S. Holder**" is a beneficial owner of the Company's securities that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or lawful resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust, or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

The Company may be subject to net operating loss limitations.

Section 382 of the Code contains rules that limit for U.S. federal income tax purposes the ability of a corporation that undergoes an “ownership change” to utilize its net operating losses (and certain other tax attributes) existing as of the date of such ownership change. Under these rules, a corporation is treated as having had an “ownership change” if there is more than a 50% increase in stock ownership by one or more “5 percent shareholders,” within the meaning of section 382 of the Code, during a rolling three-year period. The Business Combination resulted in an ownership change for purposes of section 382 of the Code. However, the Company currently does not have any material net operating loss carry forwards or other tax attribute carry forwards, that would be subject to limitation under section 382 of the Code.

Risk of U.S. tax classification of the Company as a U.S. Real Property Holding Company.

The Company is treated as a U.S. domestic corporation for U.S. federal income tax purposes under section 7874(b) of the Code. As a result, non-U.S. shareholders may be subject to U.S. federal income tax upon a disposition of their Equity Shares depending on whether the Company is classified as a United States real property holding corporation (a “USRPHC”) under the Code. It is not expected that the Company will be a USRPHC, but the Company does not intend to seek a letter ruling request or other written guidance of its status as a non-USRPHC from the IRS. If the Company were to be considered a USRPHC, non-U.S. shareholders may be subject to U.S. federal income tax on any gain associated with the disposition of their Equity Shares.

The development and use of artificial intelligence, or AI, presents risks and challenges that can impact our business including by posing security risks to our confidential information, proprietary information, and personal data and could give rise to legal and/or regulatory actions, damage our reputation or otherwise materially harm our business.

Artificial intelligence, or AI, is increasingly being used in the biopharmaceutical, pharmaceutical, technology, and consumer health industries. We may develop and incorporate AI technology in certain of our products and services. Issues relating to the use of new and evolving technologies such as AI, machine learning, generative AI, and large language models, may cause us to experience perceived or actual brand or reputational harm, technical harm, competitive harm, legal liability, cybersecurity risks, privacy risks, compliance risks, security risks, ethical issues, and new or enhanced governmental or regulatory scrutiny, and we may incur additional costs to resolve such issues. Litigation or government regulation related to the use of AI may also adversely impact our ability to develop and offer products that use AI, as well as increase the cost and complexity of doing so. In addition, uncertainties regarding developing legal and regulatory requirements and standards may require significant resources to modify and maintain business practices to comply with U.S. and non-U.S. laws concerning the use of AI, the nature of which cannot be determined at this time. In addition, the European Union recently passed the Artificial Intelligence Act, whose regulations will be developed over the coming year and, in the U.S., the recent Executive Order concerning artificial intelligence may result in extensive new federal rule-making. Further, market demand and acceptance of AI technologies are uncertain, and we may be unsuccessful in our product development efforts.

We are investigating the development of policies governing the use of AI to help reasonably ensure that such AI is used in a trustworthy manner by our employees, contractors, and authorized agents and that our assets, including intellectual property, competitive information, personal information we may collect or process, and customer information, are protected. Any failure by our personnel, contractors, or other agents to adhere to our established policies could violate confidentiality obligations or applicable laws and regulations, jeopardize our intellectual property rights, cause or contribute to unlawful discrimination, or result in the misuse of personally identifiable information or the injection of malware into our systems, any of which could have a material adverse effect on our business, results of operations, and financial condition.

DIVIDENDS AND DISTRIBUTIONS

The Company has not paid dividends and currently intends to reinvest any future earnings to finance the development and growth of its business. As a result, the Company does not intend to pay dividends on the Equity Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the Board 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 Board deems relevant. The Senior Secured Credit Facility limits the Company’s ability to declare or pay dividends. See “General Development of the Business – Financing Transactions – Senior Secured Credit Facility.” The Exchange Rights Agreement (as defined below) restricts the Company from declaring or paying dividends on the Equity Shares unless economically equivalent dividends are declared and paid on the Exchangeable Shares, subject to applicable law. See “Description of Capital Structure – Exchangeable Shares – Exchange Rights Agreement.”

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the rights, privileges, restrictions and conditions attaching to the outstanding securities of the Company. The Company previously applied to and was granted by the Canadian provincial securities regulatory authorities an exemption from the provisions of National Instrument 41-101 – *General Prospectus Requirements* (“**NI 41-101**”) relating to restricted securities. The Company also previously applied for and was granted exemptive relief from the requirements under Part 10 of NI 51-102 – *Continuous Disclosure Obligations*, and from the requirements under Part 2 of OSC Rule 56-501 – *Restricted Shares*. The relief was granted pursuant to an order dated June 29, 2021.

Authorized Share Capital

The authorized capital of the Company is comprised of an unlimited number of (i) Subordinate Voting Shares, (ii) Restricted Voting Shares, (iii) Limited Voting Shares, (iv) Multiple Voting Shares and (v) preferred shares (the “**Preferred Shares**”). As of February 27, 2026, there were 77,651,520 Equity Shares (comprised of approximately 6,148,520 Subordinate Voting Shares, 1,393,541 Restricted Voting Shares and 70,109,459 Limited Voting Shares), 4,754,979 Multiple Voting Shares and no Preferred Shares outstanding.

In addition, as of February 27, 2026, there were 6,389,244 Exchangeable Shares (as defined below) issued and outstanding in the capital of MPB Acquisition Corp. The Company also had an aggregate of 43,171,659 warrants, 22,071 stock options, 4,989,367 restricted stock units and 3,000,000 Market-Based Performance Restricted Stock Units outstanding, convertible or exercisable in each case to acquire the same number of Equity Shares as of February 27, 2026.

The Preferred Shares are issuable in series with such terms as are determined by the Board from time to time. It is not intended that such Preferred Shares will be used for anti-takeover purposes.

The Equity Shares are “restricted securities” within the meaning of such term under applicable Canadian securities laws. The Company has complied with the requirements of Part 12 of NI 41-101 to be able to file a prospectus under which the Equity Shares or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, the Equity Shares are distributed, as the Company received the requisite prior majority approval of shareholders of the Company at the special meeting of shareholders held on June 2, 2021, in accordance with applicable law, including Section 12.3 of NI 41-101, to, among other things, effect the Share Terms Amendment. The Share Terms Amendment constituted a “restricted security reorganization” within the meaning of such term under applicable Canadian securities laws.

As of March 12, 2026, the Equity Shares represent approximately 24.6% of the voting rights attached to outstanding securities of the Company, and the Multiple Voting Shares represent approximately 75.4% of the voting rights attached to outstanding securities of the Company.

The following is a summary of the rights, privileges, restrictions and conditions attached to the Equity Shares, Multiple Voting Shares and Exchangeable Shares which does not purport to be complete. Reference should be made to the Articles and the full text of their provisions for a complete description thereof.

Equity Shares

The holders of each class of Equity Shares are entitled to receive notice of, to attend and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend (if applicable, virtually) and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the BCBCA and except that holders of Limited Voting Shares are not entitled to vote for the election of directors of the Company. The Subordinate Voting Shares and Restricted Voting Shares carry one vote per share on all matters. The Limited Voting Shares carry one vote per share on all matters except the election of directors, as the holders of Limited Voting Shares do not have any entitlement to vote in respect of the election of directors of the Company.

In the case of 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 Equity Shares are entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Equity Shares (including any liquidation preference on any issued and outstanding Multiple Voting Shares and/or Preferred Shares), to participate ratably in the Company’s remaining property along with all holders of the other classes of Equity Shares (on a per share basis).

Multiple Voting Shares

The holders of Multiple Voting Shares are entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend (if applicable, virtually) and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the BCBCA. The Multiple Voting Shares carry 50 votes per share voting together with the other classes of Equity Shares as if they were a single class except as otherwise provided in the Articles and except where otherwise required by law or stock exchange requirements. The Multiple Voting Shares are subject to a three-year sunset period expiring on June 29, 2027.

The holders of Multiple Voting Shares shall be entitled to vote as a separate class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of the Articles (other than in respect of the creation of a series of Preferred Shares) which would adversely affect the rights of the holders of the Multiple Voting Shares, and such alteration, repeal or amendment shall not be effective unless a resolution in respect thereof is approved by a majority of the votes cast by holders of the Multiple Voting Shares.

In the case of 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 Multiple Voting Shares shall be entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Multiple Voting Shares (including any liquidation preference on any issued and outstanding Preferred Shares ranking in priority to the Multiple Voting Shares), to receive their redemption price of \$0.001 per Multiple Voting Share (rounded down to the nearest cent taking into account all Multiple Voting Shares being liquidated at the relevant time).

In addition to the terms of the Multiple Voting Shares in the Articles of the Company, pursuant to the terms of a coattail agreement dated June 29, 2021, entered into by and among the Company, the Company Founders and Odyssey Trust Company, as trustee to oversee the implementation of the agreement on behalf of the holders of Equity Shares (the “**Coattail Agreement**”), there are restrictions on the sale of Multiple Voting Shares other than to a controlled affiliate conditional upon such controlled affiliate becoming a party to the Coattail Agreement. A holder of Multiple Voting Shares is also restricted from, directly or indirectly, granting a security interest, by way of pledge, hypothecation or otherwise, in any Multiple Voting Shares. The Coattail Agreement provides for certain rights to holders of Equity Shares representing not less than 10% of the Equity Shares to require the trustee to take action in the event of a breach or intended breach of the transfer and sale restrictions.

Exchangeable Shares

Pursuant to the Business Combination, the sellers of GH Group received, exchangeable common stock of MPB Acquisition Corp. (the “**Exchangeable Shares**”) as part of their consideration. In addition, the holders of Series E Convertible Preferred of GH Group also have an entitlement after exercise of their conversion rights to exchange Class B Common Stock of GH Group into the Exchangeable Shares upon substantially the same terms and conditions as summarized below as the other holders of Exchangeable Shares.

The Exchangeable Shares entitle their holders to rights that are comparable (without taking into account tax consequences) to those rights attaching to the Equity Shares, other than that the aggregate voting power of the Exchangeable Shares shall not exceed 49.9% of the total voting power of all classes of shares of MPB Acquisition Corp. Until their Exchangeable Shares are exchanged for the applicable Equity Shares pursuant to the Exchange Rights Agreement (as defined below) or the provisions of the Exchangeable Shares, holders of the Exchangeable Shares do not have the right to vote at the Company’s shareholder meetings, though they have voting rights in MPB Acquisition Corp., including at meetings of the shareholders of MPB Acquisition Corp. with respect to altering the rights of holders of any of the Exchangeable Shares, or if MPB Acquisition Corp. decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares are exchangeable at any time, on a one-for-one basis, for the Equity Shares, at the option of the holder, subject to certain contractual lockup restrictions.

Exchange Rights Agreement

The Company entered into an exchange rights agreement dated June 29, 2021, as amended, with MPB Acquisition Corp. and the representative of the sellers of GH Group (being Kyle D. Kazan) on behalf of the holders of the Exchangeable Shares (the “**Exchange Rights Agreement**”), whereby the Company agreed to make certain covenants in favor of the sellers of GH Group to protect their rights as holders of the Exchangeable Shares. The Company agreed to reserve the necessary amount of Equity Shares for issuance upon exchange of the Exchangeable Shares, and ensure such shares remain protected from pre-emptive and other rights. Upon notice to the Company and MPB Acquisition Corp. and as required under the provisions of the Exchangeable Shares, the Company will issue such number of Equity Shares to a holder of Exchangeable Shares in exchange for the Exchangeable Shares of such holder on a one-for-one basis, subject to the terms specified in the Exchange Rights Agreement. Additionally, the Company has an overriding liquidation call right under the Exchange Rights Agreement to purchase all, but not less than all, of the Exchangeable Shares from the holders thereof upon a proposed liquidation, dissolution or winding-up of MPB Acquisition Corp., as well as a redemption call right and retraction call right on the Exchangeable Shares, in each case for the consideration set forth in such agreements. The Exchange Rights Agreement restricts the Company from declaring or paying dividends on the Equity Shares unless economically equivalent dividends are declared and paid on the Exchangeable Shares, subject to applicable law. See “*Material Contracts.*”

MARKET FOR SECURITIES

Trading Price and Volume

The Equity Shares and certain equity share purchase warrants (the “**Listed Warrants**”) are listed and posted for trading on Cboe Canada under the symbol “GLAS.A.U” and “GLAS.WT.U,” respectively. The Equity Shares and Listed Warrants also trade on the OTCQX in the United States under the symbol “GLASF” and “GHBWF,” respectively.

The following indicates the high and low values and volume with respect to trading activity for the Equity Shares and Listed Warrants on Cboe Canada on a monthly basis during the year ended December 31, 2025.

Equity Shares

Month	High (US\$)	Low (US\$)	Volume
January	6.27	5.25	833,780
February	6.69	5.15	362,293
March	5.94	4.54	796,690
April	7.26	3.83	490,796
May	7.20	5.74	235,531
June	6.34	4.60	314,375
July	8.80	4.54	1,635,022
August	8.79	5.00	1,153,220
September	8.41	6.36	835,810
October	9.60	6.76	1,308,343
November	7.85	5.03	917,854
December	10.01	5.73	2,265,373

Listed Warrants

Month	High (US\$)	Low (US\$)	Volume
January	0.46	0.35	49,319
February	0.55	0.24	167,206
March	0.40	0.18	64,991
April	0.35	0.16	499,525
May	0.36	0.27	282,356
June	0.33	0.23	153,780
July	0.54	0.16	565,567
August	0.50	0.19	773,435
September	0.50	0.29	201,055
October	0.95	0.31	213,049
November	0.48	0.20	153,669
December	0.76	0.21	567,748

Prior Sales

There were no securities issued during the year ended December 31, 2025 that are not listed or quoted on a marketplace.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following sets out the number of securities of the Company that are subject to a contractual restriction on transfer. The Multiple Voting Shares are, on their terms and pursuant to the terms of the Coattail Agreement, non-transferable except to controlled affiliates. To the knowledge of the Company, no other securities of the Company are held in escrow or subject to contractual restrictions on transfer. All contractual restrictions on transfer are governed by agreements between the applicable securityholders and the Company.

Designation of Class	Number of Securities Subject to Contractual Restriction	Percentage of Class ⁽¹⁾
Multiple Voting Shares ⁽²⁾	4,754,979	100%

Notes:

(1) As of March 24, 2026.

(2) See “Description of Capital Structure – Multiple Voting Shares.”

Pursuant to the investor rights agreement (the “**Investor Rights Agreement**”) entered into on April 8, 2021, as amended June 18, 2021, between the Company and Mercer Park’s founders (being Mercer Park L.P., Charles Miles and Sean Goodrich) (“**Mercer Park Founders**”), none of such Mercer Park Founders’ Equity Shares subject to forfeiture thereunder are transferable until the expiry of the applicable forfeiture periods set forth in the Investor Rights Agreement. See “Material Contracts – Investor Rights Agreement.”

DIRECTORS AND OFFICERS

The following table sets forth, for each of the Company’s directors and executive officers, the person’s name, state and country of residence, position(s) held with the Company and principal occupation(s) for the five (5) preceding years.

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Name and State and Country of Residence	Position(s) with the Company	Principal Occupation(s) in Last Five Years
Kyle D. Kazan California, United States	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of the Company since June 2021 Chief Executive Officer, GH Group (2018 – June 2021) Founder and Chairman, Beach Front Property Management (1999 – present)
Graham Farrar California, United States	President and Director	President and Director of the Company since June 2021 President, GH Group (2018 – June 2021) CEO, Mission Health Associates, dba Glass House Farms (2015 – 2020)
Humble Lukanga ⁽¹⁾ California, United States	Director	Director of the Company since June 2021 Chief Executive Officer and Founder, Life Line Financial Group
Jocelyn Rosenwald ⁽¹⁾ California, United States	Director	Director of the Company since June 2021 Director of Acquisitions and Asset Management, Beach Front Property Management
Alison Payne	Director	Director of the Company since January 2026
Yelena Katchko ⁽²⁾ California, United States	Director	Director of the Company since November 2023 Partner, Katchko, Vitiello & Karikomi, PC
John (“Jay”) Nichols Jr. ⁽¹⁾ Florida, United States	Director	Director of the Company since May 2024 Former Chairman of the Board and Interim CEO at Protective Insurance Company Former CEO of Axis Reinsurance Ltd.
Hector De La Torre ⁽²⁾ California, United States	Director	Director of the Company from June 2021 - July 2023 and rejoined the Board in July 2024 Executive Director of the Gateway Cities Council of Governments (July 2023 - present) Executive Director Gasol Foundation Executive Director of Transamerica Center for Health Studies (June 2013 -January 2020)
Mark Vendetti California, United States	Chief Financial Officer	Chief Financial Officer of the Company since September 2021 Chief Financial Officer, Fiore Management, LLC (2019 – 2021)
Hilal Tabsh California, United States	Chief Revenue Officer	Chief Revenue Officer of the Company since May 2022 Chief Revenue Officer, SLANG Worldwide (2021 – May 2022) Senior Vice President, BellRock Brands (2019 – May 2022) President, LIMITLESS Coffee & Tea (2017 – 2020)
Benjamin Vega California, United States	General Counsel and Corporate Secretary	General Counsel and Corporate Secretary of the Company since October 2022 Vice President and Deputy General Counsel, Covetrus, Inc. (February – September 2022) General Counsel, Manhattan West Asset Management, LLC (June 2021 – January 2022) General Counsel, The Meruelo Group (2011 – December 2020)

Notes:

- (1) Member of the Audit Committee of the Board (the “**Audit Committee**”). Ms. Rosenwald is Chair.
- (2) Member of the Compensation, Nomination and Corporate Governance Committee of the Board. Mr. De La Torre is Chair.

The directors of the Company are elected by the shareholders of the Company at each annual general meeting and expected to hold office until the next annual general meeting at which time they may be re-elected or replaced, unless they resign or are removed by the shareholders of the Company prior thereto.

The directors and executive officers of the Company, as a group, beneficially own or exercise control or direction over, directly or indirectly (i) 4,587,410 Equity Shares and (ii) 3,910,854 Multiple Voting Shares, representing approximately 63.4% of the voting rights attached to all of the Company's voting securities as of March 12, 2026.

Biographies

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

Kyle D. Kazan, Chairman and Chief Executive Officer

Kyle D. Kazan is a seasoned investor and expert manager of private equity funds with over two decades of domestic and international experience and has a track record of growing de novo companies to industry leadership in the fields of fund/asset management, property management and insurance. In 1991, Mr. Kazan began investing in real estate, eventually launching a total of 23 private equity funds. He also served on the boards of multiple international investment and hedge funds before pivoting in 2016 to the regulated cannabis industry, where he closed four funds and consolidated them to form the Company. Since his early service as a special education teacher and law enforcement officer, Mr. Kazan has been a vocal advocate for police reform and ending the War on Drugs and its injustices, speaking on behalf of Law Enforcement Against Prohibition (LEAP) and appearing in many media outlets ranging from CNN to Fox. Mr. Kazan is a frequent guest professor at NYU Stern School of Business, USC Marshall Business School, and UCLA Anderson School of Management, and he is a graduate of the University of Southern California, where he played varsity basketball for Hall of Fame Coach George Raveling.

Graham Farrar, Director and President

Graham Farrar is a serial entrepreneur who began his career as part of the original team at Software.com, taking the company public in 1999. Shortly thereafter, he served on the board of Seacology and was part of the founding team at Sonos, where he was involved with product design, development, sales, and customer support. After Sonos, Mr. Farrar served as a board member for Heal the Ocean, was a founder and partner of e-book publishers iStoryTime Inc. and Zuuka and founded a Santa Barbara luxury rental company. He first ventured into the regulated cannabis industry by founding Elite Garden Wholesale, an agriculture technology company focused on developing products for the hydroponics industry. Mr. Farrar currently sits on the board of directors of The Santa Barbara Bowl Foundation.

Humble Lukanga, Director

Humble Lukanga is the Founder and Chief Executive Officer of Life Line Financial Group, a wealth management firm servicing some of the best-known performers and leaders in business, sports and entertainment. He is also the Trustee of the University of New Mexico and a board member of several companies and foundations. Mr. Lukanga was named to The Hollywood Reporter's Top Business Managers list for 3 years running and New Mexico Business Weekly's "Top 40 Under 40." He has a B.A. and M.B.A. from the University of New Mexico, is a certified CFP and has a Personal Finance Planning degree from UCLA.

Jocelyn Rosenwald, Director

Jocelyn Rosenwald began her career as a Teach For America Corps member in New York City. In 2011, she became a founding teacher at KIPP Star Elementary School and quickly became a teacher leader. She began her career in real estate investment in 2013 with Beach Front Properties LLC and managed a \$500 million portfolio of opportunistic real estate investments. In November of 2016, Ms. Rosenwald began supervising the operations of 4 funds in the regulated cannabis industry which would eventually be consolidated to form the Company. She holds a B.A. from the University of Pennsylvania, an M.A. in Education from Hunter College, and an M.B.A. from UCLA Anderson School of Business.

Yelena Katchko, Director

Yelena Katchko is an attorney and a founding partner of Katchko, Vitiello & Karikomi, PC, a well-regarded law firm located in Los Angeles, California with an authentic and deep-rooted presence in the local cannabis industry. At the helm of KVK's cannabis practice group, Ms. Katchko handles intricate transactional, commercial, licensing, and regulatory compliance matters within the cannabis sphere. Ms. Katchko began representing medicinal cannabis clients in the City of Los Angeles in 2010 and has become one of the industry's most recognized names. Her experience includes involvement in shaping the Medicinal and Adult Use cannabis regulations in both the City of Los Angeles and the State of California through her expansive professional network, pro bono affiliations, local alliances and engagements in town halls. In particular, Ms. Katchko was integral to the city-wide resolution of *City of Los Angeles v. 420 Grand et al.* which provided a framework for Proposition D's limited immunity and, later, Measure M's priority licensure. She has developed significant experience in local government matters by being a key part of discussions with officials on the constantly changing cannabis regulatory landscape and by working closely with policymakers to advocate on behalf of her clients. In addition to her professional commitments, Ms. Katchko serves as the Vice Chair of Programming for the Los Angeles County Bar Association – Cannabis Section and as affiliate counsel for the United Cannabis Business Association (UCBA), a statewide trade association built by the leaders of the California cannabis industry.

John (“Jay”) Nichols Jr., Director

Jay Nichols is an innovative leader with substantial expertise in growing and transforming companies that have strong regulatory oversight. An accomplished insurance and reinsurance executive, Mr. Nichols has more than four decades of experience in corporate strategy, operations and finance. Most recently, Mr. Nichols served as Chairman of the Board and Interim CEO – by request of the board – at Protective Insurance Company, where he oversaw the acquisition of the company by Progressive Insurance Company. Prior to that, he was the CEO of Axis Reinsurance Ltd. Before this, Mr. Nichols spent 15 years at RenaissanceRe Holdings Ltd, eventually serving as President of RenaissanceRe Ventures. After having joined as the Controller in 1995, Mr. Nichols spearheaded the company's growth via strategic acquisitions and accessing third party capital through joint ventures. He also previously held senior executive and financial reporting positions at Hartford Steam Boiler and Monarch Life Insurance Company, and at the leading international forensic accounting firm, Matson, Driscoll & Damico.

Hector De La Torre, Director

Hector De La Torre is the Executive Director of the Gateway Cities Council of Governments. He is also an appointed member of the California Air Resources Board (CARB), the state regulatory agency for air pollution and climate change policy; and a trustee at his alma mater Occidental College in Los Angeles. He served in the California State Assembly from 2004 to 2010, representing the largely Latino 50th District in southeast Los Angeles County. He chaired the Budget Subcommittee on Health and Human Services, the Rules Committee and helped create and chair the Accountability and Administrative Review Committee during his tenure. Mr. De La Torre also served as the Executive Director of the nonprofit Gasol Foundation focused on children's wellness, and for the national non-profit Transamerica Center for Health Studies. Prior to his service in the Assembly, Mr. De La Torre served as Mayor and as a member of the South Gate City Council, Judicial Administrator in the LA Superior Court, chief of staff to the Deputy Secretary of Labor in the Clinton Administration, and a teacher at Edison Junior High in south Los Angeles. Mr. De La Torre received his bachelor's degree in Diplomacy and World Affairs from Occidental College and attended the Elliot School of International Affairs at The George Washington University. He lives in South Gate.

Alison Payne, Director

Alison (“Ali”) Payne is currently the Chief Marketing Officer for Heineken USA. In this role she leads the brand strategy, consumer engagement and innovation for the iconic Heineken, Dos Equis and Tecate brands. A passionate brand builder, she has a deep understanding of how to build culturally relevant brands delivering engaging experiences across F1, Soccer, College Football and Music. With over 8 years at Heineken, she has also held positions as the Marketing Excellence Director at Heineken NV based in the global headquarters in Amsterdam. In this role she was responsible for leading the global marketing transformation agenda, across brand building, media, data, martech and commercial effectiveness. She was also Global Director of Zero Alcohol Beverages where she led the global expansion of the world’s leading Non Alcoholic beer at Heineken. Prior to joining Heineken, she was VP of Global Snacks Innovation for PepsiCo, leading the innovation pipeline for the world's largest snacks brands Lay’s, Doritos and Cheetos. Prior to her role at PepsiCo, Ali served as VP Global Marketing/Innovation at Kellogg Company. During her tenure, Ali managed the global expansion and pipeline for Special K extending it into Asia & Latin America as well as stretching the brand across multiple categories including beverages, salty snacks, and frozen breakfasts. In addition, Ali has served in key marketing roles at Diageo in both Europe and U.S. for Guinness, Smirnoff & Captain Morgan. Ali holds a B.A. in Commerce from the University of New South Wales, Australia and an M.B.A. from London Business School, U.K.

Mark Vendetti, Chief Financial Officer

With over 30 years of finance and accounting experience, Mark Vendetti’s career spans a wide variety of industries including retail, CPG, e-commerce, manufacturing, financial services and entertainment. He has worked for some of the world’s most iconic enterprises, including Procter and Gamble, Abercrombie and Fitch, Bauer Hockey, and Mattel. From 2019 to 2021, just prior to joining the Company, Mr. Vendetti was the CFO of Canndescent, a once-leading producer of premium cannabis. He was also the CFO of Francesca’s, a women’s specialty retailer, from 2013 to 2015, when the company enjoyed annual sales growth rates in excess of 20% and opened 240 new stores. His leadership of turnaround efforts at Bauer Hockey and Mattel generated significant improvements in company profitability, and he has helped engineer two multi-billion-dollar transactions: the merger of XM Satellite Radio with Sirius and the sale of the Sears Credit Card business to Citigroup. He holds a B.A. in Mathematics from Amherst College and an M.B.A. from Harvard University.

Hilal Tabsh, Chief Revenue Officer

With over two decades of experience in CPG businesses spanning multiple continents and categories, Hilal Tabsh has an impeccable track record of success in leading sales, marketing and distribution channels. In his fifteen years at Red Bull, he served as the head of sales and marketing strategy, based in Dubai, for the Middle East, Africa, and Pacific regions before moving to Red Bull North America in Chicago, where he oversaw sales, marketing and route-to-market distribution strategy, managing over one billion dollars in annual revenue. He then co-founded and helped grow Limitless Beverage company facilitating its acquisition by Keurig Dr. Pepper within 3 years of its founding. Hilal subsequently joined the cannabis industry, as Senior VP at BellRock Brands (Mary’s Medicinals, Dixie & others) and then as Chief Revenue Officer at SlangWorldWide (O-Pen Vape, District Edibles & others). In these roles, he oversaw strategy, sales growth, and brand development for THC and CBD product lines across North America. He grew the distribution footprint of BellRock Brands by 10x and also expanded the presence of Slang’s O-Pen Vape brand growing market share to reach a leadership spot in multiple states, including Colorado. Mr. Tabsh holds a Bachelor’s degree in business administration and management from Jeffinor International.

Benjamin Vega, General Counsel and Corporate Secretary

Benjamin Vega is a corporate lawyer with over 20 years of experience in complex business transactions and litigation across a range of industries. Mr. Vega has extensive expertise in Finance, Private Equity, M&A, Banking, Gaming and Hospitality, Media, Professional Sports and Construction. Prior to joining the Company, Mr. Vega served as Deputy General Counsel for Covetrus, Inc., a \$4 billion public company in the animal health industry. Mr. Vega has also served as General Counsel for Manhattan West, a Venture Capital, Private Equity and Financial Services firm and for the Meruelo Group, a multi-asset family office with holdings in Gaming and Hospitality, Media, Professional Sports, Food Service, Construction, Real Estate and Banking. Prior to the Meruelo Group, Mr. Vega was a Senior Counsel at Sony Pictures Entertainment and served as an Associate General Counsel for Ascent Media Group. Mr. Vega began his legal career with Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Vega earned a B.A. from Harvard College and a J.D. from Harvard Law School.

Cease Trade Orders

To the best of the Company's knowledge, none of the Company's directors and executive officers has, within the ten (10) years prior to the date of this AIF, been a director, chief executive officer or chief financial officer of any 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.

Penalties or Sanctions

To the best of the Company's knowledge, no director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor a personal holding company of any such persons, has 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 has 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.

Bankruptcies and Insolvencies

To the best of the Company's knowledge, no director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor a personal holding company of any such persons, has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been 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 the director, executive officer or shareholder.

To the best of the Company's knowledge, no director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is as of the date of this AIF or has been, within the 10 years before the date of this AIF, 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.

Conflicts

Certain of the directors and executive officers of the Company are officers and directors of, or are associated with, other public and private companies. Such associations may give rise to conflicts of interest with the Company from time to time. The BCBCA requires, among other things, that the directors and executive officers of the Company act honestly and in good faith with a view to the best interest of the Company, disclose any personal interest which they may have in any material contract or transaction which is proposed to be entered into with the Company and, in the case of directors, abstain from voting as a director for the approval of any such contract or transaction. To the extent that any conflicts of interest arise, such conflicts are required to be resolved in accordance with the provisions of the BCBCA.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Catalyst Litigation

The Company was the plaintiff in litigation in the Central District Superior Court of the County of Los Angeles against Elliot Lewis ("Lewis"), Damian Martin ("Martin"), South Cord Holdings LLC ("SCH"), and South Cord Management LLC ("SCM") (collectively, "Catalyst Defendants") following various public, false, and defamatory statements made by Lewis and Martin, co-founders of SCM and SCH, that the Company is the "largest black marketeer" of cannabis in the history of the United States, only 25% of the Company's cultivated cannabis is sold through legal channels, and therefore 70% to 80% is sold illegally, and that the Company is engaging in illicit conduct to avoid taxes.

The Company is the defendant in litigation in the Central District Superior Court of the County of Los Angeles filed by 562 Discount Med, Inc. (“Discount Med” doing business as Catalyst Cannabis Co.), an affiliate of SCH and SCM. Discount Med has asserted claims against the Company for violation of California Business & Professions Code Section 17200 et seq., California’s Unfair Competition Law. Discount Med similarly alleged, like the Catalyst Defendants, that the Company is the “largest black marketeer” of cannabis in the United States and has purposefully structured its business to profit from the illicit market. The Company has categorically denied all such allegations and asserted affirmative defenses.

On May 20, 2024, the Company voluntarily dismissed without prejudice the defamation lawsuit against the Catalyst Defendants.

On June 25, 2024, the Superior Court of California (Los Angeles County) dismissed the lawsuit filed by Discount Med against the Company for unfair competition. The Court granted the Company’s motion for judgment on the pleadings with prejudice. On July 15, 2024, the Court entered a judgment in the Company’s favor, awarding costs against the plaintiff and concluding the case. On August 7, 2024, Discount Med filed a Notice of Appeal of the judgment of dismissal following an order granting a motion for judgment on the pleadings without leave to amend. The appeal has been dismissed and the matter remitted to the state court for entry of a judgment.

There are no other legal proceedings material to the Company to which the Company or a subsidiary thereof is a party or of which any of their respective property is the subject matter, nor any such proceedings known to the Company to be contemplated, and there have been no such legal proceedings during the Company’s most recently completed financial year.

Regulatory Actions

The Company has not been subject to any penalties or sanctions imposed by any court relating to securities legislation or by a securities regulatory authority during the Company’s most recently completed financial year, nor has the Company 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, nor has the Company entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the Company’s most recently completed financial year.

AUDIT COMMITTEE

The Audit Committee is primarily responsible for:

- recommending to the Board the external auditor to be nominated for election by the Company’s shareholders at each annual meeting and negotiating the compensation of such external auditor;
- overseeing the work of the external auditor;
- reviewing the Company’s financial statements, its management’s discussion and analysis in respect thereof and press releases regarding earnings before they are reviewed and approved by the Board and publicly disseminated by the Company; and
- reviewing the Company’s financial reporting procedures for the Company’s public disclosure of financial information extracted or derived from its financial statements.

The Board has adopted an audit committee charter (“**Audit Committee Charter**”) which sets out the Audit Committee’s mandate, organization, powers, and responsibilities. A copy of this Audit Committee Charter is attached as Schedule A to this AIF.

Below are the details of each audit committee member, including his/her name, whether he/she is independent and financially literate as such terms are defined under National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) and his/her education and experience as it relates to the performance of his/her duties as an audit committee member. All three audit committee members are financially literate under NI 52-110. The qualifications and independence of each member is discussed below.

Member Name	Independent⁽¹⁾	Financially Literate⁽²⁾	Education and Experience Relevant to Performance of Audit Committee Responsibilities
Jocelyn Rosenwald (Chair)	Yes	Yes	Jocelyn began her career as a Teach for America Corps member in New York City. She began her career in real estate investment in 2013 with Beach Front Properties LLC and managed a \$500M portfolio of opportunistic real estate investments. In November of 2016, Jocelyn began supervising the operations of 4 funds in the regulated cannabis industry which would eventually be consolidated to form GH Group. Today, Jocelyn sits on the Board of the Company as a director. She holds a B.A. from the University of Pennsylvania, an M.A. in Education from Hunter College, and an MBA from UCLA Anderson School of Business. She is a co-founder of GH Group and current director of the Company.
Humble Lukanga	Yes	Yes	Humble owns Life Line Financial Group, a wealth management firm servicing world-class performers and leaders in business, sports and entertainment. In addition to Life Line Financial, Humble serves on the board of trustees for the University of New Mexico and the board of directors for various companies. He holds both a bachelor’s and master’s in business administration from the Anderson School of Management at the University of New Mexico, received a Personal Finance Planning degree from UCLA and holds the CFP credential.
John “Jay” Nichols Jr.	Yes	Yes	Jay has over four decades of experience in corporate strategy, operations and finance. He has served as Chairman and Interim CEO of Protective Insurance Company. He also served as the CEO of Axis Reinsurance Company and President of RenaissanceRe Ventures. He also previously held senior executive and financial reporting positions at Hartford Steam Boiler and Monarch Life Insurance Company and at Matson, Driscoll & Damico, a leading international forensic accounting firm. He received his B.S. in Business/Accounting from Babson College.

Notes:

- (1) Independent within the meaning of NI 52-110.
- (2) An individual is financially literate within the meaning of NI 52-110 if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company’s financial statements.

Since the commencement of the Company’s most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter attached hereto as Schedule A.

The following table discloses the fees billed to the Company by its external auditor during the last two fiscal years ended December 31, 2025 and 2024 (in US\$, in thousands):

Financial Year Ended	Audit Fees ⁽¹⁾	Audit Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
December 31, 2025	\$1,385	nil	nil	\$13
December 31, 2024	\$2,049	nil	nil	nil

Notes:

- (1) The aggregate fees billed for audit services.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the audit fees column.
- (3) The aggregate fees billed for tax compliance, tax advice, tax return and tax planning services of an acquired entity.
- (4) The aggregate fees billed for professional services other than those listed in the other three columns.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this AIF, no director, executive officer or, to the best of the Company's knowledge, shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class of outstanding 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 (3) most recently completed financial years before the date of this AIF or during the current financial year which has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company.

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company has been appointed as the registrar and transfer agent of the Equity Shares and the Multiple Voting Shares. The office of Odyssey Trust Company (where the securities register and register of transfers are maintained) is located in Calgary, Alberta.

MATERIAL CONTRACTS

The only material contracts, other than those contracts entered into in the ordinary course of business, which the Company or one of its subsidiaries has entered into within the last financial year or before the last financial year but are still in effect, are set forth below.

Copies of these material contracts are available under the Company's SEDAR+ profile at www.sedarplus.ca.

- Warrant agency agreement between the Company and Odyssey Trust Company, as warrant agent, dated May 13, 2019, as supplemented on June 29, 2021 (the "**Warrant Agreement**"). See "*Material Contracts – Warrant Agreement*" below for further details.
- Registration rights agreement dated June 29, 2021 among the Company, the Company Founders and Mercer ("**Registration Rights Agreement**"). See "*Material Contracts – Registration Rights Agreement*" below for further details.
- Exchange Rights Agreement. See "*Description of Capital Structure – Exchangeable Shares – Exchange Rights Agreement*" for further details.
- SoCal Purchase Agreements. See "*General Development of the Business – Acquisitions – SoCal Greenhouse*" for further details.
- Senior Secured Credit Facility. See "*General Development of the Business – Financing Transactions – Senior Secured Credit Facility*" for further details.
- Debenture Indenture. See "*Material Contracts – Debenture Indenture*" below for further details.
- Warrant Indenture. See "*General Development of the Business – Financing Transactions – Offering of GH Group Series B Preferred Stock and Company Warrants*" and "*General Development of the Business – Financing Transactions – Offering of GH Group Series C Preferred Stock and Company Warrants*" for further details.

- 2023 Warrant Indenture. See “*General Development of the Business – Financing Transactions – Offering of GH Group Series D Preferred Stock and Company Warrants*” for further details.

Summaries of the above material contracts contained in this AIF are qualified in their entirety by the text of the material contracts, which are available on the Company’s SEDAR+ profile at www.sedarplus.ca. Set out below are the particulars of certain material contracts not described elsewhere in this AIF.

Warrant Agreement

Pursuant to the Business Combination, the outstanding share purchase warrants of predecessor Mercer Park were exchanged for the Listed Warrants of the Company and became exercisable to acquire Equity Shares commencing 65 days after the completion of the Business Combination, pursuant to the terms of the Warrant Agreement. Each Listed Warrant is exercisable to purchase one Equity Share at a price of \$11.50 per share, subject to certain adjustments. The Company may accelerate the expiry date of the outstanding Listed Warrants (excluding certain Listed Warrants issued to the founders of Mercer Park) by providing 30 days’ notice if, and only if, the closing share price of the Equity Shares equals or exceeds \$18.00 per share (subject to adjustments) for any 20 trading days within a 30-trading day period, in which case the expiry date shall be the date which is 30 days following the date on which such notice is provided. The right to exercise will be forfeited unless the Listed Warrants are exercised prior to the date specified in the notice of acceleration of the expiry date. The Warrant Agreement contemplates that the Listed Warrants may be exercised through cashless exercise.

Registration Rights Agreement

The Registration Rights Agreement provides the Company Founders and Mercer (the “**Registering Shareholders**” or “**Piggyback Shareholders**,” as applicable) with certain demand registration rights and piggyback registration rights in respect of the Equity Shares held by such holders from time to time. These Equity Shares are referred to as “**registrable securities**.” Each of the Registering Shareholders can request that the Company qualify by prospectus in Canada all or a portion of their registrable securities, provided that the aggregate offering price meets certain thresholds. If the Company proposes to register or qualify its securities for sale to the public, it must provide notice to each Registering Shareholder and the Piggyback Shareholders and use its reasonable commercial efforts to cause to be registered all registrable securities that the holders of such registrable securities request in writing be so registered. These piggy-back registration rights are unlimited in number. If a public offering of securities is being effected, those securities offered shall be allocated first to the Company then, to the Registering Shareholders (pro rata based on the amount owned by each), and then, to the Piggyback Shareholders (pro rata based on the amount owned by each).

Debenture Indenture

The Debenture Indenture provides for the issuance of an aggregate of 20,005 unsecured debentures in the aggregate principal amount of C\$20,504,850.96 (having a value of C\$1,024.9863 per debenture) issued to former noteholders of PLUS, designated as either Series A debentures or Series B debentures. The debentures mature on April 15, 2027, and bear interest at a rate of 8% per annum, payable semi-annually each year in cash, in Equity Shares or a combination of both. The debentures are not guaranteed, are unsecured and are subordinated to all secured obligations, liabilities and indebtedness of the Company.

Both series of debentures are redeemable, in whole or in part, at any time prior to the maturity date at the option of the Company at a redemption price equal to the principal amount and interest payable by payment of cash or by issuing such number of Equity Shares as is obtained by dividing the aggregate principal amount by the applicable redemption price for the debentures as set forth in the Debenture Indenture.

Series B debentures are convertible, in whole or in part, at the option of the holder, if any time prior to the earlier of (i) the business day immediately preceding the maturity date and (ii) the business day immediately preceding the redemption date (if applicable), the Equity Shares close at a price of \$10 on Cboe Canada over a period of at least 20 consecutive trading days. The conversion price for each Equity Share to be issued upon the conversion of each Series B debenture is \$10 such that approximately 80 Equity Shares are issuable for each C\$1,024.9863 principal amount of Series B debenture so converted, subject to adjustment.

INTERESTS OF EXPERTS

The consolidated financial statements of the Company for the financial years ended December 31, 2025 and 2024 have been audited by Macias Gini & O'Connell LLP. Macias Gini & O'Connell LLP has confirmed that it is independent with respect to the Company in accordance with the rules of professional conduct that are relevant to its audit of the Company's consolidated financial statements.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.glasshousebrands.com. Additional information, including information concerning directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular of the Company dated May 15, 2025, for its annual general and special meeting of shareholders held on June 20, 2025.

Additional financial information is contained in the Company's audited financial statements and MD&A for its most recently completed financial year. Such documents, as well as additional information about the Company, may be found under the Company's profile on SEDAR+ at www.sedarplus.ca.

SCHEDULE A
AUDIT COMMITTEE CHARTER
GLASS HOUSE BRANDS INC.
CHARTER OF THE AUDIT COMMITTEE

PURPOSE

The audit committee (the “**Audit Committee**”) is a committee of the board of directors (the “**Board**”) of Glass House Brands Inc. (the “**Company**”). The primary function of the Audit Committee is to assist the directors of the Company in fulfilling their applicable roles by:

- (a) recommending to the Board the appointment and compensation of the Company’s external auditor;
- (b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;
- (c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Company by the Company’s external auditor;
- (d) satisfying themselves that adequate procedures are in place for the review of the Company’s public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;
- (e) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (f) reviewing and approving any proposed hiring of current or former partners or employees of the current auditor of the Company; and
- (g) reviewing and recommending to the Board the approval of the annual and interim financial statements, related Management Discussion and Analysis (“**MD&A**”) and other financial information provided by the Company to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with United States generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Company’s internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

LIMITATIONS ON AUDIT COMMITTEE’S DUTIES

In contributing to the Audit Committee’s discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Company by the external auditor, (iv) financial statements of the Company represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Company in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Audit Committee should have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. Each member must be “**financially literate**” within the meaning of NI 52-110 or must become financially literate within a reasonable period of time following his or her appointment. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the “**Chair**”) is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Company’s securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Company with senior employees, officers and the external auditor of the Company, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Company’s interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours’ notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to the Company’s articles from time to time.

ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

1. Determine any desired agenda items;
2. Review and recommend to the Board changes to this Charter, as considered appropriate from time to time;
3. Review the public disclosure regarding the Audit Committee required by NI 52-110;
4. Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional;
5. Summarize in the Company's annual information form the Audit Committee's composition and activities, as required; and
6. Submit the minutes of all meetings of the Audit Committee to the Board upon request.

Documents / Reports Review

7. Review and recommend to the Board for approval the Company's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Company provided to the public or any governmental body as the Audit Committee or the Board require.
8. Review other financial information provided to any governmental body or the public as they see fit.
9. Review any of the Company's press releases that contain financial information.
10. Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and related MD&A and periodically assess the adequacy of those procedures.

External Auditor

11. Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review and recommend the fees and other compensation to be paid to the external auditor. The Audit Committee shall have the ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.
12. Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Company's financial condition, financial performance and cash flow.
13. Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.
14. Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.
15. Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the Company to determine the external auditor's independence.
16. Pre-approve all non-audit services (or delegate such pre-approval, as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.

17. Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
18. Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
19. Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.
20. Review and approve any proposed hiring by the Company of current or former partners or employees of the current (and any former) external auditor of the Company.

Audit Process

21. Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
22. Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
23. Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
24. Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

Financial Reporting Processes

25. Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.
26. Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.
27. Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
28. Review with management and the external auditor the Company's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.
29. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.
30. If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.

31. Periodically consider the need for an internal audit function, if not present.

Risk Management

32. Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

General

33. The Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Company) the compensation for any such advisors.
34. Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.
35. Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.
36. Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:
- The Charter of the Audit Committee;
 - the composition of the Audit Committee;
 - the relevant education and experience of each member of the Audit Committee;
 - the external auditor services and fees; and
 - such other matters as the Company is required to disclose concerning the Audit Committee.
37. Perform any other activities as the Audit Committee deems necessary or appropriate including seeking to ensure all regulatory documents are compiled to meet Committee reporting obligations under NI 52-110.

AUDIT COMMITTEE COMPLAINT PROCEDURES

The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Company's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to the Company securityholders or other liability whatsoever.

Effective Date: June 29, 2021



Logo.jpg

GLASS HOUSE BRANDS INC.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024

GLASS HOUSE BRANDS INC.
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Glass House Brands Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Glass House Brands Inc. (the “Company”) as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in shareholders’ equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (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, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these 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.

We have served as the Company's auditor since 2020.

/s/ Macias Gini & O’Connell LLP

Irvine, California

March 24, 2026

PCAOB ID Number 324

GLASS HOUSE BRANDS INC.

Consolidated Balance Sheets

(Amounts Expressed in United States Dollars in Thousands, Except Par Value and Share Data, Unless Otherwise Stated)

		As of December 31,	
		2025	2024
ASSETS			
Current Assets:			
Cash	\$	19,850	\$ 33,923
Restricted Cash		—	3,000
Accounts Receivable, Net		4,417	5,221
Income Taxes Receivable		791	1,929
Prepaid Expenses and Other Current Assets		15,664	7,775
Inventory		26,227	14,252
Notes Receivable		800	—
Total Current Assets		67,749	66,100
Operating Lease Right-of-Use Assets, Net		3,875	8,168
Finance Lease Right-of-Use Assets, Net		2,036	2,568
Long Term Investments		—	2,341
Property, Plant and Equipment, Net		228,760	212,252
Intangible Assets, Net		11,577	14,200
Restricted Cash, Net of Current Portion		3,500	—
Other Assets		1,060	4,873
TOTAL ASSETS	\$	318,557	\$ 310,502
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$	35,970	\$ 31,128
Income Taxes Payable		—	2,408
Contingent Shares Payable and Earnout Liabilities		—	20,265
Shares Payable		—	2,579
Current Portion of Operating Lease Liabilities		1,116	1,565
Current Portion of Finance Lease Liabilities		836	889
Current Portion of Notes Payable		37	7,644
Total Current Liabilities		37,959	66,478
Operating Lease Liabilities, Net of Current Portion		2,868	6,860
Finance Lease Liabilities, Net of Current Portion		1,086	1,688
Other Non-Current Liabilities		33,413	20,869
Notes Payable, Net of Current Portion		68,629	50,552
TOTAL LIABILITIES		143,955	146,447
MEZZANINE EQUITY:			
GH Group, Inc. Preferred Series B Shares (\$0.00001 par value, 55,000 shares authorized, nil and 49,969 shares issued and outstanding as of December 31, 2025 and December 31, 2024, respectively)		—	65,084
GH Group, Inc. Preferred Series C Shares (\$0.00001 par value, 5,000 shares authorized, nil and 5,000 shares issued and outstanding as of December 31, 2025 and December 31, 2024, respectively)		—	6,279
GH Group, Inc. Preferred Series D Shares (\$0.00001 par value, 15,000 shares authorized, 15,000 shares issued and outstanding as of December 31, 2025 and December 31, 2024)		15,000	15,000
GH Group, Inc. Series E Convertible Preferred Shares (\$0.00001 par value, 80,000 shares authorized, 77,500 and nil shares issued and outstanding as of December 31, 2025 and December 31, 2024, respectively)		77,500	—
SHAREHOLDERS' EQUITY:			
Multiple Voting Shares (No par value, unlimited shares authorized, 4,754,979 shares issued and outstanding as of December 31, 2025 and December 31, 2024)		—	—
Subordinate Voting Shares (No par value, unlimited shares authorized, 75,282,908 and 69,888,086 shares issued and outstanding as of December 31, 2025 and December 31, 2024, respectively)		—	—
Exchangeable Shares (No par value, unlimited shares authorized, 6,445,878 and 7,017,866 shares issued and outstanding as of December 31, 2025 and December 31, 2024, respectively)		—	—
Additional Paid-In Capital		294,011	306,652
Accumulated Deficit		(220,075)	(190,416)
Total Shareholders' Equity Attributable to the Company		73,936	116,236
Non-Controlling Interest		8,166	(38,544)
TOTAL MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY		174,602	164,055
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY	\$	318,557	\$ 310,502

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.**Consolidated Statements of Operations***(Amounts Expressed in United States Dollars in Thousands, Except Share and Per Share Data, Unless Otherwise Stated)*

	Year Ended December 31,	
	2025	2024
Revenues, Net	\$ 181,984	\$ 200,898
Cost of Goods Sold (Exclusive of Depreciation and Amortization Shown Separately Below)	105,024	103,505
Gross Profit	76,960	97,393
Operating Expenses:		
General and Administrative	64,098	60,126
Sales and Marketing	2,669	2,418
Professional Fees	9,062	7,768
Depreciation and Amortization	15,764	15,044
Impairment Expense for Intangible Assets	1,900	6,300
Total Operating Expenses	93,493	91,656
Income (Loss) from Operations	(16,533)	5,737
Other (Income) Expense:		
Interest Expense	7,058	9,184
Interest Income	(288)	—
Gain on Equity Method Investments	(84)	(14)
(Gain) Loss on Change in Fair Value of Derivative Asset and Liability	2,070	(690)
Gain on Change in Fair Value of Contingent Liabilities and Shares Payable	—	(13,724)
Loss on Extinguishment of Debt	292	—
Other Income, Net	(8,563)	(238)
Total Other (Income) Expense, Net	485	(5,482)
Income (Loss) from Operations Before Provision for Income Taxes	(17,018)	11,219
Provision for Income Taxes	11,934	10,498
Net Income (Loss)	(28,952)	721
Net Income Attributable to Non-Controlling Interest	707	202
Net Income (Loss) Attributable to the Company	\$ (29,659)	\$ 519
Loss Per Share - Basic	\$ (0.55)	\$ (0.21)
Loss Per Share - Diluted	\$ (0.55)	\$ (0.21)
Weighted-Average Shares Outstanding - Basic	81,935,989	75,229,075
Weighted-Average Shares Outstanding - Diluted	81,935,989	75,229,075

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.
Consolidated Statements of Changes in Mezzanine Equity and Shareholders' Equity
(Amounts Expressed in United States Dollars in Thousands, Except Share Data, Unless Otherwise Stated)

	Units					TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	\$ Amount				Non- Controlling Interest	TOTAL MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY
	Multiple Voting Shares	Equity Shares	Exchangeable Voting Shares	Additional Paid-In Capital	Accumulated Deficit		Mezzanine Equity Preferred Series B	Mezzanine Equity Preferred Series C	Mezzanine Equity Preferred Series D			
BALANCE AS OF DECEMBER 31, 2023	4,754,979	61,986,686	8,953,951	\$ 280,696	\$ (190,935)	\$ 89,761	\$ 57,545	\$ 5,608	\$ 15,000	\$ (22,678)	\$ 145,236	
Net Income	—	—	—	—	519	519	—	—	—	202	721	
Share-Based Compensation from Options and Restricted Stock Units	—	—	—	13,098	—	13,098	—	—	—	—	13,098	
Shares Issued for Shares Payable - NHC Business Acquisitions	—	465,797	—	3,834	—	3,834	—	—	—	—	3,834	
Shares Issued for Exercise of Warrants	—	135,489	—	252	—	252	—	—	—	—	252	
Shares Issued for Conversion of Exchangeable Shares	—	1,937,049	(1,936,085)	—	—	—	—	—	—	—	—	
Shares Issued for Vesting of Restricted Stock Units	—	2,603,040	—	—	—	—	—	—	—	—	—	
Shares Issued for Exercise of Options	—	838,398	—	1,942	—	1,942	—	—	—	—	1,942	
Shares Issued for 2023 Bonus	—	286,406	—	2,715	—	2,715	—	—	—	—	2,715	
Shares Issued for Vested GH Group Non- Qualified Options	—	1,433,810	—	2,757	—	2,757	—	—	—	—	2,757	
Shares Issued for Payment of Interest on Convertible Debentures	—	191,411	—	1,292	—	1,292	—	—	—	—	1,292	
Shares Issued for At-the- Market Program	—	10,000	—	66	—	66	—	—	—	—	66	
Distributions to Non- Controlling Interest Holders	—	—	—	—	—	—	—	—	—	(109)	(109)	
Dividends - Preferred Shareholders	—	—	—	—	—	—	7,539	671	—	(15,959)	(7,749)	
BALANCE AS OF DECEMBER 31, 2024	4,754,979	69,888,086	7,017,866	\$ 306,652	\$ (190,416)	\$ 116,236	\$ 65,084	\$ 6,279	\$ 15,000	\$ (38,544)	\$ 164,055	

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.
Consolidated Statements of Changes in Mezzanine Equity and Shareholders' Equity
(Amounts Expressed in United States Dollars in Thousands, Except Share Data, Unless Otherwise Stated)

	Units			Additional Paid- In Capital	Accumulated Deficit	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	\$ Amount					Non- Controlling Interest	TOTAL MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY
	Multiple Voting Shares	Equity Shares	Exchange- able Voting Shares				Mezzanine Equity Preferred Series B	Mezzanine Equity Preferred Series C	Mezzanine Equity Preferred Series D	Mezzanine Equity Preferred Series E			
BALANCE AS OF DECEMBER 31, 2024	4,754,979	69,888,086	7,017,866	\$ 306,652	\$ (190,416)	\$ 116,236	\$ 65,084	\$ 6,279	\$ 15,000	\$ —	\$ (38,544)	\$ 164,055	
Net Income (Loss)	—	—	—	—	(29,659)	(29,659)	—	—	—	—	707	(28,952)	
Share-Based Compensation from Options, Restricted Stock Units and Market- Based Performance Restricted Stock Units	—	—	—	13,402	—	13,402	—	—	—	—	—	13,402	
Shares Issued for Shares Payable - NHC Business Acquisitions	—	116,427	—	2,579	—	2,579	—	—	—	—	—	2,579	
Shares Issued and Contingent Shares Payable in Connection with Camarillo Acquisition	—	500,000	—	20,265	—	20,265	—	—	—	—	—	20,265	
Shares Issued to Acquire Remaining Non- Controlling Interest in Consolidated Subsidiary	—	248,829	—	(600)	—	(600)	—	—	—	—	600	—	
Issuance of Series E Preferred Shares and Exchange of Series B and Series C Preferred Shares for Series E Preferred Shares	—	—	—	—	—	—	(52,743)	(6,265)	—	77,500	—	18,492	
Redemption of Series B and Series C Preferred Shares	—	—	—	—	—	—	(17,963)	(535)	—	—	—	(18,498)	
Shares Issued for Exercise of Warrants	—	496,523	—	—	—	—	—	—	—	—	—	—	
Shares Issued for Conversion of Exchangeable Shares	—	571,988	(571,988)	—	—	—	—	—	—	—	—	—	
Shares Issued for Vesting of Restricted Stock Units	—	2,042,387	—	—	—	—	—	—	—	—	—	—	
Shares Issued for Exercise of Options	—	323,492	—	1,000	—	1,000	—	—	—	—	—	1,000	
Shares Issued for 2024 Bonus	—	208,772	—	1,114	—	1,114	—	—	—	—	—	1,114	
Shares Issued for Payment of Interest on Convertible Debentures	—	208,237	—	1,292	—	1,292	—	—	—	—	—	1,292	
Shares Issued for At-the-Market Program	—	678,167	—	6,062	—	6,062	—	—	—	—	—	6,062	
Variable Interest Entity Consolidation	—	—	—	665	—	665	—	—	—	—	2,724	3,389	
Reclassification of Preferred Shares from Non- Controlling Interest to Additional Paid-In Capital	—	—	—	(52,323)	—	(52,323)	—	—	—	—	52,323	—	
Distributions to Non-Controlling Interest Holders	—	—	—	—	—	—	—	—	—	—	(342)	(342)	
Dividends - Preferred Shareholders	—	—	—	(6,097)	—	(6,097)	5,622	521	—	—	(9,302)	(9,256)	
BALANCE AS OF DECEMBER 31, 2025	4,754,979	75,282,908	6,445,878	\$ 294,011	\$ (220,075)	\$ 73,936	\$ —	\$ —	\$ 15,000	\$ 77,500	\$ 8,166	\$ 174,602	

See accompanying notes to consolidated financial statements.

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GLASS HOUSE BRANDS INC.**Consolidated Statements of Cash Flows***(Amounts Expressed in United States Dollars in Thousands Unless Otherwise Stated)*

	Year Ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (28,952)	\$ 721
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Bad Debt Expense, Net of Recoveries	2,557	305
Interest Capitalized	(775)	—
Loss on Disposal of Property and Equipment	1,032	—
Depreciation and Amortization	15,764	15,044
Gain on Equity Method Investments	(84)	(14)
Impairment Expense for Intangible Assets	1,900	6,300
Non-Cash Operating Lease Costs	1,353	1,617
Loss on Extinguishment of Debt	292	—
Accretion of Debt Discount and Loan Origination Fees	391	1,690
(Gain) Loss on Change in Fair Value of Derivative Asset	2,070	(690)
Gain on Change in Fair Value of Contingent Liabilities and Shares Payable	—	(13,724)
Share-Based Compensation	13,402	13,098
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(547)	(1,481)
Income Taxes Receivable	1,138	(1,929)
Prepaid Expenses and Other Current Assets	(2,262)	(3,902)
Inventory	(11,975)	(5,412)
Other Assets	3,442	215
Accounts Payable and Accrued Liabilities	5,817	8,413
Interest Payments on Finance Leases	(272)	(258)
Income Taxes Payable	(2,408)	(5,471)
Operating Lease Liabilities	(1,325)	(1,556)
Other Non-Current Liabilities	10,889	15,426
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,447	28,392
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(27,179)	(10,294)
Proceeds from Sale of Assets	222	—
Issuance of Note Receivable	(1,000)	—
Cash Received from Consolidation of Variable Interest Entity	215	—
NET CASH USED IN INVESTING ACTIVITIES	(27,742)	(10,294)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the Issuance of At-the-Money Shares	2,182	—
Proceeds from the Issuance of Notes Payable, Third Parties and Related Parties	52,099	—
Proceeds from the Issuance of Preferred Shares	18,492	—
Redemption of Preferred Shares	(18,498)	—
Payment on Finance Lease	(1,013)	(478)
Payments on Notes Payable, Third Parties and Related Parties	(42,893)	(7,557)
Cash Received Upon Exercise of Options and Warrants	1,000	2,194
Distributions to Non-Controlling Interest Holders	(342)	(109)
Distributions to Preferred Shareholders	(8,305)	(7,749)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,722	(13,699)
NET INCREASE (DECREASE) IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS	(13,573)	4,399
Cash, Restricted Cash and Cash Equivalents, Beginning of Period	36,923	32,524
CASH, RESTRICTED CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 23,350	\$ 36,923

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.**Consolidated Statements of Cash Flows***(Amounts Expressed in United States Dollars in Thousands Unless Otherwise Stated)*

	Year Ended December 31,	
	2025	2024
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 4,527	\$ 5,992
Cash Paid for Taxes	2,458	2,457
Non-Cash Investing and Financing Activities:		
Exchange of Series B and Series C Preferred Shares for Series E Preferred Shares	59,008	—
Reclassification of Preferred Shares from Non-Controlling Interest to Additional Paid-In Capital	52,323	—
Contingent Shares Payable in Connection with Camarillo Acquisition	20,265	—
Variable Interest Entity Consolidation	12,865	—
Issuance of At-the-Money shares	3,946	66
Shares Issued to Settle Shares Payable - NHC Business Acquisitions	2,579	3,834
Shares Issued for Payment of Interest on Convertible Debentures	1,292	1,292
Shares Issued for 2024 and 2023 Bonus, respectively	1,114	2,715
Interest Capitalized to Property and Equipment	775	—
Shares Issued to Acquire Remaining Non-Controlling Interest in Consolidated Subsidiary	600	—
Recognition of Right-of-Use Asset and Lease Liability for Finance Lease	403	1,293
Shares Issued for Vested GH Group Non-Qualified Options	—	2,757
Lease Terminations and Amendments	—	22

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

1. NATURE OF OPERATIONS

Glass House Brands Inc. (the “Company”), formerly known as Mercer Park Brand Acquisition Corp. (“Mercer Park”), was incorporated under the Business Corporations Act (British Columbia) on April 16, 2019. As of December 31, 2025, the Company is a vertically integrated cannabis company that generates cannabis revenue in the state of California and has certain intellectual property licensing agreements in Nevada and Florida. The Company, through its subsidiaries cultivates, manufactures, and distributes cannabis bulk flower and trim to wholesalers and consumer packaged goods to third-party retail stores in the state of California. The Company also owns and operates retail cannabis stores and provides dispensary operation management services in the state of California. The Company’s subordinate voting shares (“Subordinate Voting Shares”), restricted voting shares (“Restricted Voting Shares”) and limited voting shares (“Limited Voting Shares,” and collectively with the Subordinate Voting Shares and the Restricted Voting Shares, the “Equity Shares”), and certain common share purchase warrants (the “Listed Warrants”) are listed on Cboe Canada, trading under the symbols “GLAS.A.U” and “GLAS.WT.U,” respectively. The Equity Shares and Listed Warrants also trade on the OTCQX in the United States under the symbols “GLASF” and “GHBWF,” respectively. The head office and principal address of the Company is 3645 Long Beach Boulevard, Long Beach, California 90807. The Company’s registered office in Canada is 666 Burrard Street, Suite 2500, Vancouver, BC V6C 2X8, Canada.

Liquidity

Historically, the Company’s primary source of liquidity has been from its operations, capital contributions made by equity investors and preferred equity investors, and debt issuances. The Company is meeting its operational obligations as they become due from its current working capital and from operations. However, the Company has sustained losses since inception and may require additional capital in the future. As of and for the year ended December 31, 2025, the Company had an accumulated deficit of \$220.1 million, a net loss attributable to the Company of \$29.7 million and net cash provided by operating activities of \$11.4 million. The Company estimates that based on current business operations and working capital, it will continue to meet its obligations as they become due for at least the next 12 months.

The Company is generating cash from revenues and deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, product development and marketing. The Company expects to continue to finance its operations, capital expenditures, facility improvements, product development and marketing primarily through cash from sales to customers and may consider future equity issuances and debt financing arrangements.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages its liquidity risk through the management of its capital structure. The Company’s approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. In the event sufficient cash flow is not available from operating activities, the Company may continue to raise equity or debt capital from investors in order to meet liquidity needs. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm the Company’s business, results of operations and future prospects. There can be no assurance that such financing will be available or will be on terms acceptable to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying Consolidated Financial Statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and reflect the accounts and operations of the Company and those of the Company’s subsidiaries in which the Company has a controlling financial interest. Investments in entities in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method.

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position of the Company as of December 31, 2025 and 2024, and the consolidated results of operations and cash flows for the years ended December 31, 2025 and 2024, have been included.

Basis of Consolidation

These Consolidated Financial Statements as of December 31, 2025 and 2024 include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control as defined in Accounting Standards Codification (“ASC”) 810, *Consolidation*. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company has ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than fifty percent of the outstanding voting securities of another entity. In assessing control, potential voting rights that are currently exercisable are considered.

The following are the Company’s principal wholly-owned or controlled subsidiaries and/or affiliates that are included in these consolidated financial statements as of and for the years ended December 31, 2025 and 2024:

Corporate Entities

Entity	Location	Purpose	Ownership	
			2025	2024
GH Group Inc.	Long Beach, CA	Holding company	100 %	100 %
GHB Usub LLC	Long Beach, CA	Holding company	100 %	100 %
Glass House Cultivation LLC	Camarillo, CA	Holding company	100 %	100 %
Glass House Manufacturing LLC	Lompoc, CA	Holding company	100 %	100 %
Glass House Retail, LLC	Long Beach, CA	Holding company	100 %	100 %
LOB Investment Co. LLC	Long Beach, CA	Holding company	0 %	100 %
MPB Acquisition Corp	Nevada	Holding company	100 %	100 %
Plus Products Holding Inc.	Long Beach, CA	Holding company	0 %	100 %

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
Management and Operating Entities

Subsidiaries	Location	Purpose	Ownership	
			2025	2024
Bud and Bloom Inc.	Santa Ana, CA	Cannabis retail	100 %	100 %
CA Manufacturing Solutions LLC	Lompoc, CA	Cannabis manufacturing	100 %	100 %
E7 Eureka LLC	Eureka, CA	Cannabis retail applicant	100 %	100 %
Farmacy Isla Vista LLC	Goleta, CA	Cannabis retail	100 %	100 %
Farmacy SB Inc.	Santa Barbara, CA	Cannabis retail	100 %	100 %
G&H Supply Company, LLC	Carpinteria, CA	Cultivation management	100 %	100 %
G&K Produce LLC	Carpinteria, CA	Cannabis cultivation	100 %	100 %
GHCH LLC	Camarillo, CA	Hemp cultivation	100 %	100 %
Glass House Camarillo Cultivation LLC	Camarillo, CA	Cannabis cultivation	100 %	100 %
ICANN LLC	Berkeley, CA	Cannabis retail	100 %	100 %
K&G Flowers LLC	Carpinteria, CA	Cannabis cultivation	100 %	100 %
Lompoc Management Co. LLC	Lompoc, CA	Manufacturing management	0 %	100 %
Lompoc Manufacturing GHG, LLC	Lompoc, CA	Cannabis processing	0 %	100 %
MGF Management LLC	Carpinteria, CA	Cultivation management	0 %	100 %
Mission Health Associates, Inc.	Carpinteria, CA	Cannabis cultivation	100 %	100 %
Natural Healing Center LLC	Grover Beach, CA	Cannabis retail	100 %	100 %
Next Gen Libations LLC	Long Beach, CA	Management services	100 %	0 %
Next Gen Libations Manager LLC	Long Beach, CA	Management services	100 %	0 %
NHC Lemoore LLC	Lemoore, CA	Cannabis retail	100 %	100 %
NHC-MB LLC	Morro Bay, CA	Cannabis retail	100 %	100 %
NHC Turlock, LLC	Turlock, CA	Cannabis retail	100 %	100 %
Palm Desert Management Services LLC	Long Beach, CA	Cannabis retail management services	100 %	0 %
REEForm LLC	Long Beach, CA	Brand licensing	50 %	50 %
SBDANK LLC	Santa Ynez, CA	Cannabis retail	100 %	51 %
The Pottery Inc.	Los Angeles, CA	Cannabis retail	100 %	100 %

Real Estate Entities

Subsidiaries	Location	Purpose	Ownership	
			2025	2024
East Saint Gertrude 1327 LLC	Santa Ana, CA	Real Estate	100 %	100 %
GH Camarillo LLC	Camarillo, CA	Real Estate	100 %	100 %
GH Lompoc LLC	Lompoc, CA	Real Estate	100 %	100 %
GH RE Manager LLC	Long Beach, CA	Real Estate	100 %	100 %
Glass House Farm LLC	Carpinteria, CA	Real Estate	100 %	100 %
Magu Farm LLC	Carpinteria, CA	Real Estate	100 %	100 %

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Consolidation of Variable Interest Entities

ASC 810 requires a variable interest holder to consolidate a variable interest entity (“VIE”) if that party has the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. To determine whether or not a variable interest the Company holds could potentially be significant to the VIE, the Company considers both qualitative and quantitative factors regarding the nature, size and form of the Company’s involvement with the VIE. The equity method of accounting is applied to entities in which the Company is not the primary beneficiary or the entity is not a VIE and the Company does not have effective control, but can exercise influence over the entity with respect to its operations and major decisions. The Company does not consolidate a VIE in which it is not considered the primary beneficiary. The Company evaluates its relationships with all the VIE’s on an ongoing basis to reassess if it continues to be the primary beneficiary.

Non-Controlling Interests

Non-controlling interests represent equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company’s ownership interest that do not result in a loss of control are accounted for as equity transactions.

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of total net revenue and expenses during the reporting period. The Company regularly evaluates significant estimates and assumptions related to the consolidation or non-consolidation of variable interest entities, estimated useful lives, depreciation of property and equipment, amortization of intangible assets, inventory valuation, share-based compensation, business combinations, goodwill impairment, long-lived asset impairment, purchased asset valuations, fair value of financial instruments, compound financial instruments, derivative assets and liabilities, deferred income tax asset valuation allowances, incremental borrowing rates, lease terms applicable to lease contracts and going concern. These estimates and assumptions are based on current facts, historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results the Company experiences may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company’s future results of operations could be negatively impacted.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments. There have been no transfers into or out of Level 3 during the years ended December 31, 2025 and 2024.

Financial instruments are measured at amortized cost or at fair value. Financial instruments measured at amortized cost consist of accounts receivable, other liabilities, and accounts payable and accrued liabilities wherein the carrying value approximates fair value due to its short-term nature. Other financial instruments measured at amortized cost include notes payable wherein the carrying value at the effective interest rate approximates fair value as the interest rate for such notes payable.

Cash and cash equivalents and restricted cash are measured at Level 1 inputs. Acquisition-related liabilities resulting from business combinations are measured at fair value using Level 1 or Level 3 inputs. Investments that are measured at fair value use Level 3 inputs. Refer to Note 5 – Investments for assumptions used to value investments. Refer to Note 9 – Contingent Shares Payable and Earnout Liabilities for assumptions used to value the contingent consideration.

The individual fair values attributed to the different components of a financing transaction, notably derivative financial instruments, convertible debentures and loans, are determined using valuation techniques. Refer to Note 12 – Derivative Instruments for assumptions used to value the Company’s interest rate swap derivative and the conversion feature of convertible debenture derivatives. The Company uses judgment to select the methods used to make certain assumptions and derive estimates. Significant judgment is also used when attributing fair values to each component of a transaction upon initial recognition, measuring fair values for certain instruments on a recurring basis and disclosing the fair values of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of instruments that are not quoted or observable in an active market.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Restricted Cash

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of December 31, 2025 and 2024, restricted cash was \$3.5 million and \$3.0 million, respectively, which is held in escrow accounts and used as an interest reserve primarily for the Senior Secured Credit Facility (as defined below) and Prior Credit Agreement (as defined below), respectively. See Note 11 – Notes Payable and Convertible Debentures for further discussion.

Accounts Receivable

The Company extends non-interest-bearing trade credit to its customers in the ordinary course of business which is not collateralized. Accounts receivable are shown on the face of the Consolidated Balance Sheets, net of an allowance for credit losses. The Company analyzes the aging of accounts receivable, historical credit losses, customer creditworthiness and current economic trends in determining the allowance for credit losses. The Company does not accrue interest receivable on past due accounts receivable.

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

The Company assesses all information available, including on a forward-looking basis, related to the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on available information, and forward-looking information that is reasonable and supportive. For accounts receivable, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into the measurement.

Accounts receivable, net is as follows (in thousands):

	As of December 31,	
	2025	2024
Accounts Receivable Amortized Cost	4,831	5,693
Allowance for Credit Losses	(414)	(472)
Accounts Receivable, Net	\$ 4,417	\$ 5,221

The following table summarizes the changes in the allowance for credit losses for accounts receivable (in thousands):

	Year Ended December 31,	
	2025	2024
Balance, Beginning of Period	\$ (472)	\$ (717)
Provision for Expected Credit Losses	(1,351)	(305)
Write-Offs	1,409	550
Balance, End of Period	\$ (414)	\$ (472)

Inventory

Inventory is comprised of raw materials, finished goods and work-in-process such as pre-harvested cannabis plants and by-products to be extracted. The costs of growing cannabis, including but not limited to labor, utilities, nutrition and supplies, are capitalized into inventory until the time of harvest. All direct and indirect costs, except depreciation and amortization related to inventory are capitalized when incurred, and subsequently classified to cost of goods sold in the Consolidated Statements of Operations. Raw materials and work-in-process are stated at the lower of cost or net realizable value, determined using the weighted average cost. The purchase of finished goods inventory costs include the purchase price of the product and freight costs to deliver it the Company's facilities. Finished goods inventory is stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out ("FIFO") method of accounting. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. The Company periodically reviews physical inventory for excess, obsolete, and potentially impaired items and reserves. The Company reviews inventory for obsolete, redundant and slow-moving goods, and any such inventory is written down to net realizable value. Packaging and supplies are initially valued at cost. The reserve estimate for excess and obsolete inventory is based on expected future use. The reserve estimates have historically been consistent with actual experience as evidenced by actual sale or disposal of the goods. As of December 31, 2025 and 2024, the Company's reserve was \$0.8 million and \$1.0 million, respectively.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Leased Assets

In accordance with ASC 842, *Leases*, the Company determines if an arrangement is a lease at inception. Operating and finance leases are included in operating lease right-of-use (“ROU”) assets and accrued obligations under operating and finance lease (current and non-current) liabilities in the Consolidated Balance Sheets. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, also known as short-term leases, are not recorded on the Consolidated Balance Sheets and are expensed in the Consolidated Statements of Operations on a straight-line basis over the lease term.

ROU assets represent the Company’s right to use an underlying asset for the lease term, and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets are classified as a finance lease or an operating lease. A finance lease is a lease in which at least one of the following is true: 1) ownership of the property transfers to the lessee by the end of the lease term, 2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, 3) the lease is for a major part of the remaining economic life of the underlying asset, 4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already included in the lease payments equals or exceeds substantially all of the fair value, or 5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. The Company classifies a lease as an operating lease when it does not meet any one of these criteria.

The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company applies judgment in determining the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. All relevant factors that create an economic incentive for it to exercise either the renewal or termination options are considered. The Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the ROU asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another ROU asset.

In accordance with ASC 842, lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The Company applies judgment in determining the incremental borrowing rate using estimates which are based on the information available at commencement date. The Company initially measures the ROU asset at the initial amount of the lease liability, plus initial direct costs and lease payments at or before the commencement date, less any lease incentives received.

Additionally, management monitors for events or changes in circumstances that may require a reassessment of one of its leases and determines if a remeasurement is required.

Investments

Long-term investments are related to investments in equity and debt securities of entities over which the Company does not have a controlling financial interest or significant influence and are accounted for at fair value in accordance with ASC 321, *Investments—Equity Securities*, as well as investments and joint ventures in which the Company can exert significant influence but does not control.

Equity investments without readily determinable fair values (which are classified as Level 3 investments in the fair value hierarchy) are measured at cost with adjustments for observable changes in price or impairments (referred to as the “measurement alternative”). In applying the measurement alternative, the Company performs a qualitative assessment on a quarterly basis and recognizes an impairment if there are sufficient indicators that the fair value of the equity investments is less than carrying values. Changes in value are recorded in other (income) expense, net in the Consolidated Statements of Operations.

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

Equity Method and Joint Venture Investments

The Company accounts for investments in which it can exert significant influence but does not control as equity method investments in accordance with ASC 323, *Investments—Equity Method and Joint Ventures*. In accordance with ASC 825, *Financial Instruments*, the fair value option to measure eligible items at fair value on an instrument-by-instrument basis can be applied. Joint ventures are arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for under the equity method. These investments are recorded at the amount of the Company's initial investment and adjusted each period for the Company's share of the investee's income or loss, and dividends paid.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Buildings	15 Years
Furniture and Fixtures	5 Years
Leasehold Improvements	Shorter of Lease Term or Economic Life
Equipment and Software	3 – 5 Years
Construction in Progress	Not Depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively, if appropriate. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Consolidated Statements of Operations in the period the asset is derecognized.

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. Intangible assets with a definite life are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values and amortization methods are reviewed at each reporting period, and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Dispensary Licenses	Indefinite
Intellectual Property	5-10 Years

In accordance with ASC 350, *Intangibles—Goodwill and Other*, costs of internally developing, maintaining or restoring intangible assets are expensed as incurred. Costs are capitalized when certain criteria are met through the point at which the intangible asset is substantially complete and ready for its intended use.

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

Goodwill and Indefinite-Lived Intangible Assets

Goodwill is measured as the excess of consideration transferred over the net of the acquisition date fair value of assets acquired and liabilities assumed in a business acquisition. Goodwill is assigned to the reporting unit, which is the operating segment level or one level below the operating segment. Indefinite-lived intangible assets consist primarily of licenses. In accordance with ASC 350, goodwill and other intangible assets with indefinite lives are not subject to amortization. The Company reviews goodwill at the reporting unit level and indefinite-lived intangible assets at the asset level for impairment on an annual basis as of year-end or whenever events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit (for goodwill) or an indefinite-lived intangible asset is less than its carrying amount. If the carrying amount of goodwill or an indefinite-lived intangible asset is in excess of its fair value, the Company recognizes an impairment charge equal to the amount in excess.

The Company performs a qualitative assessment (commonly referred to as “Step Zero”) to determine whether further quantitative analysis for impairment of goodwill or indefinite-lived intangible assets is necessary. In performing Step Zero for goodwill and indefinite-lived intangible assets, the Company is required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to the Company’s business, industry and market trends, and the overall future financial performance and asset-specific factors relevant to the Company’s reporting units or indefinite-lived intangible assets, as applicable. If impairment indicators are present after performing Step Zero, the Company would perform a quantitative impairment analysis to estimate the fair value of goodwill or the applicable indefinite-lived intangible assets. Refer to Note 7 – Intangible Assets for further discussion on indefinite-lived intangible asset impairment.

Impairment of Long-Lived Assets

For purposes of the impairment test, long-lived assets such as property, plant and equipment, and definite-lived intangible assets are grouped with other assets and liabilities at the lowest level for which identifiable independent cash flows are available (“asset group”). In accordance with ASC 360, *Property, Plant, and Equipment*, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable. In order to determine if assets have been impaired, the impairment test is a two-step approach wherein the recoverability test is performed first to determine whether the asset group is recoverable. The recoverability test (Step 1) compares the carrying amount of the asset group to the sum of its future undiscounted cash flows using entity-specific assumptions generated through the asset group’s use and eventual disposition. If the carrying amount of the asset group is less than the cash flows, the asset group is recoverable and an impairment is not recorded. If the carrying amount of the asset group is greater than the cash flows, the asset group is not recoverable and an impairment loss calculation (Step 2) is required. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The cash flow projection and fair value represent management’s best estimate, using appropriate and customary assumptions, projections and methodologies at the date of evaluation. In accordance with GAAP, the reversal of impairment losses for long-lived assets held and used is prohibited.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, *Derivatives and Hedging*. ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

GLASS HOUSE BRANDS INC.

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For convertible instruments with conversion features that are not required to be accounted for as derivatives under ASC 815 or that do not result in substantial premiums accounted for as paid-in capital, the convertible debt instrument is reported as a single liability instrument with no separate accounting for embedded conversion features. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in the Preferred Shares of GH Group, Inc. ("GH Group") based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the embedded effective conversion price. ASC 815 provides that generally, if an event that is not within the entity's control, or could require net cash settlement, then the contract shall be classified as an asset or a liability.

Interest Rate Derivative

The Company utilizes an interest rate swap, expiring on February 28, 2030, to manage its exposure to variability in future cash flows from interest rate fluctuations on its Senior Secured Credit Facility (as defined below). This swap effectively converts the variable interest rate on the debt to a fixed rate and is classified as a derivative under ASC 815, *Derivatives and Hedging*. The Company has not designated this contract for hedge accounting.

The interest rate swap is recorded at fair value within other non-current liabilities on the Consolidated Balance Sheet and changes in fair value are recognized in (gain) loss on change in fair value of derivative asset and liability on the Consolidated Statement of Operations. The Company's policy is not to enter into derivative instruments for trading or speculative purposes. Cash flows resulting from this derivative instrument are included within net cash provided by operating activities on the Consolidated Statement of Cash Flows.

The Company's interest rate swap is measured at fair value using Level 2 inputs. The fair value is determined using a discounted cash flow method that incorporates observable inputs. The fair value calculation includes a credit valuation adjustment and forward interest rate curves for the same periods as the future maturity dates of the interest rate swap.

Revenue Recognition

Revenue is recognized by the Company in accordance with ASC 606, *Revenue from Contracts with Customers*. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In order to recognize revenue under ASC 606, the Company applies the following five steps:

- (1) Identify a customer along with a corresponding contract;
- (2) Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- (3) Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- (4) Allocate the transaction price to the performance obligation(s) in the contract; and
- (5) Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenues consist of wholesale cannabis biomass and cannabis-related consumer packaged goods and retail sales of cannabis, which are generally recognized at a point in time when control over the goods have been transferred to the customer and is recorded net of sales discounts. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. During the years ended December 31, 2025 and 2024, sales discounts were approximately \$37.3 million and \$27.5 million, respectively.

Revenue is recognized upon the satisfaction of the performance obligations. The Company satisfies its performance obligations and transfers control upon delivery and acceptance by the customer.

Dispensary Revenue

The Company recognizes revenue from the sale of cannabis products for a fixed price upon delivery of goods to customers at the point of sale since at this time performance obligations are satisfied. Fees collected related to taxes that are required to be remitted to

regulatory authorities are recorded as liabilities and are not included as a component of revenues.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

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Cultivation and Wholesale CPG

The Company recognizes revenue from the sale of cannabis products for a fixed price upon the shipment of cannabis goods as the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. The Company does not retain either continuing material involvement to the degree usually associated with ownership or effective control over the goods sold. Cannabis taxes due upon sale are recorded as a general and administrative expense in the accompanying Consolidated Statements of Operations.

Cost of Goods Sold

Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as cannabis flower, edibles and concentrates, packaging and other supplies, fees for services and processing, and allocated overhead, such as allocations of rent, administrative salaries, utilities and related costs. Cost of goods sold excludes depreciation and amortization.

General and Administrative Expenses

General and administrative expenses are comprised primarily of personnel costs, including salaries, incentive compensation, benefits, and share-based compensation, professional service costs, including legal, accounting, consulting and other professional fees, and corporate insurance and other facilities costs associated with the Company's corporate offices.

Share-Based Compensation

The Company has an amended and restated equity incentive plan comprised of stock options ("Options"), unrestricted stock bonus, restricted stock units ("RSUs") and stock appreciation rights ("SARs"). Options provide the right to the purchase of one Equity Share per Option. RSUs provide the right to receive one Equity Share per unit (or cash payment equal to the fair market value of an Equity Share). SARs provide the right to receive cash from the exercise of such right based on the increase in value between the exercise price and the fair market value of the Equity Shares of the Company at the time of exercise.

The Company accounts for share-based awards in accordance with ASC 718, *Compensation – Stock Compensation*, which requires fair value measurement on the grant date and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted share awards. For stock options, the Company estimates fair value using the Black-Scholes valuation model. The fair value of the market-based restricted performance stock units is determined using the Monte-Carlo simulation. When there are market-related vesting conditions to the vesting term of the share-based compensation, the Company uses a valuation model to estimate the probability of the market-related vesting conditions being met and will record the expense. The fair value of restricted share awards is based upon the quoted market price of the Equity Shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, which is generally the performance period, and the related amount is recognized in the Consolidated Statements of Operations.

Fair value models require the input of certain assumptions that require the Company's judgment, including the expected term and the expected share price volatility of the underlying share. The assumptions used in calculating the fair value of share-based compensation represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, share-based compensation expense could be materially different in the future. In addition, the Company elected not to estimate the expected forfeiture rate and only recognize expense for those shares that actually vest.

Advertising Expenses

Advertising expenses are expensed as incurred. Advertising expenses included in sales and marketing expense were \$1.1 million and \$1.0 million for the years ended December 31, 2025 and 2024, respectively.

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Notes to Consolidated Financial Statements

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Income Taxes

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the Consolidated Balance Sheets. Effects of enacted tax law changes on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period in which the law is enacted. Deferred tax assets may be reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

The Company follows accounting guidance issued by the Financial Accounting Standards Board (“FASB”) related to the application of accounting for uncertainty in income taxes. Under this guidance, the Company assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date.

Employee Retention Tax Credits

On March 27, 2020, the U.S. government enacted the Coronavirus Aid Relief and Security Act (“CARES Act”) to provide certain relief as a result of the COVID-19 pandemic. The CARES Act provides tax relief, along with other stimulus measures, including a provision for an Employee Retention Credit (“ERC”). As there is no authoritative guidance under GAAP on accounting for government assistance to for-profit business entities, the Company accounts for the ERC by analogy to International Accounting Standard (“IAS”) 20, *Accounting for Government Grants and Disclosure of Government Assistance*. Since the filing of the ERCs through December 31, 2025, the Company filed with the Internal Revenue Service credits totaling \$11.6 million during the year ended December 31, 2023. During the year ended December 31, 2025, \$9.6 million was received, of which \$1.4 million was accrued for interest. During the year ended December 31, 2024, \$0.4 million was received, of which \$45 thousand was accrued for interest. The Company will not recognize the remaining amount of \$3.0 million claimed as of December 31, 2025 until it has been determined that the Company has reasonable assurance that the credits will be realized.

Loss Per Share

The Company calculates basic earnings or loss per share by dividing net earnings or loss by the weighted-average number of the Equity Shares (including the Exchangeable Shares, as defined herein, on an as-exchanged basis) outstanding during the period. Multiple Voting Shares, as defined herein, are excluded from the calculation of earnings or loss per share as they do not participate in earnings or losses. Diluted loss per share is the same as basic loss per share if the potential issuance of shares related to stock-based award plans, warrants, contingent shares, convertible preferred shares and convertible debentures are anti-dilutive. Diluted earnings per share includes shares related to stock-based award plans, warrants and contingently issuable shares that are determined to be dilutive using the treasury stock method for all equity instruments issuable in equity units and the “if converted” method for the Company’s convertible preferred shares and convertible debentures. See Note 15 – Loss Per Share for further information.

Segmented Information

The Company currently operates in three reportable segments which are retail, wholesale biomass and cannabis-related consumer packaged goods (“CPG”). The retail segment includes Company owned and operated retail cannabis stores in the state of California and dispensary operation management services. The wholesale biomass segment includes the propagation, nursery, flowering canopy, drying, processing and distribution of cannabis biomass. The CPG segment includes the manufacturing, extraction, infusion, conversion, packaging and distribution of the Company’s branded cannabis products. Certain economic characteristics such as production processes, types of products, classes of customers as well as distribution models differ between segments. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the Chief Operating Decision Maker (“CODM”), who is the Company’s chief executive officer, in deciding how to allocate resources and assess the Company’s financial and operational performance. As of December 31, 2025, all of the Company’s operations are in the United States of America in the State of California. Intercompany sales and transactions are eliminated in consolidation. See Note 19 - Segment Information for further information.

GLASS HOUSE BRANDS INC.

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Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred and included in the Consolidated Statements of Operations. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is recognized as goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the Consolidated Statements of Operations immediately as a gain on acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. The Company allocates the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models, and therefore require considerable judgment. The Company's estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. The Company bases its fair value estimates on assumptions it believes to be reasonable but are inherently uncertain. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with ASC 450, *Contingencies*, as appropriate, with the corresponding gain or loss being recognized in earnings in accordance with ASC 805, *Business Combinations*.

Recently Adopted Accounting Standards

ASU 2023-09

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires annual disclosures of specific categories in the rate reconciliation, additional information for reconciling items that meet a quantitative threshold and a disaggregation of income taxes paid, net of refunds. ASU 2023-09 also eliminates certain existing disclosure requirements related to uncertain tax positions and unrecognized deferred tax liabilities. The Company adopted ASU 2023-09 beginning with its 2025 annual report. See Note 16 – Provision For Income Taxes and Deferred Income Taxes for the Company's income tax disclosures.

Recent Accounting Pronouncements Not Yet Adopted

ASU 2025-12

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*. ASU 2025-12 includes amendments that clarify, correct, or make minor improvements to a variety of topics in the FASB Accounting Standards Codification. The amendments are intended to improve the clarity and consistency of the codification and are not expected to result in significant changes to existing accounting practice. ASU 2025-12 is effective for the Company beginning in the first quarter of 2027. Early adoption is permitted. ASU 2025-12 may be applied either prospectively or retrospectively, depending on the specific amendment. The Company does not expect the adoption of this standard to have a material impact on the Company's Consolidated Financial Statements.

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ASU 2025-11

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*. ASU 2025-11 improves the guidance in ASC 270 by clarifying the applicability of interim reporting requirements, improving the organization and navigability of required interim disclosures, and adding a disclosure principle that requires entities to disclose events since the end of the most recent annual reporting period that have a material impact on the entity. ASU 2025-11 is effective for the Company beginning in the first quarter of 2028. Early adoption is permitted. ASU 2025-11 may be applied either prospectively or retrospectively to any or all prior periods presented in the financial statements. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

ASU 2025-10

In December 2025, the FASB issued ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*. ASU 2025-10 establishes authoritative recognition, measurement, presentation, and disclosure guidance in ASC 832 for government grants received by business entities, including guidance on the timing of recognition and the classification of grants related to assets and grants related to income. ASU 2025-10 is effective for the Company beginning in the first quarter of 2029. Early adoption is permitted. ASU 2025-10 may be applied using either a modified prospective approach, a modified retrospective approach, or a full retrospective approach. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

ASU 2025-09

In November 2025, the FASB issued ASU 2025-09, *Derivatives and Hedging (Topic 815): Hedge Accounting Improvements*. ASU 2025-09 amends the guidance in ASC 815 to improve and clarify hedge accounting requirements, including changes related to hedge documentation, effectiveness assessments, and the application of hedge accounting to certain risk management activities. The amendments are intended to better align hedge accounting results with an entity's risk management strategies. ASU 2025-09 is effective for the Company beginning in the first quarter of 2027. Early adoption is permitted. ASU 2025-09 is required to be applied on a prospective basis. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

ASU 2025-05

In July 2025, the FASB issued ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets*. ASU 2025-05 amends ASC 326, *Financial Instruments—Credit Losses*, and introduces a practical expedient available for all entities and an accounting policy election available for all entities, other than public business entities, that elect the practical expedient. These changes apply to the estimation of expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, *Revenue Recognition*. Under the practical expedient, entities may assume that current conditions as of the balance sheet date remain unchanged for the remaining life of the asset when developing reasonable and supportable forecasts. This simplifies the estimation process for short-term financial assets. ASU 2025-05 is effective for the Company beginning in the first quarter of 2026. Early adoption is permitted. ASU 2025-05 is required to be applied on a prospective basis. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

ASU 2025-04

In May 2025, the FASB issued ASU 2025-04, *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606)*. ASU 2025-04 revises the definition of the term performance condition for share-based consideration payable to a customer to incorporate conditions that are based on the volume or monetary amount of a customer's purchases or potential purchases. ASU 2025-04 also eliminates the policy election to account for forfeitures as they occur for share-based consideration payable to a customer that contains a service-condition vesting feature. ASU 2025-04 also clarifies that ASC 606 variable consideration guidance does not apply to share-based payments to customers; instead, vesting probability should be assessed solely under ASC 718, *Compensation—Stock Compensation*. ASU 2025-04 is effective for the Company beginning in the first quarter of 2027. Early adoption is permitted. ASU 2025-04 may be applied on either a modified retrospective basis or on a retrospective basis. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

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ASU 2025-03

In May 2025, the FASB issued ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*. ASU 2025-03 clarifies the guidance to determine the accounting acquirer in a business combination that is effected primarily by exchanging equity interests, when the legal acquiree is a VIE that meets the definition of a business. ASU 2025-03 requires entities to consider the same factors in ASC 805, *Business Combinations*, required for determining which entity is the accounting acquirer in other acquisition transactions. ASU 2025-03 is effective for the Company beginning in the first quarter of 2027. Early adoption is permitted. ASU 2025-03 is required to be applied on a prospective basis to any acquisition transaction that occurs after the initial application date. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

ASU 2024-04

In November 2024, the FASB issued ASU 2024-04, *Induced Conversions of Convertible Debt Instruments*. ASU 2024-04 clarifies requirements for determining whether certain settlements of convertible debt instruments, including convertible debt instruments with cash conversion features or convertible debt instruments that are not currently convertible, should be accounted for as an induced conversion. To account for a settlement of a convertible debt instrument as an induced conversion, an inducement offer is required to provide the debt holder with, at a minimum, the consideration (in form and amount) issuable under the conversion privileges provided in the terms of the instrument. ASU 2024-04 is effective for the Company beginning in the first quarter of 2026. Early adoption is permitted. ASU 2024-04 may be applied either prospectively to any settlements of convertible debt instruments that occur after the effective date or retrospectively by recasting prior periods and recognize a cumulative-effect adjustment to equity. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

ASU 2024-03

In November 2024, the FASB issued ASU 2024-03, *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires disclosure of specified information about certain costs and expenses including purchases of inventory, employee compensation, depreciation and intangible asset amortization for each income statement line item that contains those expenses in the notes to financial statements on an annual and interim basis. ASU 2024-03 also requires entities to include certain amounts that are required to be disclosed under existing U.S. GAAP to be included in the disaggregated income statement expense line item disclosures, disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively and disclose the amount of selling expenses and the entity's definition of selling expenses. ASU 2024-03 is effective for the Company beginning with the 2027 annual report. Early adoption is permitted. ASU 2024-03 may be applied either prospectively to financial statements issued for reporting periods after the effective date or retrospectively to any or all prior periods presented in the financial statements. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

3. CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Company maintains certain cash balances at its physical locations, which are not currently insured, and with various U.S. banks and credit unions with balances in excess of the Federal Deposit Insurance Corporation and National Credit Union Share Insurance Fund limits, respectively. The failure of a bank or credit union where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company's business, financial condition and results of operations. As of December 31, 2025 and 2024, the Company has not experienced any losses with regards to its cash balances.

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The Company provides certain credit terms in the normal course of business to customers located throughout California. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical and projected future trends and other information. For the years ended December 31, 2025 and 2024, there was one customer that comprised 19% and 18%, respectively, of the Company's revenues. Revenue for such customer is included in the Company's wholesale biomass segment. As of December 31, 2025 and 2024, such customer comprised 19% and 20%, respectively, of the Company's gross accounts receivable balance.

4. INVENTORY

Inventory consists of the following (in thousands):

	As of December 31,	
	2025	2024
Raw Materials	\$ 7,001	\$ 2,913
Work-in-Process	13,859	4,572
Finished Goods	5,367	6,767
Total Inventory	\$ 26,227	\$ 14,252

5. INVESTMENTS

The Company has various investments in entities in which it holds a significant but non-controlling interest through voting equity or through representation on the entities' board of directors or equivalent governing bodies. Accordingly, the Company was deemed to have significant influence resulting in the Company accounting for these investments under the equity method (in thousands):

	5042 Real Estate Investment, LLC	Reeform, LLC	Lompoc TIC, LLC	TOTAL
Balance December 31, 2023	\$ 1,971	\$ 164	\$ 192	\$ 2,327
Gain (Loss) on Equity Method Investments	194	(164)	(16)	14
Balance December 31, 2024	2,165	—	176	2,341
Acquisition of Equity Method Investment	—	—	(173)	(173)
Consolidation of Equity Method Investment	(2,252)	—	—	(2,252)
Gain (Loss) on Equity Method Investments	87	—	(3)	84
Balance at December 31, 2025	\$ —	\$ —	\$ —	\$ —

During the years ended December 31, 2025 and 2024, the Company recorded net gains from equity method investments of \$84 thousand and \$14 thousand, respectively. Equity investments are classified as Level 3 investments in the fair value hierarchy. These investments are recorded at the amount of the Company's initial investment and adjusted for the Company's share of the investee's income or loss and dividends paid.

During the year ended December 31, 2025, the Company consolidated 5042 Real Estate Investment, LLC and its associated tenancy in common investment and recognized an increase of \$3.4 million in total shareholders' equity. See Note 6 – Property, Plant and Equipment.

On August 18, 2025, the Company acquired the remaining 76% ownership interest in a property located in Lompoc, California. See Note 6 – Property, Plant and Equipment.

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GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following (in thousands):

	As of December 31,	
	2025	2024
Land	\$ 76,029	\$ 70,888
Buildings	163,038	154,039
Furniture and Fixtures	1,838	1,483
Leasehold Improvements	15,627	15,574
Equipment and Software	10,728	11,094
Construction in Progress	20,347	6,456
Total Property, Plant and Equipment	287,607	259,534
Less Accumulated Depreciation and Amortization	(58,847)	(47,282)
Property, Plant and Equipment, Net	\$ 228,760	\$ 212,252

Construction in progress represents assets under construction for cultivation not yet ready for use. During the years ended December 31, 2025 and 2024, the Company recorded depreciation expense of \$15.0 million and \$14.3 million, respectively. The amount of amortization recognized for finance leases during the years ended December 31, 2025 and 2024 was \$0.8 million and \$0.6 million, respectively, see Note 10 – Leases for further information. During the years ended December 31, 2025 and 2024, the Company capitalized interest to property and equipment of \$0.8 million and nil, respectively.

On August 18, 2025, the Company acquired the remaining 76% ownership interest in a property located in Lompoc, California, the site of the Company's manufacturing facility for a total purchase price of approximately \$3.0 million. Title to the property was previously held as tenants-in-common ("TIC") and the Company owned a 24% interest in this property prior to the acquisition. Upon completion of the acquisition, the Company holds 100% ownership. Rent expense related to this property was considered a related party transaction as the selling tenant-in-common's company, Neo Street Partners LLC, was partially owned by an executive and board member of the Company (as further described in 18 – Related Party Transactions). This acquisition eliminates future related party rent expense associated with this property. The Company consolidated the property which resulted in a \$0.5 million increase in Land and a \$3.2 million increase in Buildings.

During the year ended December 31, 2025, the Company consolidated 5042 Real Estate Investment, LLC and its associated tenancy in common investment and recognized a \$4.8 million increase in Land and \$0.7 million increase in Buildings.

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
7. INTANGIBLE ASSETS

Intangible assets consist of the following (in thousands):

	As of December 31,	
	2025	2024
Definite Lived Intangible Assets		
Customer Relationships	\$ 587	\$ 587
Intellectual Property	4,777	4,777
Total Definite Lived Intangible Assets	5,364	5,364
Less Accumulated Amortization	(3,757)	(3,034)
Definite Lived Intangible Assets, Net	1,607	2,330
Indefinite Lived Intangible Assets		
Cannabis Licenses	9,970	11,870
Total Indefinite Lived Intangible Assets	9,970	11,870
Total Intangible Assets, Net	\$ 11,577	\$ 14,200

During the years ended December 31, 2025 and 2024, the Company recorded amortization expense related to intangible assets of \$0.7 million in each period.

During the year ended December 31, 2025, the Company recognized \$1.9 million of other than temporary impairment in its cannabis licenses related to its retail reportable segment as a result of updated earnings projections for unforeseen changes in the market from more than expected retail competition.

During the year ended December 31, 2024, the Company recognized \$6.3 million of other than temporary impairment in its cannabis licenses related to its retail reportable segment as a result of updated earnings projections for unforeseen changes in the market from more than expected retail competition.

The following is the future minimum amortization expense to be recognized for the years ended December 31 (in thousands):

2026	\$ 603
2027	470
2028	123
2029	123
2030	123
Thereafter	165
Total Future Amortization Expense	\$ 1,607

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consisted of the following (in thousands):

	As of December 31,	
	2025	2024
Accounts Payable	\$ 13,715	\$ 8,688
Accrued Liabilities	17,933	14,409
Accrued Payroll and Related Liabilities	1,934	4,058
Sales Tax and Cannabis Taxes	2,388	3,973
Total Accounts Payable and Accrued Liabilities	\$ 35,970	\$ 31,128

The Company offers a customer loyalty rewards program that allows members to earn discounts on future purchases. Unused discounts earned by loyalty rewards program members are included in accrued liabilities and recorded as a sales discount at the time a qualifying purchase is made. The value of points accrued as of December 31, 2025 and 2024, was approximately \$0.6 million and \$0.4 million, respectively.

9. CONTINGENT SHARES PAYABLE AND EARNOUT LIABILITIES

Activity related to the contingent shares and earnout liabilities consisted of the following (in thousands):

Balance at December 31, 2023	\$ 34,589
Change in Fair Value of Contingent Liabilities	(14,324)
Balance at December 31, 2024	20,265
Reclassification of Contingent Shares Payable to Additional Paid-In Capital	(20,265)
Balance at December 31, 2025	\$ —

Contingent Earnout – Camarillo Transaction

During the year ended December 31, 2021, the Company purchased certain real property in Camarillo, California (the “Camarillo Transaction”). As a consideration for the option to purchase certain real property in conjunction with the Camarillo Transaction (the “Option Right”), the Company was obligated to pay a contingent earnout fee of up to \$75 million, payable in Equity Shares, if certain conditions and financial metrics were met. During the quarter ended March 31, 2025, the measurement period concluded, and it was determined that the financial metrics were not met.

The contingent consideration was classified as a Level 3 investment in the fair value hierarchy. The value of the contingent consideration was based upon the potential earn-out of the facilities’ adjusted earnings during the earnout period and was measured at fair value using a discounted cash flow model that was based on unobservable inputs. As of December 31, 2024, the fair value of the contingent earnout was nil. During the year ended December 31, 2024, due to a decrease in the projected financial metrics related to the Company’s operations at the facility, the Company reduced the fair value of the earnout liability. The Company recorded a decrease of \$18.1 million in fair value during the year ended December 31, 2024, included in gain on change in fair value of contingent liabilities and shares payable on the Consolidated Statement of Operations.

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

Contingent Shares – Camarillo Transaction

As additional consideration for the Option Right, the Company issued 6,500,000 Equity Shares upon the closing of the Camarillo Transaction. The Company allocated the fair value of the Option Right to the assets acquired upon its exercise in September 2021. In addition to the Equity Shares issued for the Option Right, the Company was obligated to issue up to 3,500,000 Equity Shares as a contingent payment, which are subject to certain conditions and events following closing. During the year ended December 31, 2025, the Company issued 500,000 shares related to the contingent payment. The Company is obligated to issue up to an additional 3,000,000 Equity Shares as a contingent payment, which are subject to certain conditions and events. As conditions related to the 3,500,000 Equity Shares were expected to be satisfied, in accordance with U.S. GAAP, the Company reclassified the \$20.3 million value of the shares from contingent shares payable and earnout liabilities to additional paid-in capital on the Consolidated Balance Sheet during the year ended December 31, 2025.

The contingent shares were classified as Level 3 investments in the fair value hierarchy. The value of the contingent consideration was based upon the value of the Company's Equity Shares, the probability of future events occurring and other unobservable inputs. As of December 31, 2024, the fair value of the contingent payment included as a component in contingent shares payable and earnout liabilities in the accompanying Consolidated Balance Sheets was \$20.3 million. The Company recorded an increase of \$3.7 million in fair value during the year ended December 31, 2024, included in gain on change in fair value of contingent liabilities and shares payable on the Consolidated Statement of Operations.

10. LEASES

The Company leases buildings which it uses for corporate purposes and the production and sale of cannabis products. In accordance with ASC 842, lease liability is initially measured at the present value of total lease payments, discounted using a discount rate set to the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company uses an estimated incremental borrowing rate. Total lease payments are comprised of (i) fixed lease payments less any incentives; (ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; (iii) the amount expected to be payable by the lessee under residual value guarantees; (iv) the exercise of purchase options, if the lessee is reasonably certain to exercise the options; (v) payments of penalties for early termination of a lease unless the Company is reasonably certain not to terminate early. The incremental borrowing rate is determined using estimates which are based on the information available at commencement date.

An ROU asset is measured at the initial amount of the lease liability, plus initial direct costs and lease payments at or before the commencement date, less any lease incentives received.

Operating leases may contain renewal options that provide for rent increases based on prevailing market conditions. The terms used to calculate the ROU assets for these properties include the renewal options that the Company is reasonably certain to exercise. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants. For finance leases, lease costs are comprised of straight-line amortization of the ROU asset and the interest portion of lease payments which are recorded to depreciation and amortization and interest expense, respectively, on the Consolidated Statements of Operations. Finance lease ROU assets are amortized based on the lesser of the lease term and the useful life of the leased asset according to the capital asset accounting policy. If ownership of the ROU assets transfers to the Company at the end of the lease term or if the Company is reasonably certain to exercise a purchase option, amortization is calculated using the estimated useful life of the leased asset.

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

The following table presents components of lease cost (in thousands):

	Year Ended December 31,	
	2025	2024
Finance Lease Cost:		
Amortization of Finance Lease Right-of-Use Assets	\$ 815	\$ 603
Interest on Lease Liabilities	272	258
Operating Lease Cost	1,760	2,563
Short-Term Lease Costs	1,372	1,217
Total Lease Expenses	\$ 4,219	\$ 4,641

Additional information related to the Company's leases is as follows (in thousands, except lease term and discount rate):

	Year Ended December 31,	
	2025	2024
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	\$ 276	\$ 252
Operating Cash Flows from Operating Leases	\$ 2,030	\$ 2,501
Financing Cash Flows from Finance Leases	\$ 1,013	\$ 478
Non-Cash Additions to Right-of-Use Assets and Lease Liabilities:		
Recognition of Right-of-Use Assets for Finance Leases	\$ 403	\$ 1,293
Recognition of Right-of-Use Assets for Operating Leases	\$ —	\$ 825
Weighted-Average Remaining Lease Term (Years) - Finance Leases	2	3
Weighted-Average Remaining Lease Term (Years) - Operating Leases	4	6
Weighted-Average Discount Rate - Finance Leases	11.79 %	12.03 %
Weighted-Average Discount Rate - Operating Leases	12.78 %	11.60 %

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Future minimum lease payments under non-cancelable finance and operating leases for each of the following years were as follows (in thousands):

December 31:	Operating Leases		Finance Leases	
	Third Parties	Related Parties	Third Parties	Total
2026	\$ 1,447	\$ 93	\$ 1,011	\$ 2,551
2027	1,164	93	825	2,082
2028	537	93	332	962
2029	542	93	32	667
2030	548	93	—	641
Thereafter	511	1	—	512
Total Future Minimum Lease Payments	4,749	466	2,200	7,415
Less: Imputed Interest	(1,096)	(135)	(278)	(1,509)
Present Value of Lease Liability	3,653	331	1,922	5,906
Less: Current Portion of Lease Liability	(1,068)	(48)	(836)	(1,952)
Present Value of Lease Liability, Net of Current Portion	\$ 2,585	\$ 283	\$ 1,086	\$ 3,954

As of December 31, 2025, the Company leases certain business facilities from related parties and third parties under non-cancellable operating lease agreements that specify minimum rentals. The lease terms included in the determination of the operating lease liabilities and future minimum rental payments reflect only the non-cancellable period of the leases and exclude periods covered by options to extend for which the Company is not reasonably certain it will exercise such options. These non-cancellable operating leases require monthly payments ranging from \$800 to \$25 thousand and expire through November 2032. Certain lease monthly payments related to non-cancellable operating leases may escalate up to 4.0% each year. In such cases, the variability in lease payments is included within the current and noncurrent operating lease liabilities.

11. NOTES PAYABLE AND CONVERTIBLE DEBENTURES

Notes payable consisted of the following (in thousands):

	As of December 31,	
	2025	2024
Senior Secured Credit Facility	\$ 50,000	\$ —
Senior Secured Credit Agreement	—	41,875
Convertible Debentures	16,006	16,006
2025 Lompoc Term Loan	2,990	—
Other	—	378
Total Notes Payable	68,996	58,259
Less: Unamortized Debt Issuance Costs and Loan Origination Fees	(330)	(63)
Net Amount	68,666	58,196
Less Current Portion of Notes Payable	(37)	(7,644)
Notes Payable, Net of Current Portion	\$ 68,629	\$ 50,552

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Senior Secured Credit Facility

On February 28, 2025, the Company refinanced its Prior Credit Agreement (as defined below) and entered into a new senior secured credit facility for an aggregate principal amount of \$50 million maturing on February 28, 2030 (the “Senior Secured Credit Facility,” as amended) with certain U.S.-based banks (together, the “Senior Secured Credit Facility Lender”). The Senior Secured Credit Facility is secured by a first priority lien on the Company’s Camarillo, Padaro and Casitas greenhouse farms and facilities and a first priority lien on the rest of the Company’s assets excluding other real estate and is jointly and severally guaranteed by several of the Company’s subsidiaries.

Payments for the first 2 years are interest-only. Principal and interest payments will be made during the last 3 years based on a straight-line amortization of the loan amount over a period of 15 years beginning on April 1, 2027, with a balloon payment of the remainder of the principal due on the maturity date. Interest payments began on April 1, 2025 and will be paid in monthly installments. The Senior Secured Credit Facility has optional and mandatory prepayments. The Company may make optional prepayments to repay the Senior Secured Credit Facility, in whole or in part, subject to paying an applicable premium. Mandatory prepayments include a change in control of the borrower subsidiaries including changes in parent company ownership or certain acquisition or controlling influence over the borrower subsidiaries.

The Senior Secured Credit Facility has a floating interest rate based on the Wall Street Journal’s prime rate, which was 6.75% as of December 31, 2025, plus 1.25%. On February 28, 2025, the Company entered into an interest rate swap agreement with a notional amount of \$50 million to convert the variability of cash flows resulting from fluctuations in variable rates to effectively set the interest rate at 8.58%. The interest rate swap agreement expires on February 28, 2030. See Note 12 – Derivative Instruments for more information.

Upon closing, the Company deposited an interest reserve in the amount of \$3 million into an escrow account, which is included in restricted cash, net of current portion in the Consolidated Balance Sheet as of December 31, 2025.

The Senior Secured Credit Facility contains a covenant which requires the Company to maintain liquidity in excess of \$10 million at all times. In March 2026, in connection with the amendment described below, this covenant was amended to require the Company to maintain liquidity in excess of \$15 million. The Senior Secured Credit Facility also contains a covenant which requires the Company to maintain a Consolidated Fixed-Charge Coverage Ratio of at least 1.25x measured quarterly on a trailing-twelve-month basis commencing as of December 31, 2024. The Fixed-Charge Coverage Ratio is defined as Adjusted earnings before interest, taxes, depreciation, and amortization (“EBITDA”) minus income tax expense divided by the current portion of long-term debt plus interest expense plus the current portion of capital leases. Preferred equity dividend payments and convertible debt payments are not included in the Fixed-Charge Coverage Ratio calculation as the former can be suspended if needed and the latter can be paid in shares.

As of December 31, 2025, the Company was not in compliance with the Fixed-Charge Coverage Ratio financial covenant under its Senior Secured Credit Facility and also experienced certain technical events of default related to administrative and guarantor provisions, none of which related to payment obligations. As a result of these events of default, the lender had the contractual right to declare the related debt immediately due and payable. On March 16, 2026, the Company entered into a First Amendment and Waiver to the Senior Secured Credit Facility pursuant to which the lender waived the financial covenant violation and the related technical events of default. The amendment also suspends testing of the Fixed-Charge Coverage Ratio for the fiscal quarters ending March 31, 2026, June 30, 2026, and September 30, 2026, with covenant testing resuming for the fiscal quarter ending December 31, 2026. As a result of the waiver and covenant suspension, the lender does not have the contractual right to accelerate the debt arising from these events of default for a period greater than twelve months from December 31, 2025. Accordingly, the related debt has been classified as noncurrent as of December 31, 2025.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Prior Senior Secured Credit Agreement

On December 9, 2021 (the “Prior Senior Secured Closing Date”), the Company entered into a senior secured term loan agreement, as amended (the “Prior Credit Agreement”), for total available proceeds of up to \$100 million with funds managed by a U.S.-based private credit investment fund and other participating third-party lenders (together, the “Prior Senior Secured Lender”). Effective December 10, 2021, the Company closed on an initial term loan through the Prior Credit Agreement of \$50 million. Beginning 24 months following the Prior Senior Secured Closing Date, the principal amount was repaid in monthly installments in an aggregate amount equal to 1.25% per annum of the original principal amount through the November 30, 2026 maturity date. Beginning on December 31, 2021, interest was paid in monthly installments equal to the floating base rate plus the applicable term margin, or 5.25%. The interest rate was contractually set to be no less than 10% per annum or exceed 12% per annum. As of December 31, 2024, the interest rate was 12%.

The Company had optional and mandatory prepayments. Mandatory prepayments included any voluntary and involuntary sale or disposition of assets by the Company or any restricted subsidiaries. The outstanding principal amount of the obligation was to be repaid by 100% of cash proceeds received from the sale or disposition of assets with certain exemptions as defined in the Prior Credit Agreement. As of the Prior Senior Secured Closing Date, the Company deposited an interest reserve in the amount of \$3 million into an escrow account, which was included as restricted cash in the Consolidated Balance Sheets as of December 31, 2024. Additionally, the Company’s equity interests held in its subsidiaries, including, without limitation, in Glass House Farm LLC, Magu Farm LLC and GH Camarillo LLC, which subsidiaries hold title to the Company’s real property, were pledged as security.

The Prior Credit Agreement contained a financial covenant which required the Company to maintain liquidity in excess of \$10 million at all times. As of December 31, 2024, the Company was in compliance with such financial covenant. Additionally, there were certain covenants which required the Company to maintain a specific minimum debt service coverage ratio (the “DSCR”) measured quarterly beginning with the quarter ended December 31, 2022.

Amendments to the Prior Credit Agreement

On January 21, 2022, the Company amended and restated the Prior Credit Agreement (the “1st Amendment”) wherein certain events of default were waived by the Prior Senior Secured Lender.

On May 12, 2022, the Company amended and restated the Prior Credit Agreement (the “2nd Amendment”) wherein certain events of default were waived by the Prior Senior Secured Lender, and the Company entered into an incremental term loan in the amount of \$10 million (the “Incremental Term Loan”), for total available proceeds of \$110 million payable in monthly installments at an interest rate of 10% per annum. In addition, a 1% fee of the outstanding principal amount of the Incremental Term Loan was payable in monthly installments beginning August 1, 2022, with a maturity date through October 31, 2022. In connection with the Incremental Term Loan, the Company issued 175,000 warrants to the Prior Senior Secured Lender, with an exercise price of \$11.50 per share, to acquire Equity Shares until June 26, 2026. The fair value of the warrants were determined using Level 1 inputs as these warrants are openly traded on a stock exchange. During the year ended December 31, 2022, the Company recorded an additional debt discount of \$89 thousand related to the change in terms of the Prior Credit Agreement. In addition to receiving the \$10 million in Incremental Term Loan, the Company paid \$0.6 million in direct loan fees, which were recorded as a debt discount. On August 30, 2022, the Company fully repaid the \$10 million Incremental Term Loan in cash.

In March 2023, the Company entered into another amendment to the Prior Credit Agreement by which the Prior Senior Secured Lender waived and deferred enforcement of certain covenants which require the Company to maintain the DSCR beginning with the quarter ended on June 30, 2023. In connection with the amendment to the Prior Credit Agreement, the Company paid an amount equal to 2% of the aggregate principal amount of the loan outstanding as of August 1, 2023. The Company recognized amendment fees of \$1.0 million as other expense and paid such fee on July 27, 2023.

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

On February 23, 2024, the Company entered into Amendment Number Five to Credit Agreement, Waiver, and Consent with the Prior Senior Secured Lender to among other things approve of the GH Group Series C Preferred and GH Group Series D Preferred offerings and to amend the Prior Credit Agreement to change the Minimum EBITDA requirement to have an annualized EBITDA of \$20.0 million for the fiscal quarter period ended December 31, 2023, a Last Twelve Month (“LTM”) EBITDA of \$20.0 million for the fiscal quarter period ended March 31, 2024 and June 30, 2024, and a LTM EBITDA of \$22.5 million for each month ending on July 31, 2024 and for each month ending thereafter.

On February 28, 2025, the Company used proceeds from the Senior Secured Credit Facility to repay the remaining balance of the Prior Credit Agreement term loan in the amount of \$40.6 million plus fees and extinguished in its entirety the Company’s obligations under the Prior Credit Agreement. As a result, the Company recognized \$0.3 million as a loss on extinguishment of debt in its Consolidated Statement of Operations.

2025 Lompoc Term Loan

On August 4, 2025, the Company entered into a term loan for an aggregate principal amount of \$3 million maturing on August 4, 2035 (the “2025 Lompoc Term Loan”) with a U.S.-based bank (the “2025 Lompoc Term Loan Lender”). The 2025 Lompoc Term Loan requires monthly principal and interest payments commencing on September 4, 2025 and has an initial fixed interest rate of 8.5% for the first five years. Beginning September 4, 2030, the loan converts to a variable rate based on the Wall Street Journal prime rate plus 1%, resetting every five years, with a minimum floor rate of 5%. The loan is amortized over 25 years with a balloon payment due at maturity. Proceeds were used to acquire the remaining 76% ownership interest in a property located in Lompoc, California. See Note 6 – Property, Plant and Equipment for further information.

The 2025 Lompoc Term Loan is secured by a first-priority deed of trust on the Company’s Lompoc facility and a first priority lien on other assets of the Company excluding other real estate. The loan is jointly and severally guaranteed by several of the Company’s subsidiaries.

The 2025 Lompoc Term Loan includes covenants, including a requirement to maintain a minimum debt service coverage ratio of 1.25x, measured annually at the guarantor level, Glass House Brands Inc. As of December 31, 2025, the Company was not in compliance with this financial covenant. As a result, the lender had the contractual right to declare the related debt immediately due and payable. In March 2026, the lender provided a waiver of the financial covenant violation which prevents the lender from exercising its acceleration rights for a period of at least twelve months from December 31, 2025. Accordingly, the related debt has been classified as noncurrent as of December 31, 2025.

Convertible Debentures

On April 28, 2022, the Company completed the Plus Products acquisition in which the purchase price was payable in part through an aggregate of 20,005 unsecured convertible debenture notes which consist of 12,003 debenture notes (the “Series A Notes”) and 8,002 debenture notes (the “Series B Notes”) (collectively, the “Plus Convertible Notes”). The Plus Convertible Notes accrue interest at 8.00% per annum payable semi-annually in arrears until April 15, 2027 (the “Maturity Date”). Interest is payable either in cash, by the issuance of the Company’s Equity Shares, or a combination of both at the sole discretion of the Company, based on the 10-day volume-weighted average price (“VWAP”) of the Equity Shares ending 5 trading days prior to the interest payment date with a fixed exchange rate of USD \$1.00 to CAD \$1.27.

The Series A Notes are redeemable, at the sole option of the Company, in full or in part on a pro rata basis, and payable either in cash, by the issuance of the Company’s Equity Shares, or a combination of both, at any time through the Maturity Date based on the higher of (i) the 10-day VWAP of the Equity Shares ending 5 trading days prior to the redemption date, or (ii) CAD \$4.08.

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

The Series B Notes are redeemable, at the sole option of the Company, in full or in part on a pro rata basis, and payable either in cash, by the issuance of the Company's Equity Shares, or a combination of both, at any time through the Maturity Date based on the lower of (i) the 10-day VWAP of the Equity Shares ending 5 trading days prior to the redemption date, or (ii) \$10.00 per Equity Share. In the event the Company's Equity Shares achieve a closing price of \$10.00 per share over any period greater than or equal to 20 consecutive trading days, each holder of the Series B Notes may elect to convert all or a portion of their holdings into the Company's Equity Shares based on a conversion price of \$10.00 per Equity Share. As of December 31, 2025, the balance of \$11.9 million and \$4.1 million for the Series A Notes and Series B Notes, respectively remain outstanding.

The conversion features of the Series A Notes and Series B Notes were bifurcated from the related notes and classified as derivatives due to the variability of price in accordance with ASC 815. See Note 12 – Derivative Instruments for further information.

Scheduled maturities of notes payable for each of the following years were as follows (in thousands):

December 31:	Principal Payments
2026	\$ 37
2027	18,824
2028	3,376
2029	3,381
2030	40,607
Thereafter	2,771
Total Future Minimum Principal Payments	\$ 68,996

12. DERIVATIVE INSTRUMENTS

Assets or liabilities associated with our derivative instruments are recorded at fair value in other assets and other non-current liabilities on our Consolidated Balance Sheets. Gains and losses resulting from changes in fair value are recognized in (gain) loss on change in fair value of derivative asset and liability on the Consolidated Statements of Operations.

Interest Rate Risk

The Company utilizes an interest rate swap to manage its exposure to variability in future cash flows associated with fluctuations in interest rates on its Senior Secured Credit Facility. This swap effectively converts the variable interest rate on the debt to a fixed rate and is classified as a derivative under ASC 815. The Company has not designated this contract for hedge accounting.

The Company's interest rate swap is measured at fair value using Level 2 inputs. The fair value is determined using a discounted cash flow method that incorporates observable inputs. The fair value calculation includes a credit valuation adjustment and forward interest rate curves for the same periods as the future maturity dates of the interest rate swap. As of December 31, 2025 the interest rate swap fair value is in a liability position due to valuation inputs including projected changes in the forward interest rate curve.

Convertible Debenture Derivatives

The conversion features of the Series A Notes and Series B Notes were bifurcated from the related notes and classified as derivatives due to the variability of price in accordance with ASC 815. Accordingly, the fair value of the conversion features for the Series A Notes and Series B Notes were measured at fair value using a binomial lattice model that is based on unobservable inputs and are classified as Level 3 investments in the fair value hierarchy.

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
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The following table presents the fair value of the Company's derivative instruments not designated as hedging instruments (in thousands):

Derivative instrument	Financial Statement Line Item	As of December 31,	
		2025	2024
Interest Rate Swap	Other Non-Current Liabilities	\$ (1,653)	\$ —
Convertible Debenture Conversion Feature	Other Assets	466	883
Total		<u>\$ (1,187)</u>	<u>\$ 883</u>

The following table presents the change in fair value of the Company's derivative instruments not designated as hedging instruments, including the initial recognition of fair value for the interest rate swap, as reported on the Consolidated Statements of Operations (in thousands):

Derivative instrument	Financial Statement Line Item	Year Ended December 31,	
		2025	2024
Interest Rate Swap	(Gain) Loss on Change in Fair Value of Derivative Asset and Liability	\$ 1,653	\$ —
Convertible Debenture Conversion Feature	(Gain) Loss on Change in Fair Value of Derivative Asset and Liability	417	(690)
Total		<u>\$ 2,070</u>	<u>\$ (690)</u>

13. SHAREHOLDERS' EQUITY

As of December 31, 2025 and 2024, the authorized share capital of the Company was comprised of an unlimited number of (i) Subordinate Voting Shares, (ii) Restricted Voting Shares, (iii) Limited Voting Shares, (iv) Multiple Voting Shares and (v) Preferred Shares.

Multiple Voting Shares

The Company is authorized to issue an unlimited number of Multiple Voting Shares without nominal or par value. Holders of Multiple Voting Shares are entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia). On all matters upon which holders of Multiple Voting Shares are entitled to vote, each Multiple Voting Share entitles the holder thereof to 50 votes per Multiple Voting Share. Multiple Voting Shares are not entitled to dividends and are not convertible. The Multiple Voting Shares had a three-year sunset period that would have expired on June 29, 2024. At the annual general and special meeting of the shareholders of the Company held on June 23, 2023, shareholders passed a special resolution to amend the Articles of the Company to extend the "sunset" date for the Multiple Voting Shares to June 29, 2027, upon which they will be automatically redeemed for \$0.001 per Multiple Voting Share.

Equity Shares

The holders of each class of Equity Shares are entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia) and except that holders of Limited Voting Shares are not entitled to vote for the election of directors of the Company. The Subordinate Voting Shares and Restricted Voting Shares carry one vote per share on all matters. The Limited Voting Shares carry one vote per share on all matters except the election of directors, as the holders of Limited Voting Shares do not have any entitlement to vote in respect of the election of directors of the Company.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

In the case of 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 Equity Shares are entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Equity Shares (including any liquidation preference on any issued and outstanding Multiple Voting Shares and/or Preferred Shares), to participate ratably in the Company's remaining property along with all holders of the other classes of Equity Shares (on a per share basis).

Exchangeable Shares of MPB Acquisition Corp.

Exchangeable Shares are part of the authorized share capital of MPB Acquisition Corp. ("MPB"), a wholly-owned subsidiary of the Company, which entitle their holders to rights that are comparable to those rights attached to the Equity Shares. The Exchangeable Shares carry one vote per share, and the aggregate voting power of the Exchangeable Shares must not exceed 49.9% of the total voting power of all classes of shares of MPB. During the three months ended September 30, 2025, MPB amended and restated its Articles of Incorporation to provide for a new series of Exchangeable Shares that have substantially the same rights and obligations of the existing Exchangeable Shares. Until a holder exchanges its Exchangeable Shares for Equity Shares, the holder of such Exchangeable Shares will not have the right to vote at meetings of the shareholders of the Company, though it will have the right to vote at meetings of the shareholders of MPB, including with respect to altering the rights of holders of any of the Exchangeable Shares, or if MPB decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares are exchangeable at any time, on a one-for-one basis, for the Equity Shares at the option of the holder.

The Company treats the Exchangeable Shares as options, each with a value equal to an Equity Share, which represents the holder's claim on the equity of the Company. Pursuant to the terms of the Exchangeable Shares, the Company and MPB are required to maintain the economic equivalency of such Exchangeable Shares with the publicly traded Equity Shares of the Company. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in the assets of the Company as the holders of the Equity Shares. The Company has presented these Exchangeable Shares as a part of shareholders' equity within these Consolidated Financial Statements due to (i) the fact that they are economically equivalent to the Equity Shares, and (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under U.S. securities laws but may dispose of the Exchangeable Shares without such restriction by exchanging them for Equity Shares. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on earnings per share.

Preferred Shares of GH Group, Inc.

The authorized total number of preferred shares (the "GH Group Preferred Shares") of GH Group is 155,000 of which 55,000 shares are designated as shares of Series B Preferred Stock ("Series B Preferred"), 5,000 shares are designated as shares of Series C Preferred Stock ("Series C Preferred"), 15,000 shares are designated as shares of Series D Preferred Stock ("Series D Preferred") and 80,000 shares are designated as shares of Series E Convertible Preferred Stock ("Series E Convertible Preferred"). The Series B Preferred and Series C Preferred were fully redeemed or converted and are no longer issued and outstanding.

Holders of GH Group Preferred Shares are entitled to receive notice of and attend any meeting of the shareholders of GH Group but are not entitled to vote, except in connection with any changes to the Certificate of Incorporation or the Bylaws of GH Group that adversely affect the powers, preferences, privileges or rights of such GH Group Preferred Shares. Except as provided in the foregoing sentence, the Series B, Series C and Series D Preferred do not carry any voting rights and are not convertible. Except as provided above, the Series E Convertible Preferred do not carry any voting rights, except for limited protective provisions, and are convertible.

In the event of a liquidation, voluntary or involuntary, dissolution or winding-up of GH Group, the holders of outstanding GH Group Preferred Shares are entitled to be paid out of the assets of GH Group available for distribution to its stockholders, in the following order of priority and before any payment shall be made to the holders of GH Group Common Stock: (i) Series B Preferred, (ii) Series C Preferred, (iii) Series D Preferred and (iv) Series E Convertible Preferred. GH Group may redeem the GH Group Preferred Shares from a holder, in whole or in part, only after certain trigger events described below have occurred, and the redemption price will equal the liquidation value plus any accrued and unpaid dividends.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

The Series E Convertible Preferred are convertible at any time at the option of the holder into GH Group Class B Common Stock at a fixed conversion price of \$9.00 per share. Each GH Group Class B Common Share is exchangeable for one Class C Common Share of MPB Acquisition Corp., which in turn is exchangeable for one publicly traded Subordinate Voting Share of Glass House Brands Inc. (the "Equity Shares"), resulting in an effective one-for-one exchange. GH Group may redeem the Series E Convertible Preferred, in whole or in part, at any time after the earlier of the following trigger events have occurred: (i) the 60-day volume-weighted average price of the Equity Shares is at least \$12.00; (ii) the average daily trading volume of the Equity Shares exceeds one million shares; and (iii) the Equity Shares are listed on a major United States stock exchange. Upon redemption, holders will receive the liquidation value plus any accrued and unpaid dividends.

The Series B Preferred and the Series C Preferred carried a 20% cumulative dividend rate, which increased by 2.5% annually after the second anniversary and until the 54-month anniversary of the initial issuance. The Series D Preferred carry a 15% cumulative dividend rate, which increases by 5% following the fifth anniversary of the original issuance. The Series E Convertible Preferred carry a 12% cumulative dividend rate. Dividends accrue in arrears annually and are payable in cash quarterly if and when declared by GH Group's board of directors.

There were no shares of Series B Preferred and Series C Preferred issued and outstanding as of December 31, 2025. There were 49,969 shares of Series B Preferred issued and outstanding as of December 31, 2024; there were 5,000 shares of Series C Preferred issued and outstanding as of December 31, 2024; there were 15,000 shares of Series D Preferred issued and outstanding as of December 31, 2025 and 2024; and there were 77,500 and no shares of Series E Convertible Preferred issued and outstanding as of December 31, 2025 and 2024, respectively. In accordance with the provisions above, the Company recorded dividends to the holders of GH Group Preferred Shares in the amount of \$15.4 million and \$16.0 million for the years ended December 31, 2025 and 2024, respectively.

At-The-Market Program

The Company commenced an at-the-market distribution program (the "ATM Program") in December 2024 by means of a prospectus supplement dated December 2, 2024 (the "Prospectus Supplement") to its short form base shelf prospectus dated May 16, 2024 (the "Shelf Prospectus") with the securities regulatory authorities in all provinces and territories of Canada in connection with the ATM program. The ATM Program is subject to and governed by the terms of an equity distribution agreement dated November 13, 2024 (the "Equity Distribution Agreement") with ATB Securities Inc. and Canaccord Genuity Corp., pursuant to which, the Company may from time to time sell up to \$25 million of its Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares (collectively, the "Equity Shares") under the ATM Program.

Non-Controlling Interests

Non-controlling interests represent equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

On August 8, 2025, the Company entered into agreements with the minority members of SBDANK, LLC ("SBDANK"), pursuant to which the Company acquired the remaining 49% noncontrolling interest in SBDANK. The agreements resulted in the Company obtaining 100% ownership of SBDANK. As consideration for the acquisition, the Company issued 248,829 shares of its common stock to the former minority members.

The Company recorded income attributable to a non-controlling interest during the years ended December 31, 2025 and 2024, of \$707 thousand and \$202 thousand, respectively. The value of the equity issuances issued to non-controlling interest members were determined using the estimated fair value of the equity of the Company.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Share and Equity Transactions During the Year Ended December 31, 2024

During the year ended December 31, 2024, the Company issued 190,575, 107,379 and 167,843 Equity Shares in satisfaction of certain deferred Equity Shares payable as contractually required for the fiscal year 2022 acquisitions of Natural Healing Center, LLC, NHC Lemoore, LLC and NHC-MB LLC, respectively. Accordingly, the Company reclassified \$3.8 million of shares payable to equity.

During the year ended December 31, 2024, the Company issued 286,406 Equity Shares valued at \$2.7 million as settlement for the fiscal year 2023 bonus.

During the year ended December 31, 2024, the Company issued 1,433,810 Equity Shares valued at \$2.8 million as settlement for vested GH Group non-qualified options.

During the year ended December 31, 2024, the Company issued 191,411 shares in payment of \$1.3 million of accrued interest on convertible debentures.

During the year ended December 31, 2024, the Company issued 10,000 Equity Shares under the ATM Program at an average price of \$6.72 per share for gross proceeds of \$67 thousand. The Company received net proceeds of \$66 thousand after paying commissions of \$1 thousand to the sales agent for the ATM Program. The share issuance costs have been presented net within additional paid-in capital.

Share and Equity Transactions During the Year Ended December 31, 2025

During the year ended December 31, 2025, the Company through its subsidiary, GH Group, issued 77,500 shares of Series E Convertible Preferred in connection with the GH Group Series E Convertible Preferred financing with an aggregate value of \$77.5 million comprised of the following: (i) existing shares of Series B Preferred and Series C Preferred with aggregate face value of \$58.5 million were exchanged for 58,473 shares of Series E Convertible Preferred, (ii) Series B Preferred and Series C Preferred dividends payable of \$0.5 million were exchanged for 535 shares of Series E Convertible Preferred and (iii) a new private placement of 18,492 Series E Convertible Preferred with a face value of \$18.5 million. The Company recorded the fair value of shares of Series E Convertible Preferred in mezzanine equity in the amount of \$77.5 million.

During the year ended December 31, 2025, the remaining unexchanged shares of Series B Preferred and Series C Preferred were redeemed for \$18.5 million in cash.

During the year ended December 31, 2025, the Company issued 248,829 shares to acquire the remaining non-controlling interest in a consolidated subsidiary.

During the year ended December 31, 2025, the Company issued 47,635, 26,840 and 41,952 Equity Shares in satisfaction of certain deferred Equity Shares payable as contractually required for the fiscal year 2022 acquisitions of Natural Healing Center, LLC, NHC Lemoore, LLC and NHC-MB LLC, respectively. The Company reclassified \$2.6 million of Equity Shares payable to equity.

During the year ended December 31, 2025, the Company issued 500,000 Equity Shares related to the Camarillo Transaction.

During the year ended December 31, 2025, the Company issued 208,772 Equity Shares valued at \$1.1 million as settlement for the fiscal year 2024 bonus.

During the year ended December 31, 2025, the Company issued 208,237 Equity Shares in payment of \$1.3 million of accrued interest.

During the year ended December 31, 2025, the Company issued 678,167 Equity Shares under the ATM Program at an average price of \$9.12 per share for gross proceeds of \$6.2 million. The Company received net proceeds of \$6.1 million after paying commissions of \$124 thousand to the sales agent for the ATM Program. The share issuance costs have been presented net within additional paid-in capital.

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***Variable Interest Entity**

The table below summarizes information for entities that primarily hold real estate assets used in the Company's operations. The Company has concluded these entities to be VIEs as the Company possesses the power to direct activities through various agreements. Through these agreements, the Company can significantly impact the VIE and thus holds a controlling financial interest. This information represents amounts before intercompany eliminations.

The aggregate balances of VIEs included in the accompanying Consolidated Balance Sheets and Consolidated Statements of Operations were as follows below as of and for the years ended December 31, 2025 and 2024 (in thousands):

	December 31,	
	2025	2024
Current Assets	\$ 950	\$ 306
Non-Current Assets	7,232	4,333
Total Assets	\$ 8,182	\$ 4,639
Current Liabilities	\$ 16	\$ 33
Non-Current Liabilities	—	234
Total Liabilities	\$ 16	\$ 267
Revenues, Net	\$ 578	\$ 240
Net Income Attributable to Non-Controlling Interest	\$ 659	\$ 129

14. SHARE-BASED COMPENSATION AND EMPLOYEE BENEFIT PLAN

The Company has an amended and restated equity incentive plan (the "Incentive Plan") under which the Company may issue various types of equity instruments or instruments that track to equity, more particularly the Equity Shares, to employees, officers, consultants and non-employee directors. The types of equity instruments issuable under the Incentive Plan encompass, among other things, stock options, unrestricted stock bonus and restricted stock units (together, the "Awards"). The Awards are expensed and recorded as a component of general and administrative costs. The maximum number of the Awards that may be issued under the Incentive Plan is 10% of the fully-diluted Equity Shares of the Company (inclusive of the Equity Shares issuable in exchange for unrestricted Exchangeable Shares) as calculated using the treasury method. During the Company's annual and special meeting of the shareholders held on June 20, 2025, disinterested shareholders approved a second amended and restated equity incentive plan (the "Second Amended Incentive Plan") for purposes of instituting a one-time fixed increase to the rolling 10% share reserve to give effect to the number of shares issuable under the market-based restricted stock units as discussed below.

The Second Amended Incentive Plan is an "evergreen" plan, meaning that if an Award expires, becomes un-exercisable, or is cancelled, forfeited or otherwise terminated without having been exercised or settled in full, as the case may be, the Equity Shares allocable to the unexercised portion of an Award shall again become available for future grant or sale under the Second Amended Incentive Plan (unless the Second Amended Incentive Plan has terminated by its terms), and the number of the Awards available for grant will increase as the number of issued and outstanding Equity Shares increases. Granting and vesting of the Awards are determined by and recommended to the Board for approval by the Compensation, Nomination and Corporate Governance Committee of the Board of Directors. The exercise price for options (if applicable) will generally not be less than the fair market value of the Award at the time of grant and will generally expire after 5 years.

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GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Stock Options

A reconciliation of the beginning and ending balance of stock options outstanding was as follows:

	Number of Stock Options	Weighted- Average Exercise Price
Outstanding as of December 31, 2024	529,002	\$ 3.10
Exercised	(323,492)	3.09
Forfeited	(26,183)	3.08
Outstanding as of December 31, 2025	179,327	3.10

As of December 31, 2025 and 2024, options vested and exercisable were 179,327 and 529,002, respectively. There were no stock options granted during the years ended December 31, 2025 and 2024. As of December 31, 2025, stock options outstanding have a weighted-average remaining contractual life of 0.49 years.

The total intrinsic value of stock options exercised during the years ended December 31, 2025 and 2024, was \$1.3 million and \$5.3 million, respectively. The intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each stock option. Based on the fair market value of the Company's common stock at December 31, 2025 and 2024, the total intrinsic value of outstanding stock options was \$1.0 million and \$1.4 million, respectively.

For the years ended December 31, 2025 and 2024, the Company recognized nil and \$3 thousand, respectively, of share-based compensation expense related to these stock options and was included as a component of general and administrative expense in the Consolidated Statements of Operations.

Immediately prior to the close of the Mercer Park Business Combination, GH Group had outstanding vested and unvested options. Incident to the close, certain options were exercised. Of the remaining options, the vested GH Group non-qualified stock options ("NQSOs") were paid the net-value of their outstanding options at close by reserving 1,400,000 Subordinate Voting Shares which were to be issued on or before June 29, 2024. Prior to the issuance of the shares, the Company recorded \$2.8 million in shares payable on the Consolidated Balance Sheet. During June 2024, the Company issued 1,433,810 shares reflected in shares issued for vested GH Group non-qualified options on the Consolidated Statements of Changes in Shareholders' Equity and reclassified \$2.8 million from shares payable to additional paid-in capital on the Consolidated Balance Sheet.

Restricted Stock Units

A reconciliation of the beginning and ending balance of RSUs outstanding was as follows:

	Number of Restricted Stock Units
Unvested as of December 31, 2024	3,334,286
Granted	4,258,588
Vested	(2,042,387)
Forfeited	(223,620)
Unvested as of December 31, 2025	5,326,867

The weighted-average grant date fair values of RSUs granted during the years ended December 31, 2025 and 2024 were \$5.77 and \$6.59, respectively. The fair value of the RSUs granted during the years ended December 31, 2025 and 2024 were determined using the value of the Equity Shares at the date of grant. The fair values of RSUs that vested during the years ended December 31, 2025 and 2024, were \$13.0 million and \$21.3 million, respectively.

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
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During the years ended December 31, 2025 and 2024, the Company recognized \$12.3 million and \$13.1 million, respectively, in stock-based compensation related to RSUs and is included as a component of general and administrative expense in the Consolidated Statements of Operations.

As of December 31, 2025, there was \$27.4 million of unrecognized compensation expense related to unvested RSUs which is expected to be recognized over a weighted-average period of approximately 2.18 years. For RSUs subject to graded vesting, the Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

Market-Based Performance Restricted Stock Units

The Company's market-based performance restricted stock units vest contingent upon the achievement of pre-determined market and service conditions. If market conditions are not met but service conditions are met, the market-based performance restricted stock units will not vest; however, any compensation expense that was recognized to date will not be reversed. The Company amortizes the fair value of market-based performance restricted stock units over the requisite service period and recognizes compensation cost on a straight-line basis over the service period. The number of shares of common stock, if any, to be issued for these awards is determined based on the achievement of specific share price targets during the performance period, as measured by the volume weighted average price over the 90 trading days ending on the last day of a fiscal quarter. The time-based vesting occurs on the third anniversary of the grant date and requires the participant to remain in the eligible service of the Company through that time. Awards that vest prior to the fourth anniversary of the grant date will settle out 50% on the fourth anniversary of the grant date, and 50% on the fifth anniversary of the grant date. Any additional awards that vest between the fourth and fifth anniversary of the grant date will settle 100% on the fifth anniversary of the grant date.

Fair value of the market-based restricted performance stock units is determined using the Monte-Carlo simulation with the following assumptions during the year ended December 31, 2025:

Expected term (in years)	3.00
Expected volatility	72 %
Weighted-average volatility	72 %
Risk-free interest rate	3.92 %
Dividend rate	— %

A reconciliation of the beginning and ending balances of market-based performance restricted stock units, presented with the maximum number of shares that could potentially vest, was as follows:

	Number of Market-Based Restricted Stock Units	Weighted-Average Grant Date Fair Value
Unvested as of December 31, 2024	0	\$ —
Granted	3,000,000	2.01
Unvested as of December 31, 2025	3,000,000	2.01

The weighted-average grant date fair value of market-based performance restricted stock units granted during the year ended December 31, 2025 was \$2.01.

As of December 31, 2025, there was \$4.9 million of unrecognized compensation expense related to unvested market-based performance restricted stock units which is expected to be recognized over a weighted-average period of approximately 2.37 years. The Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

During the year ended December 31, 2025, the Company recognized \$1.1 million stock-based compensation related to market-based performance restricted stock units and was included as a component of general and administrative expense in the Consolidated

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
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Stock Appreciation Right Units

The Company has authorized and issued certain stock appreciation rights which are issued to various employees of the Company. SARs vested 33% one year after the grant date and the remaining 67% vested monthly over two years. Vested and exercised SARs will receive cash in the amount of SARs exercised multiplied by the excess of the fair market value of an Equity Share as of the exercise date over the stated strike price of the SAR. As SARs are cash-settled, the Company recognizes the value of SARs as liabilities which are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. As of December 31, 2025 and 2024, the Company recorded a liability of \$17 thousand and \$121 thousand, respectively.

A reconciliation of the beginning and ending balance of SARs outstanding was as follows:

	Number of Stock Appreciation Rights Units
Outstanding as of December 31, 2024	44,804
Exercised	(31,168)
Forfeited	(10,714)
Outstanding as of December 31, 2025	2,922

During the years ended December 31, 2025 and 2024, the Company recognized \$28 thousand and \$262 thousand, respectively, of expense related to SARs.

Warrants

A reconciliation of the beginning and ending balance of warrants outstanding was as follows:

	Number of Warrants	Weighted- Average Exercise Price
Outstanding as of December 31, 2024	44,384,041	\$ 9.56
Exercised	(1,162,382)	5.18
Outstanding as of December 31, 2025	43,221,659	9.68

The following table summarizes the warrants that remained outstanding as of December 31, 2025:

Security Issuable	Exercise Price	Expiration Date	Warrants Outstanding	Warrants Exercisable
Equity Shares	\$ 11.50	June 2026	30,664,500	30,664,500
Equity Shares	5.00	August 2027	9,787,159	9,787,159
Equity Shares	6.00	August 2028	2,770,000	2,770,000
			43,221,659	43,221,659

There were no warrants granted during the years ended December 31, 2025 and 2024. As of December 31, 2025, warrants outstanding had a weighted-average remaining contractual life of 0.90 years.

Defined Contribution Plan

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code for eligible employees. Beginning in fiscal year 2025, the Company began matching employee contributions to the plan at a specified percentage of employee contributions.

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
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Employer matching contributions are recognized as compensation expense in the period in which the contributions are made. For the year ended December 31, 2025, the Company recognized \$108 thousand of expense related to employer contributions under the plan. No employer contribution expense was recognized for the year ended December 31, 2024.

15. LOSS PER SHARE

The following is a reconciliation for the calculation of basic and diluted loss per share (in thousands, except share and per share data):

	Year Ended December 31,	
	2025	2024
Net Income (Loss) Attributable to the Company	\$ (29,659)	\$ 519
Less: Dividends and Increase in Redemption Values of GH Group Preferred Shares	(15,399)	(15,959)
Adjusted Net Loss Attributable to the Company	<u>\$ (45,058)</u>	<u>\$ (15,440)</u>
Weighted-Average Shares Outstanding - Basic	81,935,989	75,229,075
Weighted-Average Shares Outstanding - Diluted	81,935,989	75,229,075
Loss Per Share - Basic	\$ (0.55)	\$ (0.21)
Loss Per Share - Diluted	\$ (0.55)	\$ (0.21)

For the years ended December 31, 2025 and 2024, diluted loss per share was the same as basic loss per share as the potential issuance of shares related to stock-based award plans, warrants, contingent shares, convertible preferred shares and convertible debentures were anti-dilutive.

The following common equivalent shares were excluded from the Loss Per Share - Diluted calculation because their inclusion would have been anti-dilutive:

	Year Ended December 31,	
	2025	2024
Stock Award Plans	8,506,194	3,863,288
Warrants	43,221,659	44,384,041
Contingent Shares	—	3,000,000
Convertible Preferred Shares	77,500	—
Convertible Debentures	1,757,173	2,762,051
Total	<u>53,562,526</u>	<u>54,009,380</u>

Net loss attributable to the Company is adjusted for dividends and various other adjustments as defined in ASC 260, *Earnings Per Share*. After adjustments as defined in ASC 260, if the Company is in a net loss position, diluted loss per share is the same as basic loss per share when the potential issuance of shares related to stock-based award plans, warrants, contingent shares, convertible preferred shares and convertible debentures are antidilutive. After adjustments, as defined in ASC 260, if the Company is in a net income position, diluted earnings per share includes shares related to stock-based award plans, warrants, contingent shares, convertible preferred shares and convertible debentures that are determined to be dilutive using the treasury stock method for all equity instruments issuable in equity units and the “if converted” method for the Company’s convertible preferred shares and convertible debentures.

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***16. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES**

Provision for income taxes consisted of the following (in thousands):

	Year Ended December 31,	
	2025	2024
Current:		
Federal	\$ 10,812	\$ 12,392
State	1,122	(1,894)
Total Current	11,934	10,498
Deferred:		
Federal	—	—
State	—	—
Total Deferred	—	—
Total Provision for Income Taxes	\$ 11,934	\$ 10,498

The income taxes paid, net of refunds, were as follows (in thousands):

	Year Ended December 31,	
	2025	2024
U.S. Federal	\$ 2,428	\$ 2,380
U.S. State - California	30	77
Total Taxes Paid, Net of Refunds	\$ 2,458	\$ 2,457

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
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The components of deferred tax assets and liabilities were as follows (in thousands):

	As of December 31,	
	2025	2024
Deferred Tax Assets:		
Allowance for Doubtful Accounts	\$ 1,162	\$ 820
Inventory Reserve	249	309
Accrued Expenses	456	759
Interest Expense	2,534	—
Other	1,183	775
Operating Lease Liabilities	1,189	2,514
Stock-based Compensation	1,217	1,806
Operating Losses	34,673	36,985
Property and Equipment and Depreciation	5,419	5,108
Total Deferred Tax Assets	48,082	49,076
Valuation Allowance	(40,995)	(39,890)
Net Deferred Tax Assets	7,087	9,186
Deferred Tax Liabilities:		
Property, Plant and Equipment	(3,455)	(4,238)
Right-of-Use Assets	(1,156)	(2,437)
State Taxes	(2,476)	(2,511)
Total Deferred Tax Liabilities	(7,087)	(9,186)
Net Deferred Tax Assets	\$ —	\$ —

As of December 31, 2025, Company had \$123.0 million of Federal Net Operating Losses (“NOL”) and \$99.9 million of California NOLs available to utilize in future periods. Future utilization of net operating losses is subject to a substantial annual limitation due to ownership change limitations as required by Section 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state limitations.

The federal net operating loss carryforwards incurred prior to tax years beginning in 2018 will expire in fiscal year 2037, all net operating losses arising in tax years beginning in 2018 are carried forward indefinitely. All of \$123.0 million NOLs were generated in years after 2017 and have indefinite life to utilize with an 80% income limitation.

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

The reconciliation of income taxes computed at the U.S. federal statutory rate to the Company's effective income tax rate is as follows (dollars in thousands):

	Year Ended December 31,			
	2025		2024	
	Amount	Percent	Amount	Percent
U.S. Federal Statutory Income Tax	\$ (3,574)	21.0 %	\$ 2,356	21.0 %
State and Local Income Tax, Net of Federal Income Tax Effect	(1,293)	7.6 %	1,083	9.7 %
Effect of Changes in Tax Laws or Rates Enacted in the Current Period				
Over Accrual of Prior Year Taxes	—	— %	(7,454)	(66.4) %
Return to Provision	129	(0.8) %	(646)	(5.8) %
Changes in Valuation Allowances				
Change in Valuation Allowance - Federal	(62)	0.4 %	(3,489)	(31.1) %
Change in Valuation Allowance - California	(262)	1.5 %	(3,631)	(32.4) %
Nontaxable or Nondeductible Items				
Employee Retention Tax Credits	(1,305)	7.7 %	(103)	(0.9) %
Non-deductible executive compensation (Section 162(m))	891	(5.2) %	3,500	31.2 %
Change in Fair Value of Contingent Consideration	—	— %	(2,882)	(25.7) %
Other Permanent Differences	534	(3.1) %	131	1.2 %
Changes in Unrecognized Tax Benefits	10,870	(63.9) %	15,424	137.5 %
Other	6,006	(35.3) %	6,209	55.3 %
Effective Income Tax Rate	\$ 11,934	(70.1) %	\$ 10,498	93.6 %

The Company has used a discrete effective tax rate method to calculate taxes for the years ended December 31, 2025 and 2024. The Company operates in the United States. For the periods presented, the Company had no foreign pretax income, foreign income tax expense, or foreign income taxes paid. Accordingly, all income and tax expense relate to domestic operations.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

GLASS HOUSE BRANDS INC.**Notes to Consolidated Financial Statements***(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

A reconciliation of the beginning and ending amount of total unrecognized tax benefits were as follows (in thousands):

	As of December 31,	
	2025	2024
Balance at Beginning of Year	\$ 20,868	\$ 5,444
IRS Section 280E Positions	10,870	15,424
Balance at End of Year	\$ 31,738	\$ 20,868

As the Company operates in the legalized cannabis industry, it is subject to the limits of Internal Revenue Code (“IRC”) Section 280E (“Section 280E”) for U.S. federal income tax purposes under which the Company is only allowed to deduct certain expenses directly related to the cost of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed nonallowable under Section 280E, whereas the Company deducts all operating expenses on its state tax returns for which there is no comparable provision of Section 280E under the California Revenue and Taxation Code.

Based on legal interpretation, it is the Company’s position that it does not owe taxes attributable to the application of Section 280E. Additionally, the Company has determined that the tax impact of its corporate overhead allocation was less likely than not to be sustained on the merits as required under ASC 740, *Income Taxes*, due to the evolving interpretations of Section 280E. The Company included in the balance of total unrecognized tax benefits as of December 31, 2025 and 2024 a potential benefit of \$31.7 million and \$20.9 million, respectively, that, if recognized, would impact the effective tax rate on income from operations related to its tax positions based on legal interpretations that challenge the Company’s tax liability under Section 280E. Unrecognized tax benefits that reduce a net operating loss, similar to tax loss or tax credit carryforwards, are presented as a reduction to deferred income taxes.

The Company’s evaluation of tax positions was performed for those tax years which remain open to for audit. The Company may, from time to time, be assessed interest or penalties by the taxing authorities, although any such assessments historically have been minimal and immaterial to the Company’s financial results. In the event the Company is assessed for interest and/or penalties, such amounts will be classified as income tax expense in the financial statements.

As of December 31, 2025, the Company’s federal tax returns since 2020 and state tax returns since 2019 are still subject to adjustment upon audit. The 2019 federal tax return of Natural Healing Center LLC (pre-acquisition) is currently under IRS examination. No other tax returns are currently being examined by any taxing authorities. While it is reasonably possible that certain portions of the unrecognized tax benefit may change from a lapse in applicable statute of limitations, it is not possible to reasonably estimate the effect of any amount of such a change to previously recorded uncertain tax positions in the next 12 months.

One Big Beautiful Bill Act

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act (“OBGBA”) (Public Law 119-21), a comprehensive tax reform and spending reconciliation bill. The legislation includes several significant business-tax provisions, notably affecting Sections 163(j), 168(k) (Bonus Depreciation), 179, and 174 of the Internal Revenue Code. The provisions most beneficial to the Company relate to the limitation on business interest expense under Section 163(j) and Bonus Depreciation for qualified property.

The OBGBA restores the more generous interest deduction limitation under Section 163(j) that had applied from 2018 through 2021. Under this amendment, the limitation is permanently based on EBITDA, rather than earnings before interest and taxes (“EBIT”). Beginning with tax years starting after December 31, 2024, taxpayers may again add back depreciation and amortization in computing adjusted taxable income for purposes of Section 163(j).

Additionally, for taxable years beginning after December 31, 2025, the OBGBA clarifies that any capitalized interest, other than amounts capitalized under Sections 263(g) and 263A(f), is treated as interest subject to the Section 163(j) limitation.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

The OBBBA also revives and permanently extends 100% bonus depreciation under Section 168(k) for qualified property acquired and placed in service on or after January 20, 2025. Qualified property generally includes tangible personal property with a recovery period of 20 years or less and qualified improvement property (“QIP”). Property is treated as acquired when a written binding contract is entered into to acquire the property. Property placed in service prior to January 20, 2025 remains eligible for 40% bonus depreciation.

The Company has incorporated the applicable income-tax effects of OBBBA in its income tax provision for the year ended December 31, 2025. The impact primarily reflects the reinstatement of the EBITDA-based limitation under Section 163(j), which increased the amount of deductible interest expense for the period. The Company also updated its deferred tax balances to reflect the enacted changes under OBBBA.

Management will continue to monitor the implementation of the OBBBA and evaluate any additional impacts on the Company’s deferred tax balances and effective tax rate.

17. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company’s operations are subject to a variety of local and state regulations. Failure to comply with one or more of these regulations could result in fines, restrictions on its operations, or revocation, cancellation, non-renewal or other losses of permits, licenses and entitlements that could result in the Company ceasing operations. While management believes that the Company was in compliance with applicable local and state statutes, regulations, and ordinances as of December 31, 2025 and 2024, cannabis laws and regulations continue to evolve and are subject to differing interpretations. Further, cannabis remains a Schedule I controlled substance and is illegal under U.S. federal law, which may result in federal enforcement actions. As a result, the Company may be subject to regulatory fines, penalties, restrictions or the risk of asset seizure in the future.

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, 2025 and 2024, there were no pending or threatened lawsuits that could be reasonably assessed to have resulted in a probable loss to the Company in an amount that can be reasonably estimated. As such, no accrual has been made in the Consolidated Financial Statements relating to claims and litigations. As of December 31, 2025 and 2024, there were also no proceedings in which any of the Company’s directors, officers or affiliates were an adverse party to the Company or had a material interest adverse to the Company’s interest.

Element 7 Transaction and Litigation

Effective February 23, 2021, GH Group entered into a Merger and Exchange Agreement (“E7 Merger Agreement”) with Element 7 CA, LLC (“E7”) whereby GH Group had the right, subject to satisfactory completion of due diligence and certain other conditions, to obtain all of the limited liability company membership interests or other equity interests held by E7 in 17 holding companies that hold the rights to certain in-process state and local cannabis retail licenses or license applications, some of which were partially owned. In addition, GH Group entered into a License Development and Consulting Agreement (“E7 License Agreement,” and together with the E7 Merger Agreement, the “E7 Agreements”) with E7 to provide certain retail consulting services to develop and obtain up to 34 cannabis retail licenses in exchange for the payment of certain fees as set forth in the E7 License Agreement. In November 2021, GH Group terminated the E7 Agreements based on a breach of contract by E7, and as of December 31, 2021, GH Group had converted certain pre-closing financing payments and consulting fees into notes receivable in the amount of \$2.3 million. As of December 31, 2025 and 2024, the notes receivable were fully reserved by the Company. As of December 31, 2023, the Company had received limited liability membership interests or other equity interests in three E7 entities out of 17 entities that were contractually committed to be transferred under the E7 Merger Agreement.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

On November 4, 2021, GH Group filed a lawsuit in the Superior Court for the County of Los Angeles, Central District (Case No. 21STCV40401) against E7 and its principals and owners Josh Black and Robert “Bobby” DiVito (together, “Element 7”) for a variety of claims, including fraud and breach of contract and demanded performance under the E7 Agreements.

The court proceeding was subsequently withdrawn by the Company without prejudice, and on March 13, 2022, GH Group entered into an agreement with American Patriot Brands, Inc. (“APB”) to jointly file suit against E7 to enforce the transfer of certain contractually committed cannabis retail licenses (“Joint Litigation Agreement”). GH Group and APB jointly refiled a complaint against E7 in the Superior Court of California, County of Los Angeles (Case No. 22STCV09323). The Superior Court severed the claims of GH Group and APB, which resulted in APB’s claims remaining in Superior Court and GH Group’s claims being adjudicated in Signature Arbitration (Case No. LQMGL) (collectively, “Element 7 Proceeding”).

Under the terms of the Joint Litigation Agreement, GH Group agreed to pay all legal fees for GH Group and APB’s joint litigation against E7. GH Group also held the option to purchase any E7 cannabis retail license or licensed entity interests recovered by APB from E7 that were included in the E7 Merger Agreement, that either have a state or local permit and a valid lease, or a local permit that is without a real property site but is in a competitive license jurisdiction, in each case at a valuation of \$750 thousand per E7 license or licensed entity, paid in Equity Shares at the 10-day VWAP calculated as of the date of such purchase. In addition, under the Joint Litigation Agreement, GH Group also held the right of first refusal to purchase any other E7 cannabis retail licenses or licensed entity outside of the foregoing groups, and the right to terminate the Joint Litigation Agreement at any time. As part of the Element 7 Settlement, the Joint Litigation Agreement was terminated as of September 19, 2023.

Through the process of litigation, on September 19, 2023, E7, APB and GH Group entered into a Settlement and General Mutual Release Agreement (the “Element 7 Settlement”), where E7 agreed to pay GH Group \$2.9 million to settle the Element 7 Proceeding; provided, that if E7 paid GH Group \$1.9 million by December 15, 2023, then E7 would have been entitled to a credit of \$1.0 million towards the \$2.9 million payment. In addition, E7 would retain ownership of its cannabis retail licenses.

E7 failed to pay GH Group \$1.9 million by December 15, 2023, and it also failed to subsequently pay GH Group the \$2.9 million that was due under the Element 7 Settlement.

On March 6, 2024, the Superior Court of Los Angeles entered into a Final Judgment and Order against E7 for the amount of \$2.9 million in favor of GH Group.

On November 19, 2024, C and H Holdings (“C and H”) filed a breach of contract claim among other claims against E7 and other E7 related entities (“C and H Lawsuit”). In addition, C and H requested that the court appoint a receiver for E7 so that the assets could be used to satisfy C and H’s claims under its loan agreement with E7 and the related E7 entities that were included in the lawsuit. C and H also named GH Group in the lawsuit to prevent GH Group from satisfying its judgment against E7.

GH Group opposed the C and H Lawsuit. On April 30, 2025, the court dismissed the lawsuit against GH Group.

On October 30, 2025, GH Group assigned its judgment against Element 7 to NUG Inc. (“NUG”) in exchange for a firm commitment buying agreement whereby NUG agreed to purchase from GH Group a certain amount of its CPG products until such time as NUG purchased either (x) net revenue in excess of \$7.2 million or (y) realized net profits in excess of \$1.4 million. For purposes of calculating such amounts, NUG shall receive credit for all qualifying purchases made by NUG on or after November 1, 2024.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

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Catalyst Litigation

The Company was the plaintiff in litigation in the Central District Superior Court of the County of Los Angeles against Elliot Lewis (“Lewis”), Damian Martin (“Martin”), South Cord Holdings LLC (“SCH”), and South Cord Management LLC (“SCM”) (collectively, “Catalyst Defendants”) following various public, false, and defamatory statements made by Lewis and Martin, co-founders of SCM and SCH, that the Company is the “largest black marketeer” of cannabis in the history of the United States, only 25% of the Company’s cultivated cannabis is sold through legal channels, and therefore 70% to 80% is sold illegally, and that the Company is engaging in illicit conduct to avoid taxes.

The Company is the defendant in litigation in the Central District Superior Court of the County of Los Angeles filed by 562 Discount Med, Inc. (“Discount Med” doing business as Catalyst Cannabis Co.), an affiliate of SCH and SCM. Discount Med has asserted claims against the Company for violation of California Business & Professions Code Section 17200 et seq., California’s Unfair Competition Law. Discount Med similarly alleged, like the Catalyst Defendants, that the Company is the “largest black marketeer” of cannabis in the United States and has purposefully structured its business to profit from the illicit market. The Company has categorically denied all such allegations and asserted affirmative defenses.

On May 20, 2024, the Company voluntarily dismissed without prejudice the defamation lawsuit against the Catalyst Defendants.

On June 25, 2024, the Superior Court of California (Los Angeles County) dismissed the lawsuit filed by Discount Med against the Company for unfair competition. The Court granted Glass House’s motion for judgment on the pleadings with prejudice. On July 15, 2024, the Court entered a judgment in Glass House’s favor, awarding costs against the plaintiff and concluding the case. On August 7, 2024, Discount Med filed a Notice of Appeal of the judgment of dismissal following an order granting a motion for judgment on the pleadings without leave to amend. The appeal has been dismissed and the matter remitted to the state court for entry of a judgment.

Federal Agency Actions at Company Farms

On July 10, 2025, agents led by U.S. Immigration and Customs Enforcement executed search warrants at two of the Company’s facilities in connection with an investigation involving potential immigration-related matters under Title 8 of the United States Code. Management currently considers any potential loss contingency related to this matter to be remote, and no liability has been recorded in the financial statements.

18. RELATED PARTY TRANSACTIONS

Leases

Neo Street Partners LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in October 2018, provided for an initial annual base rent payment of \$213 thousand, increasing to \$243 thousand for years two to five. The lease was renewed for one year starting in October 2024. Rent expense for the years ended December 31, 2025 and 2024 was \$236 thousand and \$373 thousand, respectively. On August 18, 2025, the Company acquired the remaining 76% undivided ownership interest in the property located in Lompoc, California. This acquisition eliminates future related party rent expense associated with this property. See Note 6 – Property, Plant and Equipment.

3645 Long Beach LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in December 2019, was renewed for five years starting January 1, 2025. It provides for a base rent of \$93 thousand, increasing annually by the greater of three percent or the CPI, capped at five percent. Rent expense for the years ended December 31, 2025 and 2024 was \$80 thousand in each period.

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Isla Vista GHG LLC, a company partially owned by executives and board members of the Company, entered into a ten-year lease with a subsidiary of the Company. The lease, which commenced on the first calendar day after the Company publicly announced the opening of a retail cannabis location at the leased property (the “Commencement Date”), provides for an initial monthly rent of \$5 thousand starting April 19, 2022 until the Commencement Date. Effective on the Commencement Date, the initial annual base rent payment is \$144 thousand and increasing three percent per annum thereafter. Related party rent expense for the years ended December 31, 2025 and 2024 was \$158 thousand and \$269 thousand, respectively.

In August 2022, the Kazan Trust dated December 10, 2004, a trust of which the trustee is an executive and board member of the Company, acquired partial ownership of a real estate entity that entered into a ten-year lease with a subsidiary of the Company. The lease, which commenced in July 2022, provides for an initial annual base rent payment of \$36 thousand to the Kazan Trust, increasing three percent per annum thereafter. Rent expense for the years ended December 31, 2025 and 2024 was \$41 thousand and \$36 thousand, respectively.

2000 De La Vina LLC, a company partially owned by executives and board members of the Company, entered into two leases with subsidiaries of the Company. Both leases commenced in July 2022 and have ten-year terms. The first lease provides for initial annual base rent of \$60 thousand, increasing three percent annually thereafter, and the second lease provides for initial annual base rent of \$180 thousand, increasing three percent annually thereafter. The first lease terminated in 2025 in connection with the sale of the underlying property. Subsequent to the termination of the lease during 2025, the Company entered into an agreement to settle its remaining lease obligations through a negotiated termination payment. Rent expense for the years ended December 31, 2025 and 2024 was \$262 thousand and \$240 thousand, respectively.

5042 Real Estate Investment, LLC, a company partially owned by an executive and board member of the Company, owns an undivided tenancy-in-common interest in a property leased to a subsidiary of the Company. The lease, which commenced in August 2022 and has a ten-year term, provides for an initial annual base rent payment of \$222 thousand to 5042 Real Estate Investment, LLC, increasing three percent per annum thereafter. Related party rent expense for the years ended December 31, 2025 and 2024 was \$251 thousand and \$222 thousand, respectively.

Consulting Agreement

Beach Front Property Management Inc., a company that is majority-owned by an executive and certain board members of the Company, entered into a consulting agreement with the Company dated September 28, 2020. The monthly consulting fee is \$11 thousand for mergers and acquisitions advisory and assistance and real estate acquisition and financing services. The agreement may be terminated by either party for any/or no reason without penalty upon seven days written notice. Consulting fees for the years ended December 31, 2025 and 2024 was \$140 thousand in each period.

Jon A. Neu Insurance

Jon A. Neu Insurance, an entity majority owned by Beach Front Property Management Inc., provide insurance brokerage services to the Company. During the years ended December 31, 2025 and 2024, the Company recognized insurance brokerage expense relating to services provided by Jon A. Neu Insurance of approximately \$298 thousand and \$399 thousand, respectively.

Preferred Mezzanine Equity Transactions

Certain executive officers and directors of the Company hold preferred equity interests in GH Group, Inc., a consolidated subsidiary of the Company. During the years ended December 31, 2025 and 2024, GH Group had multiple series of preferred stock outstanding, including Series B Preferred, Series C Preferred, Series D Preferred, and Series E Convertible Preferred stock.

Year Ended December 31, 2025

During the year ended December 31, 2025, related-party holders:

- received preferred dividends totaling approximately \$1.5 million, which were paid on a pro rata basis in accordance with the contractual terms applicable to all preferred stockholders;

GLASS HOUSE BRANDS INC.

Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

- participated in the issuance of Series E Convertible Preferred stock, providing aggregate consideration of approximately \$13.0 million.

In addition, during the year ended December 31, 2025, certain related-party holders participated in the conversion of Series B Preferred and Series C Preferred stock into Series E Convertible Preferred stock. This conversion was accounted for as a non-cash equity transaction and was completed on the same terms and conditions as those applicable to non-related-party preferred stockholders.

Year Ended December 31, 2024

During the year ended December 31, 2024, related-party holders:

- received preferred dividends totaling approximately \$1.3 million, which were paid on a pro rata basis in accordance with the contractual terms applicable to all preferred stockholders; and
- participated in the issuance of Series D Preferred stock, providing aggregate consideration of approximately \$3.3 million.

All preferred share issuances, conversions, redemptions, and dividend payments involving related-party holders during the periods presented were completed on the same terms and conditions as those applicable to non-related-party preferred stockholders. No preferential rights or special arrangements were provided to related-party holders.

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Notes to Consolidated Financial Statements
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19. SEGMENT INFORMATION

Operations by reportable segment for the year ending December 31, 2025 are as follows (in thousands):

	Year Ended December 31, 2025				
	Retail	Wholesale Biomass	CPG	Corporate & Other	Total
Revenues, Net	\$ 48,243	\$ 114,233	\$ 19,508	\$ —	\$ 181,984
Cost of Goods Sold	24,942	66,039	14,043	—	105,024
Gross Profit	23,301	48,194	5,465	—	76,960
Operating Expenses:					
General and Administrative	14,103	13,132	1,925	34,938	64,098
Sales and Marketing	1,796	322	55	496	2,669
Professional Fees	17	407	6	8,632	9,062
Depreciation and Amortization	1,464	12,375	915	1,010	15,764
Impairment Expense for Intangible Assets	—	—	—	1,900	1,900
Income (Loss) from Operations	5,921	21,958	2,564	(46,976)	(16,533)
Other (Income) Expense:					
Interest Expense	126	3,183	114	3,635	7,058
Interest Income	—	(288)	—	—	(288)
Gain on Equity Method Investments	—	—	—	(84)	(84)
Loss on Change in Fair Value of Derivative Asset	—	1,653	—	417	2,070
Loss on Extinguishment of Debt	—	—	—	292	292
Other Income, Net	(2,544)	(2,039)	(1,473)	(2,507)	(8,563)
Total Other (Income) Expense Net	(2,418)	2,509	(1,359)	1,753	485
Income (Loss) Before Income Taxes	\$ 8,339	\$ 19,449	\$ 3,923	\$ (48,729)	\$ (17,018)
Total Assets	\$ 18,411	\$ 249,120	\$ 17,631	\$ 33,395	\$ 318,557

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements
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Operations by reportable segment for the year ending December 31, 2024 are as follows (in thousands):

	Year Ended December 31, 2024				
	Retail	Wholesale Biomass	CPG	Corporate & Other	Total
Revenues, Net	\$ 43,816	\$ 139,086	\$ 17,996	\$ —	\$ 200,898
Cost of Goods Sold	23,053	66,973	13,479	—	103,505
Gross Profit	20,763	72,113	4,517	—	97,393
Operating Expenses:					
General and Administrative	13,621	12,083	1,317	33,105	60,126
Sales and Marketing	1,780	128	38	472	2,418
Professional Fees	37	206	37	7,488	7,768
Depreciation and Amortization	1,509	11,723	794	1,018	15,044
Impairment Expense for Intangible Assets	—	—	—	6,300	6,300
Income (Loss) from Operations	3,816	47,973	2,331	(48,383)	5,737
Other (Income) Expense:					
Interest Expense	159	92	22	8,911	9,184
Gain on Equity Method Investments	—	—	—	(14)	(14)
Gain on Change in Fair Value of Derivative Asset	—	—	—	(690)	(690)
Gain on Change in Fair Value of Contingent Liabilities and Shares Payable	—	—	—	(13,724)	(13,724)
Other (Income) Expense, Net	(405)	109	49	9	(238)
Total Other (Income) Expense Net	(246)	201	71	(5,508)	(5,482)
Income (Loss) Before Income Taxes	\$ 4,062	\$ 47,772	\$ 2,260	\$ (42,875)	\$ 11,219
Total Assets	\$ 26,216	\$ 235,576	\$ 12,589	\$ 36,121	\$ 310,502

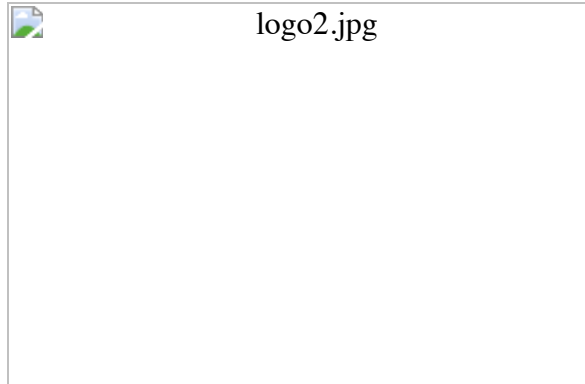
20. SUBSEQUENT EVENTS
At-The-Market Program

Subsequent to December 31, 2025, the Company issued 2,086,737 shares under the ATM Program at an average price of \$8.98 per share for gross proceeds of \$18.7 million. The Company received net proceeds of \$18.4 million after paying commissions of \$375 thousand to the sales agent for the ATM Program.

Greenhouse 2 Equipment Purchase and Supplier Financing

Subsequent to December 31, 2025, the Company entered into an agreement for the purchase and installation of equipment for Greenhouse 2 with an aggregate purchase price of approximately \$4.7 million. The agreement includes supplier financing for a portion of the purchase price, with installment payments commencing following delivery and completion of installation. The Company expects the equipment to be delivered and placed into service during the second quarter of 2026.

Exhibit 99.2



GLASS HOUSE BRANDS INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

**FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024**

Introduction

This management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as of March 24, 2026 and should be read together with Glass House Brands Inc.'s (together with its wholly-owned subsidiaries, referred to as "Glass House," the "Company," "we," "us" or "our") audited Consolidated Financial Statements (the "Financial Statements") as of and for the years ended December 31, 2025 and 2024, and the accompanying notes. The financial results discussed herein have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and, unless otherwise noted, are expressed in United States dollars. Additional information relating to the Company can be found on SEDAR+ at www.sedarplus.ca.

Overview

Glass House, formerly known as Mercer Park Brand Acquisition Corp. ("Mercer Park"), was incorporated under the Business Corporations Act (British Columbia) on April 16, 2019. As of December 31, 2025, we are a vertically integrated cannabis company that operates in the state of California and have certain intellectual property licensing agreements in Nevada and Florida. We, through our subsidiaries, cultivate, manufacture and distribute cannabis bulk flower and trim to wholesalers and cannabis-related consumer packaged goods ("CPG") to third-party retail stores in the state of California. We also own and operate retail cannabis stores and provide retail cannabis store management services in the state of California. Our subordinate voting shares ("Subordinate Voting Shares"), restricted voting shares ("Restricted Voting Shares") and limited voting shares ("Limited Voting Shares," and collectively, with the Subordinate Voting Shares and the Restricted Voting Shares, the "Equity Shares"), and certain common share purchase warrants (the "Listed Warrants") are listed on Cboe Canada, trading under the symbols "GLAS.A.U" and "GLAS.WT.U," respectively. The Equity Shares and Listed Warrants also trade on the OTCQX in the United States under the symbols "GLASF" and "GHBWF," respectively. Our head office and principal address is 3645 Long Beach Boulevard, Long Beach, California 90807. Our registered office in Canada is 666 Burrard Street, Suite 2500, Vancouver, BC V6C 2X8, Canada.

Major Business Lines and Geographies

We view our financial results under three business lines – the creation of extensible wholesale cannabis biomass, cannabis-related consumer packaged goods and cannabis retail. We generate all of our cannabis revenue in the state of California as of December 31, 2025. In addition, we have certain intellectual property licensing agreements in Nevada and Florida and provide retail cannabis store management services in California.

While many cannabis businesses prioritize brand building and customer acquisition before securing a reliable product flow, we believe that in a consumer-focused CPG space, consistent delivery of high-quality product at an attractive price point is a first principle and a prerequisite for any other activity.

Cannabis Cultivation, Production and Sales

We operate multiple greenhouse cultivation facilities located in Carpinteria and Camarillo, California. Our manufacturing production facility is located in Lompoc, California. We operate an approximately 5.5 million square foot hi-tech greenhouse facility, the "Camarillo Facility," located in Camarillo, California. On March 10, 2022, we received California state cannabis licenses and a cannabis business license from Ventura County for the Phase I retrofit of the Camarillo Facility. We completed the first harvest in June 2022. On March 1, 2023, we announced plans to commence a Phase II retrofit of an additional greenhouse, Greenhouse 5, to expand production at our Camarillo Facility. We completed the first harvest from Greenhouse 5 in the first quarter of 2024. On August 13, 2024, we announced plans to commence a Phase III retrofit of an additional greenhouse to expand production at our Camarillo Facility. On January 20, 2026, we announced that we completed the buildout of the first third of Greenhouse 2 during 2025 with initial contributions expected to be included within first quarter 2026 results. We expect full planting for the remainder of Greenhouse 2 within the second quarter of 2026. Additionally, we commenced a light retrofit and buildout of Greenhouse 4 with plans for production capabilities to target international CBD and hemp markets.

We generate revenue by selling our cannabis products in bulk at wholesale and at retail to our own and third-party dispensaries in California, such as raw cannabis, cannabis oil, and cannabis CPG. Our "Farmacy" branded retail dispensaries are located in Santa Barbara, Santa Ana, Berkeley, Isla Vista and Santa Ynez, California. Our "Natural Healing Center" or "NHC" branded retail dispensaries are located in Grover Beach, Lemoore, Morro Bay and Turlock, California. We operate one dispensary in Los Angeles, California under "The Pottery" brand. We operate a manufacturing facility in Lompoc, California. We also have certain intellectual property licensing agreements in Nevada and Florida and provide retail cannabis store management services in California.

Market Update and Objectives

The state of California represents the largest single state-legalized adult-use and medical market for cannabis in the U.S., with an adult population of over 30 million. The California market is highly fragmented, with over 4,400 cultivation licenses in operation, over 850 distribution licenses, approximately 1,200 operational dispensaries, greater than 600 brands and a significant illicit market. In addition, California operators face high taxes and fees, extensive regulation, heavy competition and a large illicit market. Accordingly, California operators may find it difficult to operate in this market. In 2025, we saw wholesale prices decline from 2024 exhibiting high levels of volatility, but due to our scaled operations and low cost production, we believe Glass House is best fit to operate in this difficult market. With this backdrop, we will continue to use scale in cultivation and distribution (at wholesale and through our own retail dispensaries and third-party retailers) to achieve low cost of production that will allow us to outperform competitors and build superior brand awareness and loyalty.

On May 21, 2024, the U.S. Department of Justice (“DOJ”) published a notice of proposed rulemaking (“NPRM”) proposing to transfer marijuana from Schedule I to Schedule III of the Controlled Substances Act (“CSA”). The public comment period for the NPRM concluded on July 22, 2024. In connection with the proposed rulemaking, the U.S. Drug Enforcement Administration (“DEA”) initially noticed an administrative hearing for December 2, 2024, which was later postponed to January 21, 2025. The hearing was subsequently canceled by the DEA’s Chief Administrative Law Judge due to procedural issues and pending appeals and legal actions. Although the Chief Administrative Law Judge ordered the parties to provide a joint status update by April 21, 2025, the administrative proceedings have remained pending, and no new hearing date has been scheduled.

Throughout the first half of 2025, the rescheduling process experienced continued delays, and as of mid-2025 there was no defined timeline for resolution of the outstanding procedural matters. In July 2025, President Donald Trump’s nominee to lead the DEA, Terrance Cole, was confirmed by the Senate and sworn in as Administrator of the DEA. While the administrative process to reschedule marijuana remained paused during his initial months in office, a policy development occurred on December 18, 2025, when President Trump signed an Executive Order titled “Increasing Medical Marijuana and Cannabidiol Research.” The Executive Order directs the Attorney General and the DEA to prioritize and expedite completion of the marijuana rescheduling process to the maximum extent permitted under federal law.

Despite this directive, the timing and ultimate outcome of the rescheduling process remain uncertain and subject to completion of the administrative process, potential judicial review, and other regulatory considerations. In addition, legislative uncertainty persists with respect to federal tax treatment. In February 2025, two identical bills — S. 471 and H.R. 1447 — were introduced in Congress. These bills would amend the Internal Revenue Code to preserve the application of Section 280E to marijuana-related businesses even if marijuana is reclassified as a Schedule III substance. S. 471 was referred to the Senate Committee on Finance, and H.R. 1447 was referred to the House Committee on Ways and Means. As of the date of this MD&A, neither bill has advanced out of committee or been scheduled for a floor vote.

Federal Agency Actions at Company Farms

On August 4, 2025, we provided an update regarding certain federal agency actions that occurred at two of our cultivation facilities.

On July 10, 2025, U.S. Immigration and Customs Enforcement (“ICE”) executed search warrants at two of our facilities in connection with an investigation involving potential immigration-related matters under Title 8 of the United States Code. Media reports have stated that approximately 360 individuals were arrested/detained in connection with the enforcement actions; however, we have not been able to independently verify those figures. Based on information currently available to us, nine individuals who were arrested or detained were our employees; the remaining individuals were employed by third-party contractors providing agricultural labor services at our Camarillo facility or were otherwise not our employees. One individual employed by a third-party contractor sustained fatal injuries during the incident. To our knowledge, based on review of available payroll and related records for our employees and information received from our contractors, individuals working at our facilities on July 10, 2025, were paid no less than the applicable federal or California minimum wage. Our policy is to pay lawful wages to our employees and to require third-party contractors to comply with applicable wage and hour laws.

The investigation remains ongoing. We are cooperating with the government and have taken steps to strengthen our labor compliance and contractor oversight practices. We cannot predict the outcome of the investigation or any related proceedings, including whether they may result in fines, penalties, remediation obligations, operational restrictions, or other costs.

Following the July 10, 2025 incident, we implemented additional measures intended to strengthen our labor regulatory compliance framework and enhanced oversight of third-party contractors. We entered into updated agreements or new agreements with existing farm labor contractors (“FLCs”), as well as new FLCs. These updated agreements and new agreements include enhanced compliance requirements, representations and certifications regarding employment eligibility verification and wage-and-hour compliance, and expanded audit and oversight provisions.

Since July 2025, we retained Guidepost Solutions, led by former Assistant Secretary of Homeland Security Julie Myers Wood, to assist outside legal counsel in evaluating and implementing best-practice procedures for employment eligibility verification and third-party contractor oversight.

With respect to our employees, we enhanced employment eligibility verification procedures and use E-Verify for all new hires consistent with DHS standard MOU. With respect to contractor-provided labor, we now require FLCs to implement employment eligibility verification procedures consistent with applicable law (including use of E-Verify for all hires placed on our site), and we enhanced documentation, oversight, and audit practices for contractor compliance. We maintain that we enhanced site-access controls, including age-verification and visitor-management procedures, for individuals entering our cultivation facilities, including employees, contractors, vendors, visitors, and customers. In addition, we entered into a Labor Peace Agreement with the International Brotherhood of Teamsters (the “Teamsters”) covering our licensed operating entities, including the farm facilities. This agreement provides the Teamsters the opportunity to engage with certain employees concerning pay, benefits and collective bargaining.

SELECTED FINANCIAL INFORMATION

The following are the results of our operations for the year ended December 31, 2025 compared to the years ended December 31, 2024 and December 31, 2023 (in thousands, except share and per share data):

	Year Ended December 31,		
	2025	2024	2023
Revenues, Net	\$ 181,984	\$ 200,898	\$ 160,836
Cost of Goods Sold (Exclusive of Depreciation and Amortization Shown Separately Below)	105,024	103,505	79,867
Gross Profit	76,960	97,393	80,969
Operating Expenses:			
General and Administrative	64,098	60,126	52,914
Sales and Marketing	2,669	2,418	2,838
Professional Fees	9,062	7,768	7,304
Depreciation and Amortization	15,764	15,044	14,627
Impairment Expense for Goodwill	—	—	37,912
Impairment Expense for Intangible Assets	1,900	6,300	14,903
Total Operating Expenses	93,493	91,656	130,498
Income (Loss) from Operations	(16,533)	5,737	(49,529)
Other (Income) Expense:			
Interest Expense	7,058	9,184	9,819
Interest Income	(288)	—	(45)
(Gain) Loss on Equity Method Investments	(84)	(14)	2,102
(Gain) Loss on Change in Fair Value of Derivative Asset	2,070	(690)	28
(Gain) Loss on Change in Fair Value of Contingent Liabilities and Shares Payable	—	(13,724)	24,399
Loss on Extinguishment of Debt	292	—	—
Other (Income) Expense, Net	(8,563)	(238)	2,286
Total Other (Income) Expense, Net	485	(5,482)	38,589
Income (Loss) from Operations Before Provision for Income Taxes	(17,018)	11,219	(88,118)
Provision for Income Taxes	11,934	10,498	9,943
Net Income (Loss)	(28,952)	721	(98,061)
Net Income Attributable to Non-Controlling Interest	707	202	209
Net Income (Loss) Attributable to the Company	\$ (29,659)	\$ 519	\$ (98,270)
Loss Per Share - Basic	\$ (0.55)	\$ (0.21)	\$ (1.62)
Loss Per Share - Diluted	\$ (0.55)	\$ (0.21)	\$ (1.62)
Weighted-Average Shares Outstanding - Basic	81,935,989	75,229,075	72,028,902
Weighted-Average Shares Outstanding - Diluted	81,935,989	75,229,075	72,028,902

Revenue

Revenue for the year ended December 31, 2025 was \$182.0 million, which represents a decrease of \$18.9 million, or 9%, from \$200.9 million for the year ended December 31, 2024. Cannabis biomass revenue decreased by \$24.9 million, or 18%, cannabis retail revenue increased by \$4.4 million, or 10%, and CPG revenue increased by \$1.5 million or 8%, for the year ended December 31, 2025 as compared to the same period in the prior year. The decrease in wholesale biomass revenues during the year ended December 31, 2025 was primarily due to lower biomass production and lower average selling prices realized in the second half of the year following the Federal agency actions. As a result, our cultivation facilities reported \$114.2 million in wholesale biomass revenue compared to \$139.1 million in the same period in the prior year. The increase in retail operations revenue was primarily attributable to increased sales due to our strategic pricing initiative implemented in the first quarter of 2024 which resulted in lower consumer prices and increased traffic. The increase in CPG revenue was attributable to consumer demand for our brands, primarily our value-oriented brand, Allswell.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the year ended December 31, 2025 was \$105.0 million, an increase of \$1.5 million, or 1%, compared with \$103.5 million for the year ended December 31, 2024. Gross profit for the year ended December 31, 2025 was \$77.0 million, representing a gross margin of 42%, compared to a gross profit of \$97.4 million, representing a gross margin of 48% for the year ended December 31, 2024. The increase in cost of goods sold during the year ended December 31, 2025 was primarily attributable to increased volume of sales across our cannabis retail and CPG segments offset by lower sales volume and higher cost of production for wholesale biomass segment realized in the second half of the year following the Federal agency actions. Gross profit dollars for our biomass segment decreased by \$23.9 million primarily due to the decrease in revenue resulting from lower biomass production and lower average selling prices realized in the second half of the year following the Federal agency actions. Gross profit percentage for wholesale biomass was unfavorably impacted by lower average selling prices realized during the year ended December 31, 2025 as compared to the same period in the prior year. Gross profit dollars for our retail segment increased by \$2.5 million primarily due to the increase in revenue. Gross profit dollars for our CPG segment increased by \$1.0 million primarily due to the increase in revenue.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2025 was \$93.5 million, an increase of \$1.8 million, or 2%, compared to total operating expenses of \$91.7 million for the year ended December 31, 2024. The increase in total operating expenses was attributable to the factors described below.

General and administrative expenses for the years ended December 31, 2025 and 2024 were \$64.1 million and \$60.1 million, respectively, an increase of \$4.0 million, or 7%. The increase in general and administrative expenses is primarily attributed to an increase in provisions for expected credit losses and an increase in employee-related costs.

Sales and marketing expenses for the years ended December 31, 2025 and 2024 were \$2.7 million and \$2.4 million, respectively, an increase of \$0.3 million, or 13%. Sales and marketing expenses were largely consistent period over period and include trade marketing, point of sale marketing for our wholesale CPG business product lines and promotions in various media outlets.

Professional fees for the years ended December 31, 2025 and 2024 were \$9.1 million and \$7.8 million, respectively, an increase of \$1.3 million, or 17%. The increase in professional fees was primarily attributable to an increase in legal and compliance fees driven by the engagement of specialized legal counsel and compliance consultants in response to the Federal agency actions. This increase was partially offset by a decrease in accounting fees.

Depreciation and amortization expenses for the years ended December 31, 2025 and 2024 were \$15.8 million and \$15.0 million, respectively, an increase of \$0.8 million, or 5%, which is largely consistent period over period.

During the year ended December 31, 2025, we recognized \$1.9 million of other than temporary intangible asset impairment in our cannabis licenses related to our retail reportable segment as a result of updated earnings projections for unforeseen changes in the market from more than expected retail competition. During the year ended December 31, 2024, we recognized \$6.3 million of other than temporary intangible asset impairment in our cannabis licenses related to our retail reportable segment as a result of updated earnings projections for unforeseen changes in the market from more than expected retail competition.

Total Other (Income) Expense

Total other (income) expense for the years ended December 31, 2025 and 2024 was an expense of \$0.5 million and income of \$5.5 million, respectively, a change of \$6.0 million, or 109%. The change was primarily due to a gain of \$13.7 million on the change in fair value of contingent liabilities and shares payable recognized during the year ended December 31, 2024 with no comparable amount recognized during the year ended December 31, 2025 and an unfavorable change of \$2.8 million in the fair value of derivative asset and liability. These amounts were partially offset by a favorable change of \$9.2 million in employee retention tax credits recognized and a decrease of \$2.1 million in interest expense mainly resulting from a lower interest rate on the Senior Secured Credit Facility (as defined below) as compared to the Prior Credit Agreement (as defined below).

Provision for Income Taxes

Provision for income taxes for the years ended December 31, 2025 and 2024 was \$11.9 million and \$10.5 million, respectively, an unfavorable change of \$1.4 million, or 13%. The unfavorable change in the provision for income taxes was the result of our change in tax position.

The following are the results of our operations (unaudited) for the three months ended December 31, 2025 compared to the three months ended December 31, 2024 (in thousands, except share and per share data):

	Three Months Ended December 31,	
	2025	2024
Revenues, Net	\$ 38,855	\$ 53,039
Cost of Goods Sold (Exclusive of Depreciation and Amortization Shown Separately Below)	25,649	30,288
Gross Profit	13,206	22,751
Operating Expenses:		
General and Administrative	18,474	14,808
Sales and Marketing	476	639
Professional Fees	2,912	1,354
Depreciation and Amortization	4,028	3,874
Total Operating Expenses	25,890	20,675
Income (Loss) from Operations	(12,684)	2,076
Other (Income) Expense:		
Interest Expense	1,044	2,130
(Gain) Loss on Equity Method Investments	—	(45)
Gain on Change in Fair Value of Derivative Asset	(27)	(6)
(Gain) Loss on Change in Fair Value of Contingent Liabilities and Shares Payable	—	(12,296)
Other Income, Net	(1,167)	(392)
Total Other Income, Net	(150)	(10,609)
Income (Loss) from Operations Before Provision for Income Taxes	(12,534)	12,685
Provision for Income Taxes	2,966	526
Net Income (Loss)	(15,500)	12,159
Net Income Attributable to Non-Controlling Interest	474	56
Net Income (Loss) Attributable to the Company	\$ (15,974)	\$ 12,103
Income (Loss) Per Share - Basic	\$ (0.23)	\$ 0.10
Income (Loss) Per Share - Diluted	\$ (0.23)	\$ 0.09
Weighted-Average Shares Outstanding - Basic	83,561,969	77,477,756
Weighted-Average Shares Outstanding - Diluted	83,561,969	85,859,373

Revenue

Revenue for the three months ended December 31, 2025 was \$38.9 million, which represents a decrease of \$14.1 million, or 27%, from \$53.0 million for the three months ended December 31, 2024. Biomass revenue decreased by \$13.7 million, or 38%, CPG revenue decreased by \$0.7 million, or 14%, and cannabis retail revenue increased by \$0.1 million, or 1%, for the three months ended December 31, 2025 as compared to the same period in the prior year. The decrease in wholesale biomass revenue was primarily due to lower biomass production and lower average selling prices following the Federal agency actions. As a result, our cultivation facilities reported \$22.6 million in wholesale biomass revenue compared to \$36.3 million in the same period in the prior year. The decrease in CPG revenue was primarily due to disruptions associated with a change in distributors during the fourth quarter, which for approximately two weeks limited our ability to ship product, with minor logistical disruptions continuing for a short period thereafter. Retail operations revenue was relatively consistent with results from the same period in the prior year; however, results were slightly impacted by a decrease related to the loyalty points program recognized during the period.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the three months ended December 31, 2025 was \$25.6 million, a decrease of \$4.7 million, or 16%, compared with \$30.3 million for the three months ended December 31, 2024. Gross profit for the three months ended December 31, 2025 was \$13.2 million, representing a gross margin of 34%, compared to a gross profit of \$22.8 million, representing a gross margin of 43% for the three months ended December 31, 2024. The decrease in cost of goods sold during the three months ended December 31, 2025 was primarily attributable to lower sales volume and higher cost of production for wholesale biomass following the Federal agency actions. Gross profit dollars for our wholesale biomass segment decreased by \$9.4 million primarily due to the decrease in revenue resulting from lower biomass production and lower average selling prices following the Federal agency actions. Gross profit percentage for wholesale biomass was unfavorably impacted by lower average selling prices realized during the three months ended December 31, 2025 as compared to the same period in the prior year. Gross profit dollars for our retail and CPG segments were relatively consistent with results from the same period in the prior year.

Total Operating Expenses

Total operating expenses for the three months ended December 31, 2025 was \$25.9 million, an increase of \$5.2 million, or 25%, compared to total operating expenses of \$20.7 million for the three months ended December 31, 2024. The increase in total operating expenses was attributable to the factors described below.

General and administrative expenses for the three months ended December 31, 2025 and 2024 were \$18.5 million and \$14.8 million, respectively, an increase of \$3.7 million, or 25%. The increase in general and administrative expenses was primarily attributed to increases in provisions for expected credit losses and an increase in employee-related costs.

Sales and marketing expenses for the three months ended December 31, 2025 and 2024 were \$0.5 million and \$0.6 million, respectively, a decrease of \$0.1 million, or 17%. Sales and marketing expenses were largely consistent period over period and include trade marketing, point of sale marketing for our wholesale CPG business product lines and promotions in various media outlets.

Professional fees for the three months ended December 31, 2025 and 2024 were \$2.9 million and \$1.4 million, respectively, an increase of \$1.5 million, or 107%. The increase in professional fees was primarily driven by the engagement of specialized legal counsel and compliance consultants in response to the Federal agency actions.

Depreciation and amortization expenses for the three months ended December 31, 2025 and 2024 were \$4.0 million and \$3.9 million, respectively, which is largely consistent period over period.

Total Other Income

Total other income for the three months ended December 31, 2025 as compared to 2024 were \$0.2 million and \$10.6 million, respectively, a decrease of \$10.4 million, or 98%. The decrease was primarily due to a gain of \$12.3 million on the change in fair value of contingent liabilities and shares payable recognized during the year ended December 31, 2024 with no comparable amount recognized during the year ended December 31, 2025. This amount was partially offset by a favorable change of \$1.9 million in employee retention tax credits recognized and a decrease of \$1.1 million in interest expense mainly resulting from a lower interest rate on the Senior Secured Credit Facility (as defined below) as compared to the Prior Credit Agreement (as defined below).

Provision for Income Taxes

Provision for income taxes for the three months ended December 31, 2025 and 2024 was a provision of \$3.0 million as compared to a provision of \$0.5 million, respectively, an unfavorable change of \$2.5 million, or 500%. The unfavorable change in the provision for income taxes was the result of our change in tax position.

Non-GAAP Financial Measures

In addition to providing financial measurements based on GAAP, we provide additional financial metrics that are not defined under, prepared in accordance with or a standardized financial measure under GAAP. Management uses such non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision-making, for planning and forecasting purposes and to evaluate our financial performance. These non-GAAP financial measures (collectively, the “non-GAAP financial measures”) are:

EBITDA Net income (loss) (GAAP) adjusted for interest and financing costs, income taxes, depreciation, and amortization. This non-GAAP measure represents our current operating profitability and ability to generate cash flow.

Adjusted EBITDA EBITDA (non-GAAP) adjusted for share-based compensation, stock appreciation rights expense, change in equity method investments, impairment expense for goodwill and intangible assets, change in fair value of derivative instruments, change in fair value of contingent liabilities and shares payable, loss on extinguishment of debt, employee retention tax credits, non-recurring asset casualty loss and non-recurring legal and professional fees. This non-GAAP measure represents our current operating profitability and ability to generate cash flow, excluding certain material non-cash items and other adjustments, such as non-recurring, irregular or one-time expenditures, in order to improve comparability.

Management believes that these non-GAAP financial measures assess our ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate our operating results and future prospects in the same manner as management. These non-GAAP financial measures may also exclude certain material non-cash items, expenses and gains and other adjustments that may be unusual in nature, infrequent or that we believe are not reflective of our ongoing operating results and performance.

As there are no standardized methods of calculating these non-GAAP financial measures, our methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others in the cannabis industry or otherwise. Accordingly, these non-GAAP financial measures are intended to provide additional information and are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity. Such non-GAAP financial measures should only be considered in conjunction with the GAAP financial measures presented herein and in our Financial Statements.

These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believes that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. In addition, we believe investors use both GAAP and non-GAAP measures to assess management’s past and future decisions associated with our priorities and allocation of capital, as well as to analyze how the business operates in, or responds to, swings in economic cycles or to other events that impact the cannabis industry.

These non-GAAP financial measures exclude certain material non-cash items and certain other adjustments we believe are not reflective of our ongoing operations and performance. These non-GAAP financial measures are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity. These non-GAAP financial measures have important limitations as analytical tools and should not be considered in isolation or as a substitute for any standardized measure under GAAP. For example, certain of these non-GAAP financial measures:

- exclude certain tax payments that may reduce cash available to us;

- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, working capital needs; and
- do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on debt.

Other companies in the cannabis industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Adjusted EBITDA (non-GAAP)

The following table provides a reconciliation of our Net Income (Loss) to Adjusted EBITDA (non-GAAP) for the year ended December 31, 2025 compared to the year ended December 31, 2024 (in thousands):

	Year Ended December 31,	
	2025	2024
Net Income (Loss) (GAAP)	\$ (28,952)	\$ 721
Depreciation and Amortization	15,764	15,044
Interest, Net	6,770	9,184
Provision for Income Taxes	11,934	10,498
EBITDA (Non-GAAP)	5,516	35,447
Adjustments:		
Share-Based Compensation	13,402	13,098
Stock Appreciation Rights Expense	28	262
Gain on Equity Method Investments	(84)	(14)
Impairment Expense for Intangible Assets	1,900	6,300
Change in Fair Value of Derivative Asset	2,070	(690)
Change in Fair Value of Contingent Liabilities and Shares Payable	—	(13,724)
Loss on Extinguishment of Debt	292	—
Employee Retention Tax Credit	(9,643)	(423)
Non-Recurring Asset Casualty Loss	939	—
Non-Recurring Legal and Professional Fees	2,547	—
Adjusted EBITDA (Non-GAAP)	\$ 16,967	\$ 40,256

On a non-GAAP basis, we recorded Adjusted EBITDA (Non-GAAP) of \$17.0 million for the year ended December 31, 2025, compared to an Adjusted EBITDA (Non-GAAP) of \$40.3 million for the year ended December 31, 2024, an unfavorable variance of \$23.3 million, or 58%. The decrease was driven by a decrease of \$20.4 million in gross profit, as discussed in the Cost of Goods Sold and Gross Profit section in the comparison of the year ended December 31, 2025 and 2024 section above, as well as an increase of \$3.0 million in general and administrative expenses (excluding share-based compensation expense, stock appreciation rights expense and non-recurring asset casualty loss) primarily due to an increase in provisions for expected credit losses partially offset by a decrease in cannabis tax expense.

The following table provides a reconciliation of the Company's Net Income (Loss) to Adjusted EBITDA (non-GAAP) for the three months ended December 31, 2025 compared to the three months ended December 31, 2024 (in thousands):

	Three Months Ended December 31,	
	2025	2024
Net Income (Loss) (GAAP)	\$ (15,500)	\$ 12,159
Depreciation and Amortization	4,028	3,874
Interest, Net	1,044	2,130
Provision for Income Taxes	2,966	526
EBITDA (Non-GAAP)	(7,462)	18,689
Adjustments:		
Share-Based Compensation	4,274	3,258
Stock Appreciation Rights Expense	(22)	(159)
(Gain) Loss on Equity Method Investments	—	(45)
Change in Fair Value of Derivative Asset	(27)	(6)
Change in Fair Value of Contingent Liabilities and Shares Payable	—	(12,296)
Employee Retention Tax Credit	(2,365)	(423)
Non-Recurring Asset Casualty Loss	939	—
Non-Recurring Legal and Professional Fees	1,357	—
Adjusted EBITDA (Non-GAAP)	\$ (3,306)	\$ 9,018

On a non-GAAP basis, we recorded negative Adjusted EBITDA (Non-GAAP) of \$3.3 million for the three months ended December 31, 2025, compared to an Adjusted EBITDA (Non-GAAP) of \$9.0 million for the three months ended December 31, 2024, an unfavorable variance of \$12.3 million, or 137%. The change was driven by a decrease of \$9.5 million in gross profit, as discussed in the Cost of Goods Sold and Gross Profit section in the comparison of the three months ended December 31, 2025 and 2024 above, as well as an increase of \$1.6 million in general and administrative expenses (excluding share-based compensation expense, stock appreciation rights expense and non-recurring asset casualty loss) primarily due to an increase in provisions for expected credit losses.

Selected Quarterly Information

A summary of selected information for each of the quarters presented is as follows (in thousands, except per share data):

	Revenues	Net Income (Loss) Before Non-Controlling Interest	Earnings (Loss) Per Share-Basic Attributable to the Company	Earnings (Loss) Per Share- Diluted Attributable to the Company
December 31, 2025	\$ 38,855	\$ (15,500)	\$ (0.23)	\$ (0.23)
September 30, 2025	38,444	(12,188)	(0.19)	(0.19)
June 30, 2025	59,867	8,744	0.05	0.05
March 31, 2025	44,818	(10,008)	(0.18)	(0.18)
December 31, 2024	53,039	12,159	0.10	0.09
September 30, 2024	63,821	(3,208)	(0.09)	(0.09)
June 30, 2024	53,938	10,039	0.08	0.08
March 31, 2024	30,100	(18,269)	(0.30)	(0.30)

Revenue for the quarter ended December 31, 2025 was \$38.9 million which was relatively consistent with revenue of \$38.4 million for the quarter ended September 30, 2025.

Revenue for the quarter ended September 30, 2025 was \$38.4 million, a decrease of \$21.5 million, or 36%, as compared to revenue of \$59.9 million for the quarter ended June 30, 2025. The decrease in revenue was primarily driven by lower biomass sales due to reduced production resulting from labor constraints at our farms following the Federal agency actions. As a result, our cultivation facilities reported \$21.2 million and \$42.1 million for the quarters ended September 30, 2025 and June 30, 2025, respectively.

Revenue for the quarter ended June 30, 2025 was \$59.9 million, an increase of \$15.1 million, or 34%, as compared to revenue of \$44.8 million for the quarter ended March 31, 2025. The increase in revenue was primarily due to an increase in biomass sales caused by higher biomass production related to the seasonality of plant cycle. As a result, our cultivation facilities reported \$42.1 million and \$28.3 million for the quarters ended June 30, 2025 and March 31, 2025, respectively.

Revenue for the quarter ended March 31, 2025 was \$44.8 million, a decrease of \$8.2 million, or 15%, as compared to revenue of \$53.0 million for the quarter ended December 31, 2024. The decrease in revenue was primarily due to decreased biomass sales caused by lower biomass production related to the seasonality of plant cycle which reported \$28.3 million and \$36.3 million for the quarters ended March 31, 2025 and December 31, 2024, respectively.

Revenue for the quarter ended December 31, 2024 was \$53.0 million, a decrease of \$10.8 million, or 17%, as compared to revenue of \$63.8 million for the quarter ended September 30, 2024. The decrease in revenue was primarily due to a decrease in biomass sales attributable to decreased production at the Camarillo Facility which reported \$36.3 million and \$47.8 million for the quarters ended December 31, 2024 and September 30, 2024, respectively.

Revenue for the quarter ended September 30, 2024 was \$63.8 million, an increase of \$9.9 million, or 18%, as compared to revenue of \$53.9 million for the quarter ended June 30, 2024. The increase in revenue was primarily due to increased biomass sales attributable to increased production at the Camarillo Facility which reported \$47.8 million and \$39.1 million for the quarters ended September 30, 2024 and June 30, 2024, respectively.

Revenue for the quarter ended June 30, 2024 was \$53.9 million, an increase of \$23.8 million, or 79%, as compared to revenue of \$30.1 million for the quarter ended March 31, 2024. The increase in revenue was primarily due to increased biomass sales attributable to increased production at the Camarillo Facility which reported \$39.1 million and \$15.9 million for the quarters ended June 30, 2024 and March 31, 2024, respectively.

Net loss for the quarter ended December 31, 2025 was \$15.5 million which represents an unfavorable change of \$3.3 million, or 27%, from a net loss of \$12.2 million for the quarter ended September 30, 2025. The unfavorable change was primarily due to a \$1.9 million increase in the provision for income taxes and a \$2.6 million increase in general and administrative expense. These amounts were partially offset by a \$1.4 million increase in gross profit.

Net loss for the quarter ended September 30, 2025 was \$12.2 million, which represents an unfavorable change of \$20.9 million, or 240%, from a net income of \$8.7 million for the quarter ended June 30, 2025. The change was primarily due to a \$20.2 million decrease in gross profit, a \$2.4 million decrease in employee retention tax credits and a \$1.3 million increase in general and administrative expenses. These amounts were partially offset by a \$3.9 million decrease in the provision for income taxes.

Net income for the quarter ended June 30, 2025 was \$8.7 million, which represents a favorable change of \$18.7 million, or 187%, from a net loss of \$10.0 million for the quarter ended March 31, 2025. The change was primarily due to a \$11.9 million increase in gross profit, a \$4.8 million increase in employee retention tax credits, a \$1.9 million decrease in other than temporary intangible asset impairments and a \$1.4 million decrease in the change in fair value of derivative asset and liability partially offset by a \$2.0 million increase in the provision for income taxes.

Net loss for the quarter ended March 31, 2025 was \$10.0 million, which represents an unfavorable change of \$22.2 million, or 182%, from a net income of \$12.2 million for the quarter ended December 31, 2024. The change was primarily due to an unfavorable change of \$12.2 million on the change in the fair value of contingent liabilities and shares payable, a \$2.7 million decrease in gross profit, a \$2.4 million increase in the provision for income taxes, a \$1.9 million increase in other than temporary intangible asset impairments and a \$1.7 million increase in the change in fair value of derivative asset and liability.

Net income for the quarter ended December 31, 2024 was \$12.2 million which represents a favorable change of \$15.4 million, or 481%, from a net loss of \$3.2 million for the quarter ended September 30, 2024. The change was primarily due to a favorable change of \$12.3 million on the change in the fair value of contingent liabilities and shares payable, an \$8.6 million decrease in the provision for income taxes and \$6.3 million of other than temporary intangible asset impairment in the prior quarter. These favorable changes were partially offset by a decrease of \$10.7 million in gross profit.

Net loss for the quarter ended September 30, 2024 was \$3.2 million, which represents an unfavorable change of \$13.2 million, or 132%, from a net income of \$10.0 million for the quarter ended June 30, 2024. The change was primarily due to an unfavorable change of \$7.9 million on the change in the fair value of contingent liabilities and shares payable, \$6.3 million of other than temporary intangible asset impairment in the quarter ended September 30, 2024 and an \$8.7 million increase in the provision for income taxes. These unfavorable changes were partially offset by an increase of \$4.8 million in gross profit and a \$2.9 million decrease in general and administrative expenses.

Net income for the quarter ended June 30, 2024 was \$10.0 million, which represents a favorable change of \$28.3 million, or 155%, from a net loss of \$18.3 million for the quarter ended March 31, 2024. The favorable change was primarily due to an increase of \$16.1 million in gross profit and a favorable change of \$14.4 million on the change in fair value of contingent liabilities and shares payable.

Liquidity and Capital Resources

Overview

Historically, our primary source of liquidity has been our operations, capital contributions made by equity investors, preferred equity investors and debt issuances. We meet our current operational obligations as they become due from our current working capital and from operations. However, we have sustained losses since inception and may require additional capital in the future. As of and for the year ended December 31, 2025, we had an accumulated deficit of \$220.1 million, a net loss attributable to the Company of \$29.7 million and net cash provided by operating activities of \$11.4 million. We estimate that based on current business operations and working capital, we will continue to meet our obligations as they become due in the short term. We generate cash from revenues and deploying our capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, product development and marketing. We expect to continue to finance our operations, capital expenditures, facility improvements, product development and marketing primarily through cash from sales to our customers and may consider future equity issuances and debt financing arrangements.

Liquidity risk is the risk that we will not be able to meet our financial obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure. Our approach to managing liquidity is to ensure that we will have sufficient liquidity to settle obligations and liabilities when due. In the event sufficient cash flow is not available from operating activities, we may continue to raise equity or debt capital from investors in order to meet liquidity needs. If we are not able to secure adequate additional funding, we may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm our business, results of operations and future prospects. There can be no assurance that such financing will be available or will be on terms acceptable to us.

Senior Secured Credit Facility

On February 28, 2025, we entered into a new senior secured credit facility for an aggregate principal amount of \$50 million maturing on February 28, 2030 (the "Senior Secured Credit Facility," as amended) with certain U.S.-based banks (together, the "Senior Secured Credit Facility Lender"). Payments for the first 2 years of the term are interest only. Principal and interest payments will be made during the last 3 years based on a straight-line amortization of the loan amount over a period of 15 years beginning on April 1, 2027, with a balloon payment of the remainder of the principal due on the maturity date.

The Senior Secured Credit Facility has a floating interest rate based on the Wall Street Journal's prime rate, which was 6.75% as of December 31, 2025, plus 1.25%. On February 28, 2025, we entered into an interest rate swap agreement with a notional amount of \$50 million to convert the variability of cash flows resulting from fluctuations in variable rates to effectively set the interest rate at 8.58%. The interest rate swap agreement expires on February 28, 2030.

The Senior Secured Credit Facility contains a covenant which requires us to maintain liquidity in excess of \$10 million at all times. In March 2026, in connection with the amendment described below, this covenant was amended to require us to maintain liquidity in excess of \$15 million. The Senior Secured Credit Facility also contains a covenant which requires us to maintain a Consolidated Fixed-Charge Coverage Ratio of at least 1.25x measured quarterly on a trailing-twelve-month basis commencing as of December 31, 2024. The Fixed-Charge Coverage Ratio is defined as Adjusted EBITDA minus income tax expense divided by the current portion of long-term debt plus interest expense plus the current portion of capital leases. Preferred equity dividend payments and convertible debt payments are not included in the Fixed-Charge Coverage Ratio calculation as the former can be suspended if needed and the latter can be paid in shares.

As of December 31, 2025, we were not in compliance with the Fixed-Charge Coverage Ratio financial covenant under the Senior Secured Credit Facility and also experienced certain technical events of default related to administrative and guarantor provisions, none of which related to payment obligations. As a result of these events of default, the lender had the contractual right to declare the related debt immediately due and payable. On March 16, 2026, we entered into a First Amendment and Waiver to the Senior Secured Credit Facility pursuant to which the lender waived the financial covenant violation and the related technical events of default. The amendment also suspends testing of the Fixed-Charge Coverage Ratio for the fiscal quarters ending March 31, 2026, June 30, 2026, and September 30, 2026, with covenant testing resuming for the fiscal quarter ending December 31, 2026. As a result of the waiver and covenant suspension, the lender does not have the contractual right to accelerate the debt arising from these events of default for a period greater than twelve months from December 31, 2025. Accordingly, the related debt has been classified as noncurrent as of December 31, 2025.

See Note 11 – Notes Payable and Convertible Debentures to our Consolidated Financial Statements for more information.

We used the proceeds from the Senior Secured Credit Facility to repay the remaining balance of an existing senior secured term loan which was entered into on December 9, 2021, as amended, (the “Prior Credit Agreement”) in the amount of \$40.6 million plus fees on February 28, 2025 and intend to use the remaining proceeds for working capital and general corporate purposes.

2025 Lompoc Term Loan

On August 4, 2025, we entered into a term loan for an aggregate principal amount of \$3 million maturing on August 4, 2035 (the “2025 Lompoc Term Loan”) with a U.S.-based bank (the “2025 Lompoc Term Loan Lender”). The 2025 Lompoc Term Loan requires monthly principal and interest payments commencing on September 4, 2025 and has an initial fixed interest rate of 8.5% for the first 5 years. Beginning September 4, 2030, the loan converts to a variable rate based on the Wall Street Journal prime rate plus 1%, resetting every five years, with a minimum floor rate of 5%. The loan is amortized over 25 years with a balloon payment due at maturity. Proceeds were used to acquire the remaining 76% ownership interest in a property we use and occupy for manufacturing located in Lompoc, California.

The 2025 Lompoc Term Loan includes covenants, including a requirement to maintain a minimum debt service coverage ratio of 1.25x, measured annually at the guarantor level, Glass House Brands Inc. As of December 31, 2025, we were not in compliance with this financial covenant. As a result, the lender had the contractual right to declare the related debt immediately due and payable. In March 2026, the lender provided a waiver of the financial covenant violation which prevents the lender from exercising its acceleration rights for a period of at least twelve months from December 31, 2025. Accordingly, the related debt has been classified as noncurrent as of December 31, 2025.

See Note 6 – Property, Plant and Equipment and Note 11 – Notes Payable and Convertible Debentures to our Consolidated Financial Statements for more information.

Preferred Equity Refinancing

On July 16, 2025, we announced a recapitalization and non-brokered private placement (collectively, the “Offering”) of Series E Convertible Preferred Stock, face value of \$1,000 per share (the “Series E Convertible Preferred”), of GH Group, Inc. (“GH Group”). The Series E Convertible Preferred replaces GH Group’s existing Series B Preferred Stock (“Series B Preferred”) and Series C Preferred Stock (“Series C Preferred”). Any holders of Series B Preferred and Series C Preferred shares who elected not to exchange into the Series E Convertible Preferred were redeemed by GH Group, which effectively canceled the Series B Preferred and Series C Preferred on a go-forward basis.

The Series E Convertible Preferred are convertible at any time at the option of the holder into GH Group Class B Common Stock at a fixed conversion price of \$9.00 per share. Each GH Group Class B Common Share is exchangeable for one Class C Common Share of MPB Acquisition Corp., which in turn is exchangeable for one publicly traded Subordinate Voting Share of Glass House Brands Inc. (the “Equity Shares”), resulting in an effective one-for-one exchange. GH Group may redeem the Series E Convertible Preferred, in whole or in part, at any time after the earlier of the following trigger events have occurred: (i) the 60-day volume-weighted average price of the Equity Shares is at least \$12.00; (ii) the average daily trading volume of the Equity Shares exceeds one million shares; and (iii) the Equity Shares are listed on a major United States stock exchange. Upon redemption, holders will receive the liquidation value plus any accrued and unpaid dividends.

During the year ended December 31, 2025, through our subsidiary, GH Group, we issued 77,500 shares of Series E Convertible Preferred in connection with the GH Group Series E Convertible Preferred financing with an aggregate value of \$77.5 million comprised of the following: (i) existing shares of Series B Preferred and Series C Preferred with aggregate face value of \$58.5 million were exchanged for 58,473 shares of Series E Convertible Preferred, (ii) Series B Preferred and Series C Preferred dividends payable of \$0.5 million were exchanged for 535 shares of Series E Convertible Preferred and (iii) a new private placement of 18,492 Series E Convertible Preferred with a face value of \$18.5 million. We recorded the fair value of shares of Series E Convertible Preferred in mezzanine equity in the amount of \$77.5 million. During the year ended December 31, 2025, the remaining, unexchanged shares of Series B Preferred and Series C Preferred were redeemed for \$18.5 million in cash.

At-The-Market Program

We commenced an at-the-market distribution program (the “ATM Program”) in December 2024 by means of a prospectus supplement dated December 2, 2024 (the “Prospectus Supplement”) to its short form base shelf prospectus dated May 16, 2024 (the “Shelf Prospectus”) with the securities regulatory authorities in all provinces and territories of Canada in connection with the ATM program. The ATM Program is pursuant to the terms of an equity distribution agreement dated November 13, 2024 (the “Equity Distribution Agreement”) with ATB Securities Inc. and Canaccord Genuity Corp., pursuant to which, we may from time to time sell up to \$25 million of the Company’s Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares (collectively, the “Equity Shares”) under the ATM Program. We intend to use the net proceeds primarily for an expansion of our facilities in Camarillo, California (the “Phase III expansion”), and/or general corporate purposes.

Since the Equity Shares will be distributed at trading prices prevailing at the time of the sale, prices may vary between purchasers and during the period of distribution. The volume and timing of sales will be determined at management’s sole discretion and in accordance with the terms of the Equity Distribution Agreement.

During the year ended December 31, 2025, we issued 678,167 Equity Shares under the ATM Program at an average price of \$9.12 per share for gross proceeds of \$6.2 million. We received net proceeds of \$6.1 million after paying commissions of \$124 thousand to the sales agent for the ATM Program and \$411 in other transaction costs. During the year ended December 31, 2024, we issued 10,000 Equity Shares under the ATM Program at an average price of \$6.72 per share for gross proceeds of \$67 thousand. We received net proceeds of \$66 thousand after paying commissions of \$1 thousand to the sales agent for the ATM Program and \$276 in other transaction costs.

Financial Condition

Cash Flows

The following table summarizes our Consolidated Statements of Cash Flows from the Financial Statements for the years ended December 31, 2025 and 2024 (in thousands):

	Year Ended December 31,	
	2025	2024
Net Cash Provided by Operating Activities	\$ 11,447	\$ 28,392
Net Cash Used in Investing Activities	(27,742)	(10,294)
Net Cash Provided by (Used in) Financing Activities	2,722	(13,699)
Net Increase (Decrease) in Cash, Restricted Cash and Cash Equivalents	(13,573)	4,399
Cash, Restricted Cash and Cash Equivalents, Beginning of Period	36,923	32,524
Cash, Restricted Cash and Cash Equivalents, End of Period	\$ 23,350	\$ 36,923

Cash Flow from Operating Activities

Net cash provided by operating activities was \$11.4 million for the year ended December 31, 2025, a decrease of \$17.0 million, or 60%, as compared to net cash provided by operating activities of \$28.4 million for the year ended December 31, 2024. The decrease was due to an unfavorable change in net income (loss), net of adjustments to reconcile net income (loss) to net cash provided by operating activities, of \$15.4 million for the year ended December 31, 2025 as compared to the same period in the prior year primarily due to a lower gross profit partially offset by employee retention tax credits recognized in the current year as discussed in the comparison of the year ended December 31, 2025 and 2024 section above. This decrease was also due to an unfavorable change in net operating assets and liabilities of \$1.5 million for the year ended December 31, 2025 as compared to the same period in the prior year primarily due to an unfavorable change of \$6.6 million in inventory, an unfavorable change of \$4.5 million in other non-current liabilities and an unfavorable change of \$2.6 million in accounts payable and accrued liabilities. These amounts were partially offset by a favorable change of \$3.2 million in other assets, a favorable change of \$3.1 million in income taxes receivable, a favorable change of \$3.1 million in income taxes payable, a favorable change of \$1.6 million in prepaid expenses and other current assets and a favorable change of \$0.9 million in accounts receivable.

Cash Flow from Investing Activities

Net cash used in investing activities was \$27.7 million for the year ended December 31, 2025, an increase of \$17.4 million, or 169%, compared to net cash used in investing activities of \$10.3 million for the year ended December 31, 2024. This increase was primarily driven by spending for Phase III expansion at the Camarillo property during the year ended December 31, 2025.

Cash Flow from Financing Activities

Net cash provided by financing activities was \$2.7 million for the year ended December 31, 2025, a change of \$16.4 million, or 120%, compared to net cash used in financing activities of \$13.7 million for the year ended December 31, 2024. This change was primarily driven by \$52.1 million of proceeds received from the issuance of the Senior Secured Credit Facility and \$2.2 million proceeds received from the issuance of At-the-Money Shares during the year ended December 31, 2025. These amounts were partially offset by a \$35.3 million increase in payments on notes payable primarily related to the repayment of the Previous Credit Agreement and a \$1.2 million decrease in cash received upon exercise of stock options.

As discussed in the Liquidity and Capital Resources section above, our primary source of liquidity has been operations, capital contributions made by equity investors and debt issuances. In the event sufficient cash flow is not available from operating activities, we may continue to raise equity capital from investors in order to meet liquidity needs.

Contractual Obligations

We have contractual obligations to make future payments, including debt agreements and lease agreements from third parties.

The following table summarizes such obligations as of December 31, 2025 (in thousands):

	2026	2027	2028-2029	After 2029	Total
Notes Payable to Third Parties	\$ 37	\$ 18,824	\$ 6,757	\$ 43,378	\$ 68,996
Lease Obligations	2,551	2,082	1,629	1,153	7,415
Total Contractual Obligations	\$ 2,588	\$ 20,906	\$ 8,386	\$ 44,531	\$ 76,411

Off-Balance Sheet Arrangements

As of the date of this MD&A, we do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our results of operations or financial condition including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Transactions with Related Parties

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a board member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere herein and in the Financial Statements, related party transactions and balances are as follows:

Leases

Neo Street Partners LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in October 2018, provided for an initial annual base rent payment of \$213 thousand, increasing to \$243 thousand for years two to five. The lease was renewed for one year starting in October 2024. Rent expense for the years ended December 31, 2025 and 2024 was \$236 thousand and \$373 thousand, respectively. On August 18, 2025, the Company acquired the remaining 76% undivided ownership interest in the property located in Lompoc, California. This acquisition eliminates future related party rent expense associated with this property. See Note 6 – Property, Plant and Equipment to our Consolidated Financial Statements for more information.

3645 Long Beach LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in December 2019, was renewed for five years starting January 1, 2025. It provides for a base rent of \$93 thousand, increasing annually by the greater of three percent or the CPI, capped at five percent. Rent expense for the years ended December 31, 2025 and 2024 was \$80 thousand in each period.

Isla Vista GHG LLC, a company partially owned by executives and board members of the Company, entered into a ten-year lease with a subsidiary of the Company. The lease, which commenced on the first calendar day after the Company publicly announced the opening of a retail cannabis location at the leased property (the “Commencement Date”), provides for an initial monthly rent of \$5 thousand starting April 19, 2022 until the Commencement Date. Effective on the Commencement Date, the initial annual base rent payment is \$144 thousand and increasing three percent per annum thereafter. Related party rent expense for the years ended December 31, 2025 and 2024 was \$158 thousand and \$269 thousand, respectively.

In August 2022, the Kazan Trust dated December 10, 2004, a trust of which the trustee is an executive and board member of the Company, acquired partial ownership of a real estate entity that entered into a ten-year lease with a subsidiary of the Company. The lease, which commenced in July 2022, provides for an initial annual base rent payment of \$36 thousand to the Kazan Trust, increasing three percent per annum thereafter. Rent expense for the years ended December 31, 2025 and 2024 was \$41 thousand and \$36 thousand, respectively.

2000 De La Vina LLC, a company partially owned by executives and board members of the Company, entered into two leases with subsidiaries of the Company. Both leases commenced in July 2022 and have ten-year terms. The first lease provides for initial annual base rent of \$60 thousand, increasing three percent annually thereafter, and the second lease provides for initial annual base rent of \$180 thousand, increasing three percent annually thereafter. The first lease terminated in 2025 in connection with the sale of the underlying property. Subsequent to the termination of the lease during 2025, the Company entered into an agreement to settle its remaining lease obligations through a negotiated termination payment. Rent expense for the years ended December 31, 2025 and 2024 was \$262 thousand and \$240 thousand, respectively.

5042 Real Estate Investment, LLC, a company partially owned by an executive and board member of the Company, owns an undivided tenancy-in-common interest in a property leased to a subsidiary of the Company. The lease, which commenced in August 2022 and has a ten-year term, provides for an initial annual base rent payment of \$222 thousand to 5042 Real Estate Investment, LLC, increasing three percent per annum thereafter. Rent expense for the years ended December 31, 2025 and 2024 was \$251 thousand and \$222 thousand, respectively.

Consulting Agreement

Beach Front Property Management Inc., a company that is majority-owned by an executive and certain board members of the Company, entered into a consulting agreement with the Company dated September 28, 2020. The monthly consulting fee is \$11 thousand for mergers and acquisitions advisory and assistance and real estate acquisition and financing services. The agreement may be terminated by either party for any/or no reason without penalty upon seven days written notice. Consulting fees for the years ended December 31, 2025 and 2024 was \$140 thousand in each period.

Jon A. Neu Insurance

Jon A. Neu Insurance, an entity majority owned by Beach Front Property Management Inc., provide insurance brokerage services to the Company. During the years ended December 31, 2025 and 2024, the Company recognized insurance brokerage expense relating to services provided by Jon A. Neu Insurance of approximately \$298 thousand and \$399 thousand, respectively.

Preferred Mezzanine Equity Transactions

Certain executive officers and directors of the Company hold preferred equity interests in GH Group. During the years ended December 31, 2025 and 2024, GH Group had multiple series of preferred stock outstanding, including Series B Preferred, Series C Preferred, Series D Preferred, and Series E Convertible Preferred stock.

Year Ended December 31, 2025

During the year ended December 31, 2025, related-party holders:

- received preferred dividends totaling approximately \$1.5 million, which were paid on a pro rata basis in accordance with the contractual terms applicable to all preferred stockholders;
- participated in the issuance of Series E Convertible Preferred stock, providing aggregate consideration of approximately \$13.0 million.

In addition, during the year ended December 31, 2025, certain related-party holders participated in the conversion of Series B Preferred and Series C Preferred stock into Series E Convertible Preferred stock. This conversion was accounted for as a non-cash equity transaction and was completed on the same terms and conditions as those applicable to non-related-party preferred stockholders.

Year Ended December 31, 2024

During the year ended December 31, 2024, related-party holders:

- received preferred dividends totaling approximately \$1.3 million, which were paid on a pro rata basis in accordance with the contractual terms applicable to all preferred stockholders; and
- participated in the issuance of Series D Preferred stock, providing aggregate consideration of approximately \$3.3 million.

All preferred share issuances, conversions, redemptions, and dividend payments involving related-party holders during the periods presented were completed on the same terms and conditions as those applicable to non-related-party preferred stockholders. No preferential rights or special arrangements were provided to related-party holders.

Critical Accounting Estimates

Use of Estimates

The preparation of the Financial Statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the Financial Statements and the reported amounts of total net revenue and expenses during the reporting period. We regularly evaluate significant estimates and assumptions related to the consolidation or non-consolidation of variable interest entities, estimated useful lives, depreciation of property and equipment, amortization of intangible assets, inventory valuation, share-based compensation, business combinations, goodwill impairment, long-lived asset impairment, purchased asset valuations, fair value of financial instruments, compound financial instruments, derivative assets and liabilities, deferred income tax asset valuation allowances, incremental borrowing rates, and lease terms applicable to lease contracts and going concern. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. Our actual results may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, our future results of operations could be negatively impacted.

Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

Impairment of Long-Lived Assets

For purposes of the impairment test, long-lived assets such as property, plant and equipment and definite-lived intangible assets are grouped with other assets and liabilities at the lowest level for which identifiable independent cash flows are available (“asset group”). In accordance with Accounting Standards Codification (“ASC”) 360, Property, Plant, and Equipment, we review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable. In order to determine if assets have been impaired, the impairment test is a two-step approach wherein the recoverability test is performed first to determine whether the asset group is recoverable. The recoverability test (Step 1) compares the carrying amount of the asset group to the sum of its future undiscounted cash flows using entity-specific assumptions generated through the asset group’s use and eventual disposition. If the carrying amount of the asset group is less than the cash flows, the asset group is recoverable and an impairment is not recorded. If the carrying amount of the asset group is greater than the cash flows, the asset group is not recoverable and an impairment loss calculation (Step 2) is required. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The cash flow projection and fair value represent management’s best estimate, using appropriate and customary assumptions, projections and methodologies at the date of evaluation. In accordance with GAAP, the reversal of impairment losses for long-lived assets held and used is prohibited.

Fair Value Measurements

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the Financial Statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

There have been no transfers into or out of Level 3 during the year ended December 31, 2025.

Impairment of Financial Instruments

We assess all information available, including on a forward-looking basis, related to the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on available information, and forward-looking information that is reasonable and supportive. For accounts receivable only, we recognize a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to us under the contract and the cash flows that we expect to receive. We assess all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with assets carried at amortized cost. We measure expected credit loss by considering the risk of default over the contract period and incorporate forward-looking information into the measurement.

Leased Assets

In accordance with ASC 842, Leases, we determine if an arrangement is a lease at inception. Leases with a lease term of 12 months or less that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, also known as short-term leases, are excluded from the right-of-use assets and lease liabilities on the balance sheet.

We apply judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. We apply judgment in determining the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. All relevant factors that create an economic incentive for us to exercise either the renewal or termination options are considered. We reassess the lease term if there is a significant event or change in circumstances that is within our control and affects our ability to exercise or not to exercise the option to renew or to terminate. We apply judgment in allocating the consideration in a contract between lease and non-lease components. We consider whether we can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right-of-use asset. Lessees are required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months. Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term. The incremental borrowing rate is determined using estimates which are based on the information available at commencement date and determines the present value of lease payments if the implicit rate is unavailable.

Derivative Assets and Liabilities

We evaluate agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative instruments that are accounted for as assets or liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the Consolidated Statements of Operations. In calculating the fair value of derivative assets and liabilities, we use a valuation model when Level 1 inputs are not available to estimate fair value at each reporting date. The classification of derivative instruments, including whether such instruments should be recorded as assets, liabilities or equity, is evaluated at the end of each reporting period. Derivative instrument assets and liabilities are classified in the Consolidated Balance Sheets as current or non-current based on whether net-cash settlement of the derivative instrument could be required within twelve months of the Balance Sheets dates.

Convertible Instruments

We evaluate and account for conversion options embedded in our convertible instruments in accordance with ASC 815, *Derivatives and Hedging*. ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

For convertible instruments with conversion features that are not required to be accounted for as derivatives under ASC 815 or that do not result in substantial premiums accounted for as paid-in capital, the convertible debt instrument is reported as a single liability instrument with no separate accounting for embedded conversion features. We also record, when necessary, deemed dividends for the intrinsic value of conversion options embedded in the Preferred Shares of GH Group based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the embedded effective conversion price. ASC 815 provides that generally, if an event that is not within the entity's control, or could require net cash settlement, then the contract shall be classified as an asset or a liability.

Interest Rate Derivative

We utilize an interest rate swap to manage our exposure to variability in future cash flows from interest rate fluctuations on our Senior Secured Credit Facility. This swap effectively converts the variable interest rate on the debt to a fixed rate and is classified as a derivative under ASC 815, *Derivatives and Hedging*. We have not designated this contract for hedge accounting. The interest rate swap is measured at fair value using Level 2 inputs. The fair value is determined using a discounted cash flow method that incorporates observable inputs. The fair value calculation includes a credit valuation adjustment and forward interest rate curves for the same periods as the future maturity dates of the interest rate swap.

Consolidation of Variable Interest Entities

ASC 810, *Consolidation*, requires a variable interest holder to consolidate a variable interest entity ("VIE") if that party has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. The equity method of accounting is applied to entities in which we are not the primary beneficiary or the entity is not a VIE and we do not have effective control, but can exercise influence over the entity with respect to its operations and major decisions. We do not consolidate a VIE in which it is not considered the primary beneficiary. We evaluate our relationships with all the VIE's on an ongoing basis to reassess if we continue to be the primary beneficiary.

Share-Based Compensation

We have an equity incentive plan (the "Incentive Plan") under which we may issue various types of equity instruments or instruments that track to equity, more particularly the Equity Shares, to employees, officers, consultants and non-employee directors. The types of equity instruments issuable under the Incentive Plan encompass, among other things, stock options, unrestricted stock bonus and restricted stock units (together, "Awards").

We account for share-based awards in accordance with ASC 718, *Compensation – Stock Compensation*, which requires fair value measurement on the grant date and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted share awards. For stock options, we estimate the fair value using the Black-Scholes valuation model. The fair value of the market-based restricted performance stock units is determined using the Monte-Carlo simulation. When there are market-related vesting conditions to the vesting term of the share-based compensation, we use a valuation model to estimate the probability of the market-related vesting conditions being met and will record the expense. The fair value of restricted share awards is based upon the quoted market price of the common shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, which is generally the performance period, and the related amount is recognized in the Consolidated Statements of Operations of the Financial Statements.

The fair value models require the input of certain assumptions that require judgment, including the expected term and the expected share price volatility of the underlying share. The assumptions used in calculating the fair value of share-based compensation represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, share-based compensation expense could be materially different in the future.

Income Taxes

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the Consolidated Balance Sheets of the Financial Statements. Effects of enacted tax law changes on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period in which the law is enacted. Deferred tax assets may be reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

We follow accounting guidance issued by the Financial Accounting Standards Board (“FASB”) related to the application of accounting for uncertainty in income taxes. Under this guidance, we assess the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date.

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred and included in the Consolidated Statements of Operations of the Financial Statements. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When we acquire control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is recognized as goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the Consolidated Statements of Operations of the Financial Statements immediately as a gain on acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. We allocate the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we identify and attributes values and estimated lives to the intangible assets acquired.

These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models, and therefore require considerable judgment. Our estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. We base fair value estimates on assumptions we believe to be reasonable but are inherently uncertain. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with ASC 450, *Contingencies*, as appropriate, with the corresponding gain or loss being recognized in earnings in accordance with ASC 805, *Business Combinations*.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 2, Summary of Significant Accounting Policies, of the Financial Statements.

Other Risks and Uncertainties

Credit Risk

Credit risk is the risk of a potential loss to us if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of December 31, 2025 and 2024 is the carrying values of cash and cash equivalents, accounts receivable and notes receivable. We do not have significant credit risk with respect to our customers. All cash and cash equivalents are placed with major U.S. financial institutions. We provide credit to certain of our customers in the normal course of business and have established credit evaluation and monitoring processes to mitigate credit risk but have limited risk as the majority of our sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure. Our approach to managing liquidity risk is to ensure that we will have sufficient liquidity to settle obligations and liabilities when due. In the event sufficient cash flow is not available from operating activities, we may continue to raise equity or debt capital from investors in order to meet liquidity needs. If we are not able to secure adequate additional funding, we may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm our business, results of operations and future prospects. There can be no assurance that such financing will be available or will be on terms acceptable to us.

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. Cash and cash equivalents bear interest at market rates. Other than our Senior Secured Credit Facility and 2025 Lompoc Term Loan, our financial liabilities have fixed rates of interest and therefore expose us to a limited interest rate fair value risk. We use an interest rate swap to effectively convert the variable rate on our Senior Secured Credit Facility to a fixed interest rate.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. Our investments are susceptible to price risk arising from uncertainties about their future outlook, future values and the impact of market conditions. The fair value of investments in privately-held entities are based on a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on our 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 Section 280E ("Section 280E"), which bars businesses from deducting all expenses except their cost of goods sold when calculating federal tax liability. Based on legal interpretations, it is our position that we do not owe taxes attributable to the application of Section 280E. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on our operations, while any decrease in such tax levies will be beneficial to future operations.

Tariffs and Trade Barriers

Recently, there have been significant changes to U.S. trade policies, sanctions, legislation, treaties and tariffs, including, but not limited to, trade policies and tariffs affecting products from outside of the U.S. For example, in early 2025, the Trump Administration announced significant new tariffs on certain foreign imports into the U.S., and more specifically, from Mexico and Canada, and has proposed additional new tariffs that may be implemented in the future. The extent and duration of increased tariffs and the resulting impact on general economic conditions and on our business are uncertain and depend on various factors, such as negotiations between the U.S. and affected countries, the responses of other countries or regions, exemptions or exclusions that may be granted, availability and cost of alternative sources of supply, and demand for our products. Any new or additional tariffs on goods imported to the U.S. from Mexico, Canada, or other countries, or products imported into the European Union or other non-U.S. markets, could also increase our costs. We are monitoring the impact of tariffs on expenses and may take additional steps to maintain profitability including expense reductions or increasing prices which may diminish demand for our products. Additionally, it is possible that U.S. policy changes and uncertainty about such changes could increase market volatility and currency exchange rate fluctuations. As a result of these dynamics, we cannot predict the impact to our business of any future changes to the U.S.'s or other countries' trading relationships or the impact of new laws or regulations adopted by the U.S. or other countries. In addition to the direct impact to our costs, the tariffs may weaken consumer confidence and may result in elevated inflation depressing discretionary consumer spending negatively impact demand for our products.

REGULATORY ENVIRONMENT: ISSUERS WITH CANNABIS-RELATED ASSETS IN THE UNITED STATES

In accordance with Staff Notice 51-352, below is a discussion of the current federal and California regulatory regimes where the Company is currently directly and indirectly involved, through its subsidiaries and investments, in the U.S. regulated cannabis industry.

In accordance with Staff Notice 51-352, the Company evaluates, monitors and reassesses this disclosure, 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 the U.S. regulated cannabis industry. Any non-compliance, citations or notices of violation which may have an impact on the Company's licenses, business activities, or operations will be promptly disclosed by the Company.

The Company derives its revenues from the cannabis industry in California, and the industry is illegal under U.S. federal law.

The Company is involved (through its licensed subsidiaries) in the regulated cannabis industry in the U.S. where state, local and territorial laws permit such activities. The legalization and regulation of cannabis for medical and adult-use purposes is being implemented at the State level in the United States, and in California, at the State and local levels. State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act of 1970 (the "Substances Act" or "CSA"), which lists cannabis as a Schedule I drug and renders cannabis use and, except in very limited circumstances, possession federally illegal. Although certain states and territories of the U.S. authorize medical and/or adult-use 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 federal law under any and all circumstances under the CSA. Although the Company's activities are compliant with applicable United States state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company, including the risk of having its assets seized.

Currently, its subsidiaries and managed entities are directly engaged in the cultivation, manufacture, processing, sale and distribution of cannabis and hold the state and local adult-use and medical licenses required for its participation in the regulated cannabis marketplace in the state of California.

The Company's Statement of Financial Position and Operating Statement Exposure to U.S. Cannabis Related Activities.

As of the date of this MD&A, the majority of the Company's business was directly derived from U.S. cannabis-related activities. As such, the Company's statement of financial position and statement of profits and losses exposure to U.S. cannabis-related activities is nearly 100%.

California Cannabis Market

Management believes that California, given its talent pool, wealth of brand and product expertise and superior growing conditions, is the most strategic base for expansion once cannabis is legalized at the federal level clearing the way for interstate commerce. It is management's view that California has significant impact on global consumer trends, especially the CPG industry. In other states and around the world, California cannabis strains are often perceived as the "gold standard." With over 30 million adult residents and approximately 271 million visitors annually, the legal market for California cannabis product sales was \$4.0 billion in 2024 per the California Department of Tax and Fee Administration and is larger than any other state in the United States. It is commonly estimated that the total market in California, including legal and non-legal (i.e., illicit) cannabis sales, is US \$10-15 billion, making it the largest cannabis market in the world. The total size of the US legal market for cannabis in 2024 was estimated at US \$32.1 billion by the MJBiz Factbook, and this source projects that the market will grow to US \$54.2 billion by 2029.

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the *Compassionate Use Act*. This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine or any other illness for which marijuana provides relief. In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as *Medical Cannabis Regulation and Safety Act* (“MCRSA”). MCRSA established a general 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 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as the *Medical and Adult-Use Cannabis Regulation and Safety Act* (“MAUCRSA”), which combined and expanded upon MCRSA and AUMA to provide a set of comprehensive 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. The California Bureau of Cannabis Control (the “BCC”), the California Department of Food and Agriculture (the “CDFA”), the California Department of Public Health – Manufactured Cannabis Safety Branch (the “CDPH”), and the California Department of Tax and Fee Administration all had some degree of regulatory responsibility for marijuana operations. MAUCRSA became effective on January 1, 2018.

From January 2018 through mid-2021, three (3) different state programs licensed and regulated cannabis businesses: the BCC, the CDFA, and the CDPH. In July 2021, the California Department of Cannabis Control (the “DCC”) was established by consolidating the three former state cannabis authorities, the BCC, the CDFA, and the CDPH. The DCC released consolidated regulations in September 2021 aimed at:

- creating a single point of contact for licensees, local governments and other stakeholders;
- simplifying and centralizing licensing and regulatory oversight;
- supporting businesses to be successful and compliant with state law; and
- improving enforcement coordination.

In July 2019, California enacted A.B. 97. In relevant part, this bill authorized licensing authorities to issue citations and fines to a licensee or an unlicensed person who violates MAUCRSA. The maximum fine is \$5,000 per violation for licensees and \$30,000 per violation for unlicensed persons. Each day of a violation constitutes a separate violation. A.B. 97 also repeals a prior requirement that an applicant for a provisional license first hold a temporary license. The bill also requires applicants for provisional licenses to submit evidence of compliance with the *California Environmental Quality Act* (“CEQA”), limits the validity of a provisional license to 12 months with subsequent renewals as approved by the relevant licensing authority, and allows licensing authorities to revoke provisional licenses for failing to diligently pursue final licensure. Finally, the bill required the CDPH to establish a certification program for manufactured cannabis products comparable to the *National Organic Program and the California Organic Food and Farming Act*. In October 2019, California enacted A.B. 1529. This bill mandated that all cannabis vaping cartridges and cannabis vaporizers must include a universal symbol identifying the product as a vaping product.

In recent years, California has continued to pass legislation impacting the state’s cannabis industry. California passed legislation to bring an end to DCC-issued provisional licenses. As of January 1, 2025, the DCC no longer renews provisional licenses, with exceptions for certain social equity licenses. In September 2022, Governor Newsom signed into law SB 1326, which creates a process for California to enter into agreements with other states to allow cannabis transactions with entities outside California—though the Company notes that this legislation is considered highly experimental and does not reduce risk with respect to the Company, as it is predicated on inter-state cannabis transactions being legalized at the U.S. federal level, and industry stakeholders tend to view the framework established by this bill as highly theoretical. SB 1186, also signed into state law, pre-empts local bans on medicinal cannabis delivery, expanding patients’ access to legal, regulated cannabis products. Various additional bills were passed in 2022 regarding cannabis packaging, labeling, advertisement, and marketing, as well as an assembly bill attached as a trailer bill to the state budget that eliminated, beginning July 1, 2022, the cultivation tax from harvested cannabis entering the commercial market. In 2023 and 2024 California adopted cannabis-related legislation to protect job applicants from discrimination based on prior cannabis use, and, effective 2025, legislation went into effect allowing licensed cannabis dispensaries to, provided local regulations allow, operate consumption lounges. State-level taxes continue to be high. On July 1, 2025, applicable excise taxes rose by four percent to 19 percent. On September 22, 2025, California Assembly Bill 564 was signed into law, reversing the increase in the cannabis excise tax that had raised the rate to 19 percent and returning (or keeping) it at 15 percent through July 2028.

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 requires license holders to operate in local jurisdictions with cannabis licensing programs. Therefore, local jurisdictions in California are allowed to determine the number of licenses they will issue to cannabis operators or can choose to outright ban licensed commercial cannabis activity. Local jurisdictions also are free to require additional permits, and impose ordinances, rules, and regulations that surpass state laws and regulations.

To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding any changes to the risk of enforcement action specific to the State of California.

U.S. Federal Overview

The Controlled Substances Act

The U.S. federal government regulates drugs through the federal CSA (21 U.S.C. § 811), which places controlled substances, including cannabis (referred to under the CSA as “marihuana” but referenced herein as “cannabis”),¹ in 1 of 5 different schedules. Cannabis is currently classified as a Schedule I drug.² As a Schedule I drug, the federal DEA considers cannabis to have a high potential for abuse, no currently accepted medical use in treatment in the U.S., and a lack of accepted safety for use of the drug under medical supervision.³ By notable contrast, the U.S. federal government has a separate regulatory regime regulating industrial hemp and excludes industrial hemp from cannabis; industrial hemp is defined under U.S. federal law as “any part of the plant *Cannabis sativa* L., including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers,” with no more than a 0.3% concentration of delta-9 tetrahydrocannabinol (“THC”) on a dry weight basis (referred to herein as “hemp” or “industrial hemp”). However, in November 2025, Congress enacted changes to the federal hemp framework (P.L. 119-37, § 781) that, among other things, tightened federal treatment of certain intoxicating hemp-derived cannabinoid products and may cause certain products that previously relied on “hemp” status to be treated as controlled substances under the CSA depending on THC content and other statutory criteria (with an effective date noted as April 14, 2026). The Company believes the CSA categorization of cannabis as a Schedule I drug is not reflective of the many medicinal properties of cannabis or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, that it has medicinal properties, and that it can be safely administered.⁴

Although certain states and territories of the U.S. authorize medical or adult-use cannabis production and distribution by duly-licensed entities, under current 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. The concepts of “medical cannabis,” “retail cannabis” and “adult-use cannabis” do not exist under U.S. federal law—there is only the Schedule I drug which remains illegal for purchase or sale. Although the Company’s activities are materially compliant with applicable state, local and territorial laws, strict compliance with state, local and territorial laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law nor provide a defense to federal criminal charges that may be brought against the Company. 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, federal law shall govern.

Nonetheless, 38 U.S. states, the District of Columbia, and the territories of Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands have legalized or decriminalized some form of cannabis for medical use, while 24 states and the District of Columbia have legalized the adult-use of cannabis for recreational purposes. Notwithstanding the foregoing, cannabis remains illegal under U.S. federal law, with cannabis listed as a Schedule I drug under the CSA.

¹ The CSA states: “The term ‘marihuana’ means all parts of the plant *Cannabis sativa* L., whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of such plant, its seeds or resin. Such term does not include the mature stalks of such plant, fiber produced from such stalks, oil or cake made from the seeds of such plant, any other compound, manufacture, salt, derivative, mixture, or preparation of such mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of such plant which is incapable of germination.” 21 U.S.C. § 802(16).

² Unless otherwise noted herein, we use cannabis and marijuana interchangeably.

³ 21 U.S.C. 812(b)(1).

⁴See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. *Scientific Reports*, 5, 8126. doi: 10.1038/srep08126; see also Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. *Visions Journal*, 5. Retrieved from http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; see also Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. *Neurotoxicology and Teratology*, 31, 349-355. <https://doi.org/10.1016/j.ntt.2009.07.006>; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from <https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-head-neck-cancer-idUSTRE57O5DC20090825>; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. *Arch Gen Psychiatry Review*, 57, 547-552. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/10839332>; see also Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. *Addictive Behaviours*, 28, 1533-1554. Retrieved from <http://www.ukcia.org/research/AggressiveBehavior.pdf>; and see also Fals-Steward, W., Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. *Addictive Behaviors*, 28, 1555-1574. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/14656545>.

Until 2018, the federal government provided guidance to federal law enforcement agencies and banking institutions regarding cannabis through a series of memoranda from the Department of Justice (“DOJ”). The most recent such memorandum was drafted by former Deputy Attorney General James Cole on August 29, 2013 (“Cole Memorandum”).⁵ The Cole Memorandum offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding cannabis in all states, and acknowledged that, notwithstanding the designation of cannabis as a Schedule I controlled substance at the federal level, certain states have enacted laws authorizing the use of cannabis. The Cole Memorandum also noted that state jurisdictions that have enacted laws legalizing cannabis in some form have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis. As such, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. The Cole Memorandum was seen by many state-legal cannabis companies as a safe harbor for their licensed operations that were conducted in full compliance with all applicable state and local regulations. However, on January 4, 2018, former U.S. Attorney General Jeff Sessions rescinded the Cole Memorandum. In the absence of a uniform federal policy, as a result of the rescission of the Cole Memorandum, federal prosecutors are free to utilize their prosecutorial discretion to decide whether to prosecute commercial cannabis activities despite the existence of state-level and territorial-level laws that may be inconsistent with federal prohibitions.⁶

Following his election, President Biden appointed Merrick Garland to serve as the U.S. Attorney General. While Attorney General Garland indicated in his confirmation hearing that he felt that enforcement of the federal cannabis prohibition against state-licensed cannabis businesses would not be a priority target of Department of Justice resources, no formal enforcement policy was ever issued by the Biden administration.

Following his re-election, President Trump appointed Pam Bondi to serve as the U.S. Attorney General. As Florida’s Attorney General, Bondi opposed efforts to legalize medicinal cannabis within the state. During the first Trump administration, Bondi served on the President’s Commission on Combating Drug Addiction and the Opioid Crisis, which issued a report expressing concerns about cannabis legalization. During Bondi’s confirmation hearings, she declined to comment on how she would handle cannabis policy issues. On April 1, 2025, the White House stated that “no action is being considered at this time” in terms of cannabis policy.⁷ President Donald Trump’s nominee to lead the DEA, Terrance Cole, was confirmed and sworn in as the new Administrator of the DEA in July 2025. Mr. Cole had indicated in recent congressional testimony that examining a proposal to federally reschedule marijuana would be one of his first priorities if confirmed for the role, though a list of Mr. Cole’s strategic priorities published by the DEA following his elevation to Administrator did not include cannabis rescheduling. The DEA’s pending administrative process to reschedule cannabis, however, remains paused.

On December 18, 2025, President Trump issued an Executive Order addressing marijuana and cannabidiol research and federal cannabis policy, which, among other directives, instructs the Attorney General to take steps, consistent with applicable law, to expedite the federal administrative process related to moving marijuana to Schedule III of the CSA and to implement associated federal actions described in the Executive Order. The Executive Order does not itself reschedule marijuana or legalize cannabis under U.S. federal law, and any change in marijuana’s scheduling remains subject to completion of the applicable rulemaking process by the DEA. As of the date of this document, marijuana remains classified as a Schedule I controlled substance, and there can be no assurance as to the timing or outcome of any rescheduling effort.

There is no guarantee that state and local 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, local and territorial laws within their respective jurisdictions. Unless and until the U.S. Congress (“Congress”) and/or the appropriate federal regulatory agencies amend the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance) in a manner that makes federally legal the current state and local commercial cannabis programs, there is a risk that federal authorities may enforce current U.S. federal law.

As an industry best practice, despite the rescission of the Cole Memorandum, the Company abides by the following standard operating policies and procedures:

1. Ensure that its operations are materially compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;

⁵See James M. Cole, *Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement* (Aug. 29, 2013), available at <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>.

⁶ Please note the below discussion of the Rohrabacher-Farr Amendment, which prevents the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law, and which acts to restrict federal prosecutors from targeting many commercial cannabis operators even in lieu of the rescission of the Cole Memorandum.

⁷ See “Pro-marijuana group aims to sway Trump by airing ads around White House and Mar-a-Lago,” *CNN*, available at <https://www.cnn.com/2025/04/01/politics/trump-marijuana-ads/index.html>.

2. Ensure that its cannabis related activities materially adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the applicable requirements);
3. Implement policies and procedures to ensure that cannabis products are not distributed to minors;
4. Implement policies and procedures to ensure that funds are not distributed to criminal enterprises, gangs or cartels;
5. Implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states and territories where cannabis is not permitted by state, territorial, or local law, or across any state, territorial, or local lines in general;
6. Ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti- money laundering statutes; and
7. Ensure that its 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.

In addition, the Company conducts background checks to ensure that the principals and management of its operating subsidiaries are of good character, have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in the cultivation, manufacturing or distribution of cannabis. The Company also conducts ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to the possession by the Company of cannabis or cannabis products of the Company outside of the licensed premises. See “*Compliance and Monitoring*” section herein for additional details.

One legislative safeguard for the medical cannabis industry remains in place: Congress has passed a so-called “rider” provision in the fiscal years 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The rider is known as the “Rohrabacher-Farr” Amendment after its original lead sponsors (it is also sometimes referred to as the “Rohrabacher-Blumenauer” or “Joyce- Leahy” Amendment, but it is referred to in this MD&A as the “Rohrabacher-Farr Amendment”). The Rohrabacher-Farr Amendment was included in the Consolidated Appropriations Act, 2024 (the “2024 Act”) and signed into law by President Biden on March 9, 2024. The 2024 Act was subsequently extended three times, ensuring that the Rohrabacher-Farr Amendment will remain in effect through the expiration of the 2024 Act on September 30, 2025, barring new legislative action or a judicial finding against its effectiveness. There is no guarantee that the Rohrabacher-Farr Amendment will be included in future appropriations legislation or a continuing budget resolution once the current spending bill expires.

On October 6, 2022, President Biden announced a series of marijuana-related initiatives. Included amongst them was a directive to the Secretary of Health and Human Services and the Attorney General “to initiate the administrative process to review expeditiously how marijuana is scheduled under federal law. Federal law currently classifies marijuana in Schedule I of the CSA, the classification meant for the most dangerous substances.” This administrative review would be conducted by the FDA and the DEA. This review could result in efforts to remove cannabis from Schedule I of the CSA, and such efforts are formally underway as of the date of this MD&A. On August 30, 2023, the Department of Health and Human Services published its recommendation that marijuana should be moved to Schedule III. In April 2024, the DEA presented a proposed change rescheduling cannabis to Schedule III and opened a public comment period. That public comment period ended on July 22, 2024. The vast majority of the thousands of comments received were in favor of rescheduling. In response, two leading congressional Republicans, Rep. Cathy McMorris Rogers, who chairs the House Energy and Commerce Committee, and Rep. Brett Guthrie, who chairs the Subcommittee on Health, wrote a letter to the DOJ and the Department of Health and Human Services questioning the rescheduling process as constituting “unusual circumstances” and suggesting the DEA has doubts about rescheduling. The lawmakers pointed out that the proposed rule itself states that the “DEA has not yet made a determination as to its views of the appropriate schedule for marijuana.” The DEA had noticed its intention to convene a hearing on December 2, 2024 on the notice of proposed rulemaking. The DEA postponed the hearing to January 21, 2025, but the hearing was eventually canceled by the Chief Administrative Law Judge for the DEA (an internal administrative tribunal of the DEA) due to procedural issues and pending appeals and legal actions, and is expected to be rescheduled at a future date. The Chief Administrative Law Judge ordered a joint status update, establishing a deadline of April 21, 2025 for the parties to respond. Those proceedings remain stalled pending further status conferences. As of the date of this MD&A, there is no firm timeline for resolution of the pending procedural issues, and the DEA has taken no concrete steps to advance the process, indicating resolution may not be an immediate priority for the Trump Administration. As noted above, President Trump’s December 18, 2025 Executive Order directs certain federal agencies to take steps intended to expedite the Schedule III rescheduling process and related federal actions with respect to marijuana, but there can be no assurance as to timing or outcome.

At present, the DEA has the final say in whether to change marijuana’s scheduling and is not bound to abide by the recommendations of the Department of Health and Human Services. Additionally, changing marijuana’s scheduling under the CSA is not equivalent to decriminalizing cannabis use, and would serve to alter, but not eliminate, federal regulation of marijuana. Altering the scheduling would mean the federal government acknowledges some medical uses of marijuana, but would not change its current status as a controlled substance prohibited for most uses under federal law; indeed, placing cannabis on a different schedule, such as Schedule III as contemplated, would have the effect of imposing a separate federal program of rules and regulations on commercial cannabis activity largely incongruent with the programs permitted under state, local and territorial laws currently in effect, and the prevailing business environment of the regulated cannabis marketplace in the U.S. If the DEA does not act to alter the scheduling of marijuana, Congress could take legislative action to remove marijuana from Schedule I, either choosing to move it to another schedule, create a new schedule or classification for marijuana under the CSA, or remove marijuana as a controlled substance altogether.

On September 27, 2023, the Senate Banking Committee passed the Secure and Fair Enforcement Regulation Banking Act (“SAFER Banking Act”) out of committee. The SAFER Banking Act is now pending a vote of the full Senate. While some banks, credit unions and other financial services providers will provide banking services to the regulated cannabis industry, the majority of medicinal or recreational cannabis businesses do not participate in traditional banking systems due to the risks of federal prosecution. The SAFER Banking Act would include safe harbor from certain criminal, civil and administrative penalties which may otherwise result due to the status of marijuana under federal law or on the basis of a banking institution’s provision of financial services to a business that violates federal law. While marijuana would remain federally illegal under the SAFER Banking Act, the law would resolve existing tensions between federal and state law with respect to banking, lending to, and insuring a state or territorial-legal cannabis business. The SAFER Banking Act would create guidelines and restrictions surrounding due diligence of regulated cannabis businesses and ongoing monitoring for specific activities, essentially bringing the regulated cannabis industry in line with other highly regulated industries which are permitted to use traditional banking institutions. As of the date of this filing, the SAFER Banking Act is pending a vote on the Senate floor, but no vote has been scheduled.

Pending enactment of the SAFER Banking Act, the current FinCEN guidance (FIN-2014-G001, issued February 14, 2014) remains in line with the Cole Memorandum and details due diligence requirements, the requirement to file regular Suspicious Activity Reports for cannabis-related businesses, and compliance with Currency Transaction Reports. Existing guidelines permit banking institutions to service the regulated cannabis industry if they follow strict guidelines and comply with regular mandatory reporting relating to those entities.

Nevertheless, as of the date of this MD&A, cannabis remains a Schedule I controlled substance at the federal level. The U.S. federal government has always reserved the right to enforce federal law regarding the sale and disbursement of medical or adult-use cannabis, even if state law sanctions such sale and disbursement. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states and territories where the sale and use of cannabis is currently legal, or if existing applicable state, local and territorial laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects could be materially adversely affected.

The results of the 2024 presidential and congressional elections create uncertainty regarding the likelihood of any legal developments regarding cannabis at the federal level as well. President Trump has indicated that he is in support of federal cannabis reform including federal legislation to remove restrictions on banking services for state-legal marijuana businesses, as well as the rescheduling of cannabis under the CSA. President Trump also signaled that he may support state efforts to legalize recreational cannabis use; provided, however, any new administration's ultimate willingness to support the cannabis industry in any respect is virtually impossible to predict. The balance of power in both the United States House of Representatives and the United States Senate could also impact future prospects for federal cannabis reform legislation.

Following his re-election, President Trump appointed Pam Bondi to serve as the U.S. Attorney General. As Florida's Attorney General, Bondi opposed efforts to legalize medicinal cannabis within the state. During the first Trump administration, Bondi served on the President's Commission on Combating Drug Addiction and the Opioid Crisis, which issued a report expressing concerns about cannabis legalization. During Bondi's confirmation hearings, she declined to comment on how she would handle cannabis policy issues. On April 1, 2025, the White House stated that "no action is being considered at this time" in terms of cannabis policy.⁸ President Trump's nominee to lead the DEA, Terrance Cole, has indicated in recent congressional testimony that examining a proposal to federally reschedule marijuana will be one of his first priorities if confirmed for the role. Mr. Cole's nomination was confirmed, and he was sworn in on July 23, 2025. The DEA's pending administrative process to reschedule cannabis, however, remains paused. On December 18, 2025, as noted above, President Trump issued an Executive Order intended to accelerate specified federal actions related to marijuana scheduling and cannabis/cannabidiol research, though the outcome and timing of any resulting federal scheduling action remains uncertain.

Money Laundering Laws

Under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of any Schedule I controlled substance. Due to the CSA's current categorization of marijuana as a Schedule I drug, federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the U.S. Currency and Foreign Transactions Reporting Act of 1970 ("Bank Secrecy Act"). Therefore, under the Bank Secrecy Act, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be charged with money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to accommodate businesses in the large and increasing number of U.S. states and territories that have legalized medical and/or adult-use marijuana, in 2014, the Department of the Treasury Financial Crimes Enforcement Network ("FinCEN") issued guidance to prosecutors of money laundering and other financial crimes ("FinCEN Guidance") and notified banks that it would not seek enforcement of money laundering laws against banks that service marijuana-related businesses operating under state or territorial law, provided that strict due diligence and reporting standards are met. The FinCEN Guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses so long as that business is legal in their state or territory and none of the federal enforcement priorities referenced in the Cole Memorandum are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN Guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. Verifying with the appropriate state and territorial authorities whether the business is duly licensed and registered;
2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state or territorial license to operate its marijuana-related business;

⁸ See "Pro-marijuana group aims to sway Trump by airing ads around White House and Mar-a-Lago," *CNN*, available at <https://www.cnn.com/2025/04/01/politics/trump-marijuana-ads>.

3. Requesting from state or territorial licensing and enforcement authorities available information about the business and related parties;
4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the types of customers to be served (e.g., medical versus adult-use customers);
5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

With respect to information regarding state and territorial licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state and territorial licensing authorities, where states and territories make such information available.

Because most banks and other financial institutions are unwilling to provide any banking or financial services to cannabis businesses, these businesses can be forced into becoming “cash-only” businesses. While the FinCEN Guidance decreased some risk for banks and financial institutions considering serving the industry, in practice it has not materially increased banks’ willingness to provide services to regulated cannabis businesses, and most banks continue to decline to operate under the strict requirements provided under the FinCEN Guidance. This is because, as described above, the current law does not provide banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each regulated cannabis business they accept as a customer.

The relatively few state-chartered banks and/or credit unions that have agreed to work with marijuana-related businesses to date are typically limiting those accounts to small percentages of their total deposits to avoid creating a liquidity risk. Since, theoretically, the federal government could change the banking laws as it relates to marijuana-related businesses at any time and without notice, these state-chartered banks and credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana-related businesses in a single day, while also keeping sufficient liquid capital on hand to serve their other customers. Those state-chartered banks and credit unions that do have customers in the cannabis industry charge marijuana-related businesses higher fees to pass on the added cost of ensuring compliance with the FinCEN Guidance. Unlike the Cole Memorandum, however, the FinCEN Guidance from 2014 has not been rescinded.

The Secretary of the Treasury, Scott Bessent, has not articulated an official position of the U.S. Department of the Treasury with regard to the FinCEN Guidance. Accordingly, as an industry best practice and consistent with its standard operating procedures, the Company adheres to all customer due diligence steps in the FinCEN Guidance.

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

In the absence of comprehensive reform of U.S. federal cannabis legislation that would federally decriminalize the cannabis industry, a growing number of members of Congress have expressed support for federal legislation that would eliminate from the scope of federal money laundering statutes the financing activity of businesses operating under state and territorial-sanctioned cannabis programs. On September 26, 2019, the U.S. House of Representatives passed the Secured and Fair Enforcement Banking Act of 2019 (commonly known as the “SAFE Banking Act”), which aims to provide safe harbor guidance to financial institutions that work with U.S. regulated cannabis businesses. The SAFE Banking Act has since been introduced and has passed the U.S. House of Representatives several times, but has not been passed by the U.S. Senate. The SAFE Banking Act has also been proposed as a rider to federal annual budget bills and the National Defense Appropriations Act. However, such attempts have failed, most recently with respect to inclusion in the Consolidated Appropriation Act, signed by President Biden on December 29, 2022. As of the date of this MD&A, the SAFER Banking Act remains pending and has not yet been scheduled for a Senate floor vote. While proponents continue to press leadership for floor action, no firm timing has been established. While Congress may consider legislation in the future that may permanently address these issues, there can be no assurance of the content of any proposed legislation or that such legislation is ever passed. The Company’s inability, or limitations on the Company’s ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Federal Taxation of Cannabis Businesses

An additional challenge to cannabis-related businesses is that the provisions of Section 280E of the Internal Revenue Code of 1986, as amended (“Section 280E”), are being applied punitively by the IRS to businesses operating in the medical and adult-use cannabis industry. Section 280E prohibits businesses from deducting certain expenses associated with the trafficking of controlled substances within the meaning of Schedule I and II of the CSA. The IRS has applied Section 280E broadly and punitively in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state and territorial laws, seeking substantial sums in tax liabilities, interest and penalties resulting from the underpayment of taxes due to the lack of deductibility of otherwise ordinary business expenses, the deduction of which is prohibited by Section 280E. Although the IRS has from time to time issued clarifications allowing the deduction of certain expenses that can be categorized as the cost of goods sold, the scope of such items is interpreted somewhat narrowly and disparately depending upon the type of cannabis vertical (e.g., cultivation, manufacturing, retail and distribution), and the bulk of operating costs, selling, and general administrative costs are not permitted to be deducted, especially on the retail side. Therefore, businesses in the state, local and territorial-legal cannabis industry are subject to substantially higher effective tax rates and thus may be less profitable than they would otherwise be. Notwithstanding the foregoing, there have been numerous challenges by cannabis stakeholders to the IRS’s application of Section 280E to cannabis business activities, several of which are pending resolution. It should be noted that because Section 280E applies only to activities involving controlled substances within the meaning of Schedule I or II of the CSA, President Trump’s Executive Order which is intended to accelerate specified federal actions related to marijuana scheduling would ostensibly allow U.S. regulated cannabis businesses to deduct all of their business expenses on federal tax filings without any prohibitions under Section 280E on a go-forward basis in the absence of any additional proposed changes to the Internal Revenue Code by Congress.

Service Providers

As a result of any adverse change to the approach in enforcement of U.S. federal cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could abruptly suspend or withdraw their services, which may have a material adverse effect on the Company’s business, revenues, operating results, financial condition, or prospects.

Ability to Access Capital

Given the current U.S. federal laws regarding cannabis, traditional bank financing is typically not available to U.S. cannabis companies. Specifically, the federal illegality of marijuana in the U.S. means that financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under anti-money laundering statutes, the unlicensed money transmitter statute and the Bank Secrecy Act. As a result, businesses involved in the cannabis industry often have difficulty finding bank and/or merchant processors willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the U.S. must do so in compliance with the FinCEN guidance and other applicable Bank Secrecy Act obligations, both discussed above. For clarity, the Department of Justice’s “Cole Memorandum” was rescinded in 2018 and does not provide operative federal enforcement guidance.

If the Company requires equity and/or debt financing to support its on-going operations, to undertake capital expenditures and to undertake acquisitions or other business combination transactions, there can be no assurance that additional financing will be available to the Company when needed or on terms which are commercially reasonable or otherwise acceptable. The Company’s inability to raise financing through traditional banking to fund its on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company’s business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing Company shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to existing holders of Equity Shares.

Heightened Scrutiny by Regulatory Authorities

For the reasons set forth above, the Company’s existing operations in the U.S., and any future operations or investments of the Company, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada, the U.S. or elsewhere. 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 any other jurisdiction or have consequences for its stock exchange listing or Canadian reporting obligations, in addition to those described herein.

Changes to government policy or public opinion may also result in a significant influence on the regulation of the cannabis industry in Canada, the U.S., or elsewhere. A negative shift in the public's perception of medical or adult-use cannabis in Canada, the U.S. or any other applicable jurisdiction could affect future legislation or regulation, or enforcement. Such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult-use cannabis, thereby limiting the number of new state or territorial jurisdictions into which the Company could expand. Any inability to fully implement the Company's business strategy in the state in which the Company currently operates may have a material adverse effect on the Company's business, financial condition, and results of operations. See the "Risk Factors" section of the Annual Information Form for the year ended December 31, 2025, available on SEDAR+ at www.sedarplus.ca for additional details.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, asset forfeiture, and cessation of business activities or divestiture. Any enforcement action against the Company or any of its licensed operating facilities could have a material adverse effect on (1) the Company's reputation, (2) the Company's ability to conduct business, (3) the Company's holdings (directly or indirectly) of medical or adult-use cannabis licenses in the U.S., (4) the listing or quoting of the Company's securities on the Canadian stock exchange or other stock exchanges, (5) the Company's financial position, (6) the Company's operating results, profitability, or liquidity, or (7) the market price of the Company's publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or their final resolution because the time and resources that may be necessary depend on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See the "Risk Factors" section of the Annual Information Form for the year ended December 31, 2025, available on SEDAR+ at www.sedarplus.ca for additional details. The Company's business activities, and the business activities of its subsidiaries, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law.

Further, the CDS Clearing and Depository Services Inc. ("CDS"), Canada's central securities depository which clears and settles trades in the Canadian equity, fixed income and money markets, indicated that it would refuse to settle trades for cannabis issuers that have investments in the U.S. The TMX Group, the owner and operator of CDS, subsequently issued a statement in August 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

In February 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 The Aequis NEO Exchange Inc. (now, Cboe Canada), the Canadian Securities Exchange, 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 as it relates to issuers with cannabis-related activities in the U.S. 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 currently no CDS ban on the clearing of the securities of issuers with cannabis-related activities in the U.S. 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 Company's equity shares are listed on a stock exchange, it would have a material adverse effect on the ability of such holders to make and settle trades. In particular, such equity would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of securities through the facilities of the applicable stock exchange.

Compliance and Monitoring

As of the date of this MD&A, the Company believes that each of its licensed operating entities (a) holds all applicable state and local licenses to cultivate, manufacture, possess, and/or distribute cannabis in the State of California, and (b) is in good standing and in material compliance with California's cannabis regulatory program. The Company is in material compliance with its obligations under state and local laws related to its cannabis cultivation, manufacturing, distribution and dispensary licenses, other than minor violations that would not result in a material fine, suspension, non-renewal or revocation of any relevant license.

The Company uses reasonable commercial efforts to ensure that its business is in material compliance with laws and applicable licensing requirements and engages in the regulatory and legislative process nationally and in the state where it operates through its compliance department, outside government relations consultants, cannabis industry groups and legal counsel.

The compliance department is managed by the Company's General Counsel and Corporate Secretary, Benjamin Vega ("General Counsel"). The Company's compliance department is charged with knowing the local regulatory processes in California and is responsible for monitoring developments with their state and local agencies and governing bodies. The compliance department regularly reports regulatory developments to the Company's General Counsel through written and oral communications and is charged with the creation and implementation of plans regarding all regulatory developments. The Company's General Counsel works with external legal advisors in California to ensure that the Company is in ongoing compliance with applicable state and local laws and regulations and is aware of pending legislation and regulations at both the state and local levels which may impact the Company's ongoing operations in any material respect.

Although the Company believes that its business activities are materially compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may result in a material adverse effect on the Company. The Company currently derives 100% of its revenues from the regulated cannabis industry in California, which industry is currently illegal under U.S. federal law. Even where the Company's cannabis-related activities are compliant with applicable state and local laws, such activities remain illegal under U.S. federal law. The enforcement of relevant federal laws is a significant risk. Recent federal executive action signed in December 2025 is intended to expand federal marijuana and cannabidiol research, and spurs the rescheduling of cannabis as a Schedule III substance, but it does not itself legalize commercial cannabis activity under the CSA or make consistent with federal law existing state and local commercial cannabis regulatory programs, and significant enforcement risk remains.

In addition to the above disclosure, please see the "Risk Factors" section of the Annual Information Form for further risk factors associated with the Company's operations for the year ended December 31, 2025, available on SEDAR+ at www.sedarplus.ca.

California Legal Framework and How It Affects the Company's Business

California Licensing Scheme

California's licensing body for medical and adult-use cannabis is the Department of Cannabis Control ("DCC"). There is no limit to the number of licenses the State of California may issue; however, some local jurisdictions have a limit on the number of licenses they will issue. Each license grants one licensed premises, and the main classes of licenses are: cultivation, retailer, distributor, manufacturer, microbusiness, event organizer, and testing laboratory. Additionally, a license may not be held by, or issued to, any person holding office in, or employed by, any agency of the State of California or any of its political subdivisions when the duties of such person are associated with enforcement of laws or regulations regarding cannabis or cannabis products. Although there are no requirements for vertical integration, California does define specific cultivation license types by canopy size.

California Medical Patient Requirements

Edibles labeled as "FOR MEDICAL USE ONLY" and only available for sale to a medicinal-use patient, may contain up to 500mg THC per package (adult use limit is 100mg THC/package). Topicals labeled as "FOR MEDICAL USE ONLY" and only available for sale to a medicinal-use patient, may contain up to 2000mg THC per package (adult use limit is 1000mg THC/package).

California Recent and Proposed Legislation

On August 31, 2024, the California State legislature approved Assembly Bill 1775, which would allow local jurisdictions the authority to approve "cannabis cafes," where licensed retail and microbusiness (with retail) facilities could sell food and nonalcoholic beverages and host live music and other performances. On September 30, 2024, Governor Newsom approved Assembly Bill 1775, making the law effective on January 1, 2025. Under current law, some California cannabis dispensaries already offer "consumption lounges" for customers to use cannabis products on-site, but they are barred from selling anything other than prepackaged snacks and drinks. As of January 1, 2025, certain food and nonalcoholic beverage sales are permitted provided the applicable local jurisdiction approves such sales activities under its relevant regulatory program.

On August 30, 2024, the California State legislature approved Senate Bill 1059, which prohibits cities or counties from including in the definition of gross receipts, for purposes of any local tax or fee on a licensed cannabis retailer, the amount of any cannabis excise tax imposed under California law or any sales and use taxes. Governor Newsom signed Senate Bill 1059 into law on September 29, 2024. Senate Bill 1059 took effect January 1, 2025, and will effectively remove a strategy for local governments to essentially compound taxation by precluding them from including amounts paid in state taxes in the tax base for a local tax.

In September 2025, AB 564 was passed into law in California, which reversed the scheduled increase in the state cannabis excise tax and maintains the excise tax rate at fifteen percent (15%) through June 30, 2028 (i.e., through the end of FY 2027–28), and the change became operative October 1, 2025.

For a detailed description of risk factors associated with the Company and its operations, please see the “Risk Factors” section of the Company’s Annual Information Form for the year ended December 31, 2025, available on SEDAR+ at www.sedarplus.ca.

REGULATORY ENVIRONMENT: ISSUERS WITH HEMP-RELATED ASSETS IN THE UNITED STATES

Below is a discussion of the current federal and California regulatory regimes where the Company may directly or indirectly be involved, through its subsidiaries and investments, in the U.S. regulated hemp industry.

The Company’s Hemp-Related Activities are Limited, Contingent, and May Not Result in Commercial Revenues.

The Company has entered into the regulated hemp industry in the U.S. where state, local and territorial laws permit such activities. As part of the California authorized state hemp program, the Company has entered into and recently renewed a partnership with the Regents of the University of California to cultivate hemp for scientific research purposes. The Company and its subsidiaries and managed entities also may directly participate in the cultivation, manufacture, processing, sale and distribution of industrial hemp and products containing hemp or hemp-derived substances, and such entities possess or will possess a hemp cultivation license as required for participation in the regulated hemp marketplace. In the future, Company may, through its wholly-owned or managed affiliates, make further investments into other companies directly and indirectly participating in the regulated hemp industry across the U.S. and internationally.

The Company’s Statement of Financial Position and Operating Statement Exposure to U.S. Hemp Related Activities.

As of the date of this MD&A, no revenues of the Company’s business were directly derived from U.S. hemp-related activities. The Company has procured from Ventura County, a local jurisdiction of California, a registration to cultivate industrial hemp and although the Company is not currently actively growing industrial hemp under this registration, the registration remains valid. As part of the California authorized state hemp program, the Company has entered into and recently renewed a partnership with the Regents of the University of California to cultivate hemp for scientific research purposes.

United States Regulation of Industrial Hemp and Hemp-Based Cannabinoids

On December 20, 2018, President Trump signed the Agriculture Improvement Act of 2018, Pub. L. 115- 334, (popularly known as the “2018 Farm Bill”) into law.⁹ Under the 2018 Farm Bill, industrial and commercial hemp are no longer to be classified as a Schedule I controlled substance in the U.S. The definition of “hemp” includes the plant *cannabis sativa* L and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers, which contain no more than 0.3% of delta-9 THC concentration by dry weight. The 2018 Farm Bill allows states to create regulatory programs allowing for the licensed cultivation of hemp and the production of hemp-derived products. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines, provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program approved by the U.S. Department of Agriculture and which otherwise meets the definition of “hemp.”

⁹ H.R.2 - 115th Congress (2017-2018): Agriculture Improvement Act of 2018, Congress.gov (2018), <https://www.congress.gov/bill/115th-congress/house-bill/2/text>.

In November 2025, Congress enacted the “Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026,” H.R. 5371 (119th Cong.), which became Public Law No. 119-37 on November 12, 2025. Section 781 of Public Law 119-37 amends the federal “hemp” definition in 7 U.S.C. § 1639, and provides that these amendments take effect 365 days after enactment. As amended, the definition shifts to a “total tetrahydrocannabinols” standard, expressly including THCA, capped at not more than 0.3% on a dry-weight basis, and adds statutory exclusions that remove certain cannabinoid products from treatment as lawful “hemp.” Those exclusions include (among other things): (i) “intermediate hemp-derived cannabinoid products,” including products containing specified synthesized/manufactured cannabinoids and/or exceeding a combined total of more than 0.3% “total tetrahydrocannabinols” plus other “THC-like cannabinoids” (as determined by HHS), and (ii) “final hemp-derived cannabinoid products” exceeding a per-container threshold of 0.4 milligrams combined total (including THCA and other “THC-like cannabinoids” as determined by HHS). These amendments, once effective, can be expected to materially narrow the range of hemp-derived cannabinoid products treated as lawful “hemp” under federal law and could increase federal controlled-substance risk for non-compliant products.

Despite the removal of CBD extracted from hemp and other hemp extracts produced under authorized state hemp programs excluded from the CSA, the FDA’s stated position remains that it is a prohibited act under the Federal Food, Drug, and Cosmetic Act (“FD&C Act”) to introduce into interstate commerce a food to which CBD, THC or cannabinoids has been added, or to market a product containing these ingredients as a dietary supplement.¹⁰

The FDA continues to enforce against violations of the FD&C Act by issuing warning letters to companies marketing and selling hemp-derived products. Over the past several years, the FDA has issued warning letters to companies marketing and selling unapproved hemp-derived CBD products. The letters reiterate the agency’s position that CBD cannot be added to food and dietary supplements, and as such, the agency has targeted companies whose products violated the FD&C Act’s prohibition against: (i) marketing CBD as or in a dietary supplement, human and animal food, or food additives; (ii) marketing a dietary supplement, human and animal food, or cosmetic with disease or drug claims (i.e., claims suggesting that a product is intended to treat, cure, or prevent diseases); (iii) including a substance in human or animal food when that substance is not GRAS (generally recognized as safe); and (iv) selling products that are misbranded due to their failure to include “adequate directions for use by a layperson.” The FDA also issued a consumer update reaffirming its position that CBD cannot lawfully be added to food or marketed as a dietary supplement due to existing provisions of the FD&C Act and outlining the data and potential safety issues it is considering as part of its ongoing evaluation of potential regulatory frameworks for CBD. Notably, the FDA states that it could not conclude based on available data that CBD is “generally recognized as safe” for use in human or animal food. While this is broad and may not be applicable in all instances, it nevertheless could materially and adversely impact the Company’s business and financial condition. Further, the FDA has repeatedly stated that it will continue to police the market and enforce against CBD products. On March 22, 2021, for example, the agency issued warning letters to two companies for selling over-the-counter products labeled as containing CBD, alleging the products were illegally marketed, unapproved drugs, which were misbranded due to prominent featuring of CBD on the labeling, followed by additional warning letters issued in 2021 and 2022. The FDA’s enforcement against the unlawful sale and marketing of CBD products has to date been limited to the issuance of warning letters, but other enforcement mechanisms are available to the FDA, including civil and criminal penalties. The FDA’s current prohibition on certain hemp-derived products and the unknowns and associated risks of potential future regulations governing hemp-derived products may have a material adverse effect on the Company’s business, revenues, operating results, financial condition, or prospects.

On January 26, 2023, the FDA announced its conclusion that existing regulatory pathways are not appropriate for CBD and that a new regulatory pathway would benefit consumers by providing safeguards and oversight to manage and minimize risks related to CBD products. The agency also stated that it is prepared to work with Congress on this matter and that it “will continue to take action against CBD and other Cannabis-derived products to protect the public, in coordination with state regulatory partners, when appropriate” by “monitoring the marketplace, identifying products that pose risks and acting within our authorities.” We note that although much of the official discussion on hemp-derived products had been localized to hemp-derived CBD, other hemp-derived cannabinoids should be assumed to be included. Further, as discussed below, regulatory changes surrounding the so-called “intoxicating” hemp-derived cannabinoids also have been an area of increasing concern and regulation.

Since 2024, Congress has introduced various legislation to amend the 2018 Farm Bill for the purpose of prohibiting or curbing the commercial production, sale, and distribution of certain hemp-derived cannabinoids with an “intoxicating” effect.

¹⁰ Notably, to date the FDA’s enforcement activities in respect of the sale of CBD foods and supplements has been largely focused upon those manufacturers and distributors that have made impermissible claims about the efficacy of CBD for treating certain diseases and medical conditions.

As noted above, Public Law No. 119-37 in November 2025 introduced amendments to the federal hemp definition originally established by the 2018 Farm Bill (effective 365 days after enactment) that (i) adopt a “total tetrahydrocannabinols” standard (including THCA) for hemp plant material and (ii) create product-based exclusions, including a per-container THC/cannabinoid threshold for certain final hemp-derived cannabinoid products.

These amendments, once effective in late 2026, are expected to directly and materially affect the legality, commercial viability, and regulatory compliance of hemp-derived cannabinoid products in which the Company may have a direct or indirect interest. The new laws will, if they become effective, directly and materially affect the legality, commercial viability, and regulatory compliance of products manufactured, distributed or otherwise produced using industrial hemp, in which the Company may have a direct or indirect interest.

As a result, there can be no assurance that federal law will continue to permit the manufacture, distribution, or sale of hemp-derived intoxicating products, and such changes to federal law or regulation may materially and adversely affect the business operations, prospects, and cash flows if hemp industry stakeholders.

As a result of the 2018 Farm Bill, federal law dictates that cannabinoids (like CBD and THC) derived from hemp are not a controlled substance; however, cannabinoids derived from hemp may still be considered a controlled substance under applicable state law. In addition, the federal amendments enacted in Public Law No. 119-37 (effective 365 days after enactment) exclude certain hemp-derived cannabinoid products, including specified synthesized or manufactured cannabinoids and products exceeding statutory THC or cannabinoid thresholds, from the definition of lawful “hemp,” which may cause such products to be treated as controlled substances under federal law. Individual states take varying approaches to regulating the production and sale of hemp and hemp-derived cannabinoids. Some states explicitly authorize and regulate the production and sale of hemp-derived cannabinoids (and/or products that contain them) or otherwise provide legal protection for authorized individuals to engage in commercial hemp activities. Other states, however, maintain drug laws that do not distinguish between marijuana and hemp and/or hemp-derived cannabinoids which results in hemp being classified as a controlled substance under certain state laws. State laws are in many cases not consistent between or among states and, in some instances, with federal law regarding hemp.

State-Level Hemp-Related Legislation

Various U.S. state and local authorities have enacted legislation and/or regulations to create regulatory programs regarding the cultivation of hemp, as well as the manufacturing and distribution of hemp products, especially hemp products containing “intoxicating” hemp-derived cannabinoids. California, for instance, recently took steps to enact certain regulatory and statutory changes to curb the market for “intoxicating” hemp-derived cannabinoids. Other states are moving to take action to regulate hemp products (for example, Missouri has recently adopted a state-level legal framework for hemp products, Illinois is exploring a regulatory regime for hemp, and Tennessee passed legislation effective in 2026 to regulate hemp products) creating a patchwork of laws and regulations that vary, and sometimes conflict between states. Other states have instituted bans or significant restrictions on some or all products with some or all hemp-derived cannabinoids, and others are considering legislation involving similar bans or significant restrictions. As a result, the regulatory and legal challenges associated with operating within the hemp industry are, generally, increasing both in terms of the quantity and complexity.

Notably, California Assembly Bill 8 (“AB 8”) was signed into law by Governor Gavin Newsom on October 2, 2025. The measure integrates “intoxicating hemp” and hemp-derived cannabinoids, including delta-8 THC and delta-10 THC, into the state’s regulated cannabis market. AB 8 revises the definition of “industrial hemp” to apply a “total THC” standard (encompassing delta-9 THC and its precursors) and restricts the manufacture, distribution, and retail sale of intoxicating hemp products to entities licensed under California’s cannabis regulatory framework. Once effective, the law prohibits unlicensed sales of such products, aligns testing, labeling, and packaging requirements with cannabis regulations, and expands enforcement authority for state and local agencies.

The legislation establishes a phased implementation timeline. Certain provisions, including limitations on the use of hemp extract in foods, beverages, and dietary supplements, take effect January 1, 2026. Full statutory enforcement of the transition—under which intoxicating hemp products must be sold only through licensed cannabis channels—commences January 1, 2028. Accordingly, AB 8 creates a multi-year transition period intended to harmonize the previously unregulated hemp-derived intoxicant market with the existing cannabis control regime.

The CDPH previously adopted emergency regulations on September 24, 2024, prohibiting the sale of hemp products containing any detectable amount of THC or other intoxicating cannabinoids and limiting sales to individuals 21 years of age or older. These emergency rules remain in effect and serve as the operative regulatory framework pending final rulemaking. CDPH has initiated permanent regulations that would codify many of the emergency provisions, and those proceedings are ongoing. AB 8 is designed to complement and ultimately supersede the emergency regime, providing a statutory foundation for continued enforcement against unregulated intoxicating hemp products until its full operative date in 2028.

For a detailed description of risk factors associated with the Company and its operations, please see the “Risk Factors” section of the Company’s Annual Information Form for the year ended December 31, 2025, available on SEDAR+ at www.sedarplus.ca.

Holding Foreign Insiders Accountable Act

Section 8103 of the National Defense Authorization Act for Fiscal Year 2026, named the “Holding Foreign Insiders Accountable Act” was signed into law on December 18, 2025, will require directors and officers of foreign private issuers to make insider reports under Section 16(a) of the Exchange Act, effective March 18, 2026. Directors and officers will remain exempt from the short swing profit rules of Section 16 of the Exchange Act.

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Shareholders' Equity

As of December 31, 2025 and 2024, our authorized share capital was comprised of an unlimited number of (i) Subordinate Voting Shares, (ii) Restricted Voting Shares, (iii) Limited Voting Shares, (iv) Multiple Voting Shares and (v) Preferred Shares.

Multiple Voting Shares

We are authorized to issue an unlimited number of Multiple Voting Shares without nominal or par value. Holders of Multiple Voting Shares are entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the Business Corporations Act (British Columbia). On all matters upon which holders of Multiple Voting Shares are entitled to vote, each Multiple Voting Share entitles the holder thereof to 50 votes per Multiple Voting Share. Multiple Voting Shares are not entitled to dividends and are not convertible. The Multiple Voting Shares had a three (3)-year sunset period that would have expired on June 29, 2024. At our annual general and special meeting of shareholders held on June 23, 2023, shareholders passed a special resolution to amend the Articles to extend the "sunset" date for the Multiple Voting Shares to June 29, 2027, upon which they will be automatically redeemed for \$0.001 per Multiple Voting Share.

Equity Shares

The holders of each class of Equity Shares are entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia) and except that holders of Limited Voting Shares are not entitled to vote for the election of directors of the Company. The Subordinate Voting Shares and Restricted Voting Shares carry one vote per share on all matters. The Limited Voting Shares carry one vote per share on all matters except the election of directors, as the holders of Limited Voting Shares do not have any entitlement to vote in respect of the election of directors of the Company.

In the case of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of our assets among our shareholders for the purpose of winding up our affairs, the holders of Equity Shares are entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Equity Shares (including any liquidation preference on any issued and outstanding Multiple Voting Shares and/or Preferred Shares), to participate ratably in the Company's remaining property along with all holders of the other classes of Equity Shares (on a per share basis).

Exchangeable Shares of MPB Acquisition Corp.

Exchangeable Shares are part of the authorized share capital of MPB Acquisition Corp. ("MPB"), our wholly-owned subsidiary, which entitle their holders to rights that are comparable to those rights attached to the Equity Shares. The Exchangeable Shares carry one vote per share, and the aggregate voting power of the Exchangeable Shares must not exceed 49.9% of the total voting power of all classes of shares of MPB. During the three months ended September 30, 2025, MPB amended and restated its Articles of Incorporation to provide for a new series of Exchangeable Shares that has substantially the same rights and obligations of the existing Exchangeable Shares. Until a holder exchanges their Exchangeable Shares for Equity Shares, the holder of such Exchangeable Shares will not have the right to vote at meetings of the shareholders of the Company, though they will have the right to vote at meetings of the shareholders of MPB, including with respect to altering the rights of holders of any of the Exchangeable Shares, or if MPB decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares are exchangeable at any time, on a one-for-one basis, for the Equity Shares at the option of the holder.

We treat the Exchangeable Shares as options, each with a value equal to an Equity Share, which represents the holder's claim on our equity. Pursuant to the terms of the Exchangeable Shares, we and MPB are required to maintain the economic equivalency of such Exchangeable Shares with our publicly traded Equity Shares. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in our assets as the holders of the Equity Shares. We have presented these Exchangeable Shares as a part of shareholders' equity within these Consolidated Financial Statements due to (i) the fact that they are economically equivalent to the Equity Shares, and (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under U.S. securities laws but may dispose of the Exchangeable Shares without such restriction by exchanging them for Equity Shares. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on earnings per share.

Preferred Shares of GH Group, Inc.

The authorized total number of preferred shares (the "GH Group Preferred Shares") of GH Group is 155,000 of which 55,000 shares are designated as shares of Series B Preferred Stock ("Series B Preferred"), 5,000 shares are designated as shares of Series C Preferred Stock ("Series C Preferred"), 15,000 shares are designated as shares of Series D Preferred Stock ("Series D Preferred") and 80,000 shares are designated as shares of Series E Convertible Preferred Stock ("Series E Convertible Preferred"). The Series B Preferred and Series C Preferred were fully redeemed or converted and are no longer issued and outstanding.

Holders of GH Group Preferred Shares are entitled to receive notice of and attend any meeting of the shareholders of GH Group but are not entitled to vote, except in connection with any changes to the Certificate of Incorporation or the Bylaws of GH Group that adversely affect the powers, preferences, privileges or rights of such GH Group Preferred Shares. Except as provided in the foregoing sentence, the Series B, Series C and Series D Preferred do not carry any voting rights and are not convertible. Except as provided above, the Series E Convertible Preferred do not carry any voting rights, except for limited protective provisions, and are convertible.

In the event of a liquidation, voluntary or involuntary, dissolution or winding-up of GH Group, the holders of outstanding GH Group Preferred Shares are entitled to be paid out of the assets of GH Group available for distribution to its stockholders, in the following order of priority and before any payment shall be made to the holders of GH Group Common Stock: (i) Series B Preferred, (ii) Series C Preferred, (iii) Series D Preferred and (iv) Series E Convertible Preferred. GH Group may redeem the GH Group Preferred Shares from a holder, in whole or in part, only after certain trigger events described below have occurred, and the redemption price will equal the liquidation value plus any accrued and unpaid dividends.

The Series E Convertible Preferred are convertible at any time at the option of the holder into GH Group Class B Common Stock at a fixed conversion price of \$9.00 per share. Each GH Group Class B Common Share is exchangeable for one Class C Common Share of MPB Acquisition Corp., which in turn is exchangeable for one publicly traded Subordinate Voting Share of Glass House Brands Inc. (the "Equity Shares"), resulting in an effective one-for-one exchange. GH Group may redeem the Series E Convertible Preferred, in whole or in part, at any time after the earlier of the following trigger events have occurred: (i) the 60-day volume-weighted average price of the Equity Shares is at least \$12.00; (ii) the average daily trading volume of the Equity Shares exceeds one million shares; and (iii) the Equity Shares are listed on a major United States stock exchange. Upon redemption, holders will receive the liquidation value plus any accrued and unpaid dividends.

The Series B Preferred and the Series C Preferred carried a 20% cumulative dividend rate, which increased by 2.5% annually after the second anniversary and until the 54-month anniversary of the initial issuance. The Series D Preferred carry a 15% cumulative dividend rate, which increases by 5% following the fifth anniversary of the original issuance. The Series E Convertible Preferred carry a 12% cumulative dividend rate. Dividends accrue in arrears annually and are payable in cash quarterly if and when declared by GH Group's board of directors.

There were no shares of Series B Preferred and Series C Preferred issued and outstanding as of December 31, 2025. There were 49,969 shares of Series B Preferred issued and outstanding as of December 31, 2024; there were 5,000 shares of Series C Preferred issued and outstanding as of December 31, 2024; there were 15,000 shares of Series D Preferred issued and outstanding as of December 31, 2025 and 2024; and there were 77,500 and no shares of Series E Convertible Preferred issued and outstanding as of December 31, 2025 and 2024, respectively. In accordance with the provisions above, the Company recorded dividends to the holders of GH Group Preferred Shares in the amount of \$15.4 million and \$16.0 million for the years ended December 31, 2025 and 2024, respectively.

Shares Outstanding

As of February 27, 2026, we had 4,754,979 Multiple Voting Shares and 77,651,520 Equity Shares issued and outstanding. There were 6,389,244 Exchangeable Shares issued and outstanding in the capital of MPB Acquisition Corp. In addition, we had an aggregate of 43,171,659 warrants, 22,071 stock options, 4,989,367 Restricted Stock Units and 3,000,000 Market-Based Performance Restricted Stock Units outstanding as of February 27, 2026.

The following table summarizes the Equity Shares that were issued and outstanding as of February 27, 2026:

Equity Shares	Issued and Outstanding
Subordinate Voting Shares (SVS)	6,148,520
Restricted Voting Shares (RVS)	1,393,541
Limited Voting Shares (LVS)	70,109,459
	<u>77,651,520</u>

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans,” “expects,” “is expected,” “budget,” “scheduled,” “estimates,” “continues,” “forecasts,” “projects,” “predicts,” “intends,” “anticipates” or “believes,” or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may,” “could,” “would,” “should,” “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Forward looking statements include, but are not limited to: statements concerning the completion of, and matters relating to, the various proposed transactions discussed by us herein and the expected timing related thereto; our expected operations, financial results and condition; general economic trends; expectations of market size and growth in the United States and California, the State we operate in; cannabis cultivation, production and extraction capacity estimates and projections; additional funding requirements; our future objectives and strategies to achieve those objectives; our estimated cash flow and capitalization and adequacy thereof; and other statements with respect to management’s beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts.

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond our ability to predict or control. Factors that could cause such differences include, but are not limited to: cannabis is a controlled substance under applicable legislation; the enforcement of cannabis laws could change; differing regulatory requirements across jurisdictions may hinder economies of scale; legal, regulatory or other political change; the unpredictable nature of the cannabis industry; regulatory scrutiny; the impact of regulatory scrutiny on the ability to raise capital; anti-money laundering laws and regulations; any reclassification of cannabis or changes in the federal legality and regulation of U.S. controlled substances; restrictions on the availability of favorable locations; enforceability of contracts; general regulatory and licensing risks; California regulatory regime and transfer and grant of licenses; limitations on ownership of licenses; regulatory action from the Food and Drug Administration; competition; ability to attract and retain customers; unfavorable publicity or consumer perception; results of future clinical research and/or controversy surrounding vaporizers and vaporizer products; limited market data and difficulty to forecast; constraints on marketing products; execution of our business strategy; reliance on management; ability to establish and maintain effective internal control over financial reporting; competition from synthetic production and technological advances; fraudulent or illegal activity by employees, contractors and consultants; product liability and recalls; risks related to product development and identifying markets for sale; dependence on suppliers, manufacturers, and contractors; reliance on inputs; reliance on equipment and skilled labor; service providers; litigation and any unexpected outcomes thereof; intellectual property risks; information technology systems, cyber-attacks, security, and privacy breaches; bonding and insurance coverage; transportation; energy costs; risks inherent in an agricultural business; management of growth; risks of leverage; future acquisitions or dispositions; difficulty attracting and retaining personnel; and past performance not being indicative of future results.

Readers are cautioned that the factors outlined herein are not an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any of our future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Accordingly, readers should not place undue reliance on forward-looking statements. We undertake no obligation to update publicly or otherwise revise any forward-looking statements whether because of new information or future events or otherwise, except as may be required by law. If we do update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Disclosure Controls and Internal Control over Financial Reporting

In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), management is responsible for establishing and maintaining adequate Disclosure Controls and Procedures ("DCP") and Internal Control Over Financial Reporting ("ICFR").

Disclosure Controls and Procedures

In accordance with NI 52-109, management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of the Company's DCP. Based on this evaluation as of December 31, 2025, and as a result of the material weakness in ICFR described below, our CEO and CFO concluded that the Company's DCP were not effective as of such date.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), using criteria set forth in Internal Control–Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

ICFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable U.S. GAAP. ICFR includes those policies and procedures that provide reasonable assurance regarding:

- the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- the recording of transactions as necessary to permit preparation of financial statements in accordance with applicable U.S. GAAP;
- the execution of receipts and expenditures only in accordance with authorizations of management and the board of directors; and
- the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Material Weakness in Internal Control over Financial Reporting

During management's evaluation of the effectiveness of ICFR as of December 31, 2025, management identified a material weakness related to information technology general controls ("ITGC"s), specifically pertaining to the Company's reliance on certain third-party service providers supporting its primary enterprise resource planning ("ERP") system and retail revenue and inventory management system.

The third-party service organizations that host and support these systems notified the Company that they would not be issuing Service Organization Control ("SOC") 1 Type II reports attesting to the service organization's internal controls covering the relevant period. As a result, management did not have sufficient evidence regarding the design and operating effectiveness of ITGCs at these service organizations. Management notes this material weakness is pervasive in nature as it relates to the effectiveness of the Company's ERP system. Although management designed certain compensating review controls over system-generated reports and financial information produced by these systems, those controls were not fully implemented or consistently evidenced during the period. As a result, management determined there was a reasonable possibility that a material misstatement of the consolidated financial statements would not be prevented or detected on a timely basis.

Management's Assessment of ICFR

Management evaluated the effectiveness of the Company's ICFR as of December 31, 2025, based on the COSO framework. Based on this evaluation, and due to the material weakness described above, management concluded that the Company's ICFR was not effective as of December 31, 2025.

Despite the material weakness described above, management believes that the consolidated financial statements included in this annual report fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented.

Remediation Plan

Management has begun implementing a remediation plan designed to address the material weakness. These actions include working with the relevant service providers to obtain SOC 1 Type II reports. Where a SOC 1 Type II report is not available, the Company is implementing enhanced management review controls to validate the completeness and accuracy of system-generated reports and data used in financial reporting and evaluating alternative solutions, including systems for which SOC 1 Type II reports are available.

Changes in Internal Control Over Financial Reporting

Except for actions taken to begin addressing the material weakness described above, there were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2025 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

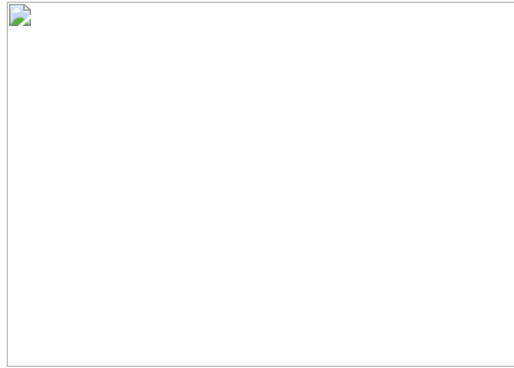
Limitations of Controls and Procedures

Management, including our CEO and CFO, believes that any DCP or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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 inherent limitations, controls are designed based on assumptions and may not operate as intended as conditions change over time, and no evaluation of controls can provide absolute assurance that all control issues or instances of fraud, if any, have been prevented or detected. These inherent limitations include the possibility of human error, circumvention of controls through collusion, or unauthorized override of controls. Accordingly, misstatements due to error or fraud may occur and not be detected.

Additional Information

Additional information relating to the Company, including our Annual Information Form for the year ended December 31, 2025, is available on SEDAR+ at www.sedarplus.ca.

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**GLASS HOUSE BRANDS INC.
(FORMERLY MERCER PARK BRAND ACQUISITION CORP.)**

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2021
AND
DECEMBER 31, 2020**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Glass House Brands Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Glass House Brands Inc. (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the two-year period ended December 31, 2021, and the related notes to the consolidated financial statements (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two-year period ended December 31, 2021, in conformity with the accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Macias Gini & O'Connell LLP

We have served as the Company's auditor since 2020.

Los Angeles, California
March 22, 2022

Macias Gini & O'Connell LLP
2029 Century Park East, Suite 1500
Los Angeles, CA 90067

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GLASS HOUSE BRANDS INC.
Consolidated Balance Sheets
As of December 31, 2021 and 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2021	2020
ASSETS		
Current Assets:		
Cash	\$ 51,066,831	\$ 4,535,251
Restricted Cash	3,000,000	-
Accounts Receivable, Net	2,893,911	5,141,021
Prepaid Expenses and Other Current Assets	5,562,963	1,018,212
Inventory	6,596,302	6,866,002
Current Portion of Notes Receivable	-	904,534
Total Current Assets	69,120,007	18,465,020
Operating Lease Right-of-Use Assets, Net	3,077,730	2,532,629
Investments	7,196,359	10,701,868
Property, Plant and Equipment, Net	195,798,524	27,192,027
Intangible Assets, Net	5,629,833	5,279,000
Goodwill	4,918,823	4,815,999
Other Assets	2,339,993	554,266
TOTAL ASSETS	\$ 288,081,269	\$ 69,540,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 10,215,004	\$ 6,570,715
Income Taxes Payable	5,038,983	4,740,003
Contingent Shares and Earnout Liabilities	38,428,700	-
Shares Payable	2,756,830	-
Derivative Liabilities - Convertible Debt	-	7,365,000
Current Portion of Operating Lease Liabilities	269,154	327,329
Current Portion of Notes Payable	37,986	601,187
Total Current Liabilities	56,746,657	19,604,234
Operating Lease Liabilities, Net of Current Portion	2,865,480	2,318,852
Other Non-Current Liabilities	1,449,045	849,358
Deferred Tax Liabilities	1,330,815	1,420,583
Notes Payable, Net of Current Portion	44,817,436	15,368,892
Notes Payable, Net of Current Portion - Related Parties	-	3,703,966
TOTAL LIABILITIES	107,209,433	43,265,885
SHAREHOLDERS' EQUITY:		
Multiple Voting Shares (No par value, unlimited shares authorized, 4,754,979 and nil shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively)	-	-
Subordinate Voting Shares (No par value, unlimited shares authorized, 38,563,405 and nil shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively)	-	-
Exchangeable Shares (No par value, unlimited shares authorized, 18,256,784 and 23,191,563 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively)	-	-
Additional Paid-In Capital	241,896,900	42,934,402
Accumulated Deficit	(60,827,290)	(16,659,478)
Total Shareholders' Equity Attributable to the Company	181,069,610	26,274,924
Non-Controlling Interest	(197,774)	-
TOTAL SHAREHOLDERS' EQUITY	180,871,836	26,274,924
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 288,081,269	\$ 69,540,809

GLASS HOUSE BRANDS INC.
Consolidated Statements of Operations
For the Years Ended December 31, 2021 and 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2021	2020
Revenues, Net	\$ 69,446,852	\$ 48,259,601
Cost of Goods Sold	53,427,461	29,519,143
Gross Profit	16,019,391	18,740,458
Operating Expenses:		
General and Administrative	33,780,783	18,637,477
Sales and Marketing	3,530,529	1,489,664
Professional Fees	9,078,289	2,040,004
Depreciation and Amortization	4,767,396	2,576,263
Total Operating Expenses	51,156,997	24,743,408
Loss from Operations	(35,137,606)	(6,002,950)
Other Expense (Income):		
Interest Expense	2,736,875	2,179,137
Interest Income	(64,837)	(115,572)
Loss on Investments	1,089,047	2,126,112
(Gain) Loss on Change in Fair Value of Derivative Liabilities	(825,000)	251,663
(Gain) on Change in Fair Value of Contingent Liabilities	(4,031,634)	-
Loss on Disposition of Subsidiary	6,090,337	-
Impairment Expense	817,875	-
Other Expense (Income), Net	117,216	(203,345)
Total Other Expense, Net	5,929,879	4,237,995
Loss from Operations Before Provision for Income Tax Expense	(41,067,485)	(10,240,945)
Provision for Income Tax Expense	3,298,101	6,418,533
Net Loss	(44,365,586)	(16,659,478)
Net Loss Attributable to Non-Controlling Interest	(197,774)	-
Net Loss Attributable to the Company	\$ (44,167,812)	\$ (16,659,478)
Loss Per Share - Basic and Diluted	\$ (1.13)	\$ (0.78)
Weighted-Average Shares Outstanding - Basic and Diluted	39,243,005	21,265,601

(1) Amounts shown have been retroactively restated to give effect to the recapitalization transaction at a rate of 1 to 10.27078 GH Group shares.

GLASS HOUSE BRANDS INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (44,365,586)	\$ (16,659,478)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Deferred Tax Expense	(89,768)	1,330,584
Bad Debt Expense	3,286,494	-
Interest Capitalized to Notes Payable	1,427,522	1,091,341
Interest Income Capitalized to Principal Balance	(64,085)	(114,113)
Depreciation and Amortization	4,767,396	2,576,263
Loss on Investments	1,089,047	2,126,112
Impairment Expense	817,875	-
Loss on Disposition of Subsidiary	6,090,337	-
Gain on Extinguishment of Debt	-	(184,057)
Non-Cash Operating Lease Costs	730,881	919,519
Accretion of Debt Discount and Loan Origination Fees	953,549	1,061,463
(Gain) Loss on Change in Fair Value of Derivative Liabilities	(825,000)	251,663
(Gain) on Change in Fair Value of Contingent Liabilities	(4,031,634)	-
Share-Based Compensation	8,709,913	2,547,792
Changes in Operating Assets and Liabilities:		
Accounts Receivable	2,182,335	(3,540,684)
Prepaid Expenses and Other Current Assets	(2,915,401)	(542,533)
Inventory	612,989	(3,764,209)
Other Assets	(1,881,146)	(24,701)
Accounts Payable and Accrued Liabilities	3,242,190	1,888,335
Cash Payments - Operating Lease Liabilities	(712,358)	(842,717)
Income Taxes Payable	89,514	3,875,626
Other Non-Current Liabilities	599,687	306,115
NET CASH USED IN OPERATING ACTIVITIES	(20,285,249)	(7,697,679)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(108,495,825)	(3,850,589)
Issuance of Note Receivable	(2,274,167)	(1,140,011)
Contributions to Equity Method Investments	(787,502)	(2,987,061)
Distributions Received from Equity Method Investments	340,780	340,138
Cash Paid for Business Acquisition, Net of Cash and Cash Equivalents Acquired	(284,028)	(81,522)
NET CASH USED IN INVESTING ACTIVITIES	(111,500,742)	(7,719,045)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the Issuance of Notes Payable, Third Parties and Related Parties	58,209,714	18,449,748
Payments on Notes Payable, Third Parties and Related Parties	(954,092)	(1,141,494)
Cash Received Upon Issuance of Equity	125,859,372	-
Contributions	-	11,835
Distributions to Preferred Shareholders	(1,797,423)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	181,317,571	17,320,089
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,531,580	1,903,365
Cash and Cash Equivalents, Beginning of Period	4,535,251	2,631,886
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 54,066,831	\$ 4,535,251

GLASS HOUSE BRANDS INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2021	2020
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 379,956	\$ 316,859
Cash Paid for Taxes	\$ 2,643,093	\$ 906,209
Non-Cash Investing and Financing Activities:		
Net Assets Acquired From an Acquisition, Excluding Cash Acquired	\$ 5,709,615	\$ 7,902,973
Proceeds Deposited Into Escrow Account	\$ 2,029,932	\$ -
Purchase of Property and Equipment from Proceeds of Note Payable, Third Parties	\$ 255,757	\$ -
Conversion of Convertible Debt and Derivative Liability to Equity	\$ 39,932,258	\$ 477,007
Shares Payable for Asset Acquisition	\$ 748,500	\$ -
Issuance of Warrants for Relief of Liabilities	\$ -	\$ 426,887
Cancellation of Shares for Issuance of Convertible Debt	\$ -	\$ 1,750,000
Recognition of Right-of-Use Assets for Operating Leases	\$ 1,419,650	\$ 1,182,942
Conversion of Note Receivable to Equity of Investee	\$ -	\$ 2,045,309
Fair Value of Warrants Issued in Connection with Debt	\$ 3,276,764	\$ -
Acquisition of Non-Controlling Interest Upon Roll-Up	\$ -	\$ 3,554,731
Derivative Liability Incurred Upon Issuance of Convertible Debt	\$ 182,000	\$ 3,095,642
Reclass of Shares Payable	\$ 2,756,830	\$ -
Shares Issued for the Purchase of Property and Equipment	\$ 29,250,000	\$ -
Contingent Liabilities Recognized for the Purchase of Property and Equipment	\$ 34,820,000	\$ -
Contingent Earnout Recorded as a Liability	\$ 7,640,334	\$ -

1. NATURE OF OPERATIONS

Glass House Brands Inc. (the “Company”), formerly known as Mercer Park Brand Acquisition Corp. (“Mercer Park”), was incorporated under the *Business Corporations Act* (British Columbia) on April 16, 2019. The Company is a vertically integrated cannabis company that operates in the state of California. The Company, through its subsidiaries cultivates, manufactures, and distributes cannabis bulk flower and trim to wholesalers and consumer packaged goods to third-party retail stores in the state of California. The Company also owns and operates retail cannabis stores in the state of California. The Company’s subordinate voting shares, restricted voting shares and limited voting shares (collectively, the “Equity Shares”), and common share purchase warrants are listed on the Neo Exchange Inc. (the “Neo Exchange”), trading under the symbols “GLAS.A.U” and “GLAS.WT.U”, respectively. The Equity Shares and common share purchase warrants also trade on the OTCQX in the United States under the symbols GLASF and GHBWF, respectively. The head office and principal address of the Company is 3645 Long Beach Boulevard, Long Beach, California 90807. The Company’s registered office in Canada is 2200 HSBC Building 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3E8.

Business Combination Transaction

On January 31, 2020, pursuant to an Agreement and Plan of Merger (and various securities exchange agreements), a roll-up transaction (“Roll-Up”) was consummated whereby the assets and liabilities of a combined group of investment fund entities were merged with and into GH Group, Inc., formerly known as California Cannabis Enterprises, Inc. (“GH Group”), whereby GH Group survived the merger and now owns and controls the assets from such merged out entities.

On June 29, 2021, Mercer Park, a special purpose acquisition corporation (or “SPAC”) listed on the Neo Exchange in Canada, consummated its qualifying transaction (the “Business Combination”) pursuant to the terms of an Agreement and Plan of Merger dated as of April 8, 2021, as amended (the “Business Combination Agreement”), pursuant to which Mercer Park indirectly acquired 100% of the common equity interests of GH Group, which included all outstanding Class A and Class B common shares and certain Series A preferred shares (the “Preferred Shares”) of GH Group. In addition, Mercer Park assumed all outstanding common share purchase warrants and Preferred Shares purchase warrants and assumed or exchanged or caused to be exchanged all qualified incentive stock options of GH Group. The Business Combination was effectuated by a reverse merger of an indirect subsidiary of Mercer Park with GH Group, with GH Group as the surviving entity, and GH Group becoming a majority-owned indirect subsidiary of the Company. As a result of the Business Combination, GH Group’s shareholders became the controlling shareholders of Mercer Park, which changed its name to Glass House Brands Inc. concurrent with the closing of the Business Combination.

Upon closing of the Business Combination, Mercer Park indirectly acquired all of the issued and outstanding securities of GH Group with the exception of some of GH Group’s Preferred Shares, in exchange for an aggregate of 50,151,101 Equity Shares of the Company (which total includes, on an as-exchanged basis, Equity Shares issuable upon exchange of outstanding exchangeable shares (the “Exchangeable Shares”) of the Company’s subsidiary, MPB Acquisition Corp. (“MPB”). The Company also issued 4,754,979 Multiple Voting Shares to certain founders of GH Group. In addition, 28,489,500 of the common share purchase warrants previously issued and outstanding in the capital of Mercer Park were assumed and remain outstanding. Of the 50,151,101 Equity Shares (inclusive of Exchangeable Shares on an as-exchanged basis) noted above, 731,369 Exchangeable Shares are held in escrow pending any final working capital adjustments. Additionally, 1,008,975 Equity Shares issued to the previous sponsor of Mercer Park are subject to a contractual lock-up with the Company. These shares are to be released from the lock-up restrictions based upon the amount of cash raised by the Company from certain debt and equity financings through June 2023. As of December 31, 2021, the Company released 392,819 Equity Shares that were originally subject to the lock-up restrictions, and 616,156 Equity Shares are subject to a capital-based earnout of permitted debt or equity financings within one year following the closing the Business Combination. As of December 31, 2021, additional earnout payments consisting of up to an additional 6,306,095 Equity Shares are issuable to the previous sponsor of Mercer Park and all holders of record of the Company’s Equity Shares, Exchangeable Shares, vested stock options and vested restricted stock units (“RSUs”) as of December 31, 2021, in the event the 20-day volume-weighted average price (“VWAP”) of the Equity Shares reaches \$13.00 or \$15.00 within two years of closing the Business Combination. In the event that the permitted debt or equity raised by the Company and the Equity Share price targets are not met, the earnout payments will be forfeited.

GH Group was deemed to be the acquirer in the Business Combination for accounting and financial reporting purposes based on an analysis of the criteria outlined in Accounting Standards Codification (“ASC”) 805 “*Business Combinations*” (“ASC 805”). This determination was primarily based on GH Group’s stockholders prior to the Business Combination having a majority of the voting interests in the Company following the closing of the Business Combination, GH Group’s operations comprising the entirety of the ongoing operations of the Company, GH Group’s designees comprising a majority of the board of directors of Company, and GH Group’s senior management comprising the senior management of the Company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of GH Group issuing stock for the net assets of Mercer Park, accompanied by a recapitalization. The net assets of Mercer Park are stated at historical cost, with no goodwill or other intangible assets recorded.

1. NATURE OF OPERATIONS (Continued)

While Mercer Park was the legal acquirer in the Business Combination, because GH Group was deemed the accounting acquirer, the historical financial statements of GH Group became the historical financial statements of the Company upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of GH Group prior to the Business Combination; (ii) the combined results of the Company and GH Group following the closing of the Business Combination; (iii) the assets and liabilities of GH Group at their historical cost; and (iv) the Company's equity structure before and after the Business Combination.

In accordance with applicable guidance, the equity structure of the Company has been restated in all comparative periods to reflect the number of Equity Shares (including Exchangeable Shares on an as-exchanged basis) issued to GH Group's shareholders in connection with the Business Combination on the statement of changes in shareholders equity and the footnotes to the Financial Statements. As such, the shares and corresponding capital amounts and earnings per share related to GH Group's Class A and Class B common shares prior to the Business Combination have been retroactively restated to reflect an exchange ratio of 10.27078 Class A or Class B common shares of GH Group, as applicable, per 1 Equity Share of the Company, as established pursuant to the Business Combination Agreement.

COVID-19

The Company has continued to closely monitor the impact of the COVID-19 global pandemic with a focus on the health and safety of employees, business continuity and supporting its communities. Due to impacts from the COVID-19 pandemic and the uncertain pace of recovery, including the impact of the Delta and Omicron variants, the Company's business operations may be materially and adversely affected if a significant number of the Company's employees are impacted by the virus, including any future variants. The Company has implemented various preventative measures to reduce the spread of the virus and has experienced minimal disruption to its production, supply and distribution chains. As of the date hereof, all of the Company's operating subsidiaries are operational. In addition, a portion of the Company's workforce continues to effectively work remotely using various technological tools to maintain full operations and internal controls over financial reporting and disclosures.

The COVID-19 pandemic, including government measures to limit the spread of COVID-19, did not have a material adverse impact on the Company's results of operations for the years ended December 31, 2021 and 2020. However, given the uncertainties associated with the COVID-19 pandemic, including those related to the distribution and acceptance of vaccines and therapeutics and their effectiveness with respect to new variants of the virus, the use of the Company's products by consumers, future quarantine policies and restrictions on travel, trade and business operations and a reduction in discretionary consumer spending, we are unable to estimate the future impact of the COVID-19 pandemic on our business, financial condition, results of operations, and/or cash flows. The uncertain nature of the impacts of the COVID-19 pandemic may continue to affect our results of operations into the foreseeable future. We believe we have sufficient liquidity to enable us to meet the Company's working capital and other operating requirements, fund growth initiatives and capital expenditures, satisfy liabilities, and repay scheduled principal and interest payments on outstanding debt obligations.

Liquidity

Historically, the Company's primary source of liquidity has been its operations, capital contributions made by equity investors and debt issuances. The Company is currently meeting its current operational obligations as they become due from its current working capital and from operations. However, the Company has sustained losses since inception and may require additional capital in the future. As of and for the year ended December 31, 2021, the Company had an accumulated deficit of \$60,827,290, a net loss from operations of \$44,167,812 and net cash used in operating activities of \$20,285,249. The Company estimates that based on current business operations and working capital, it will continue to meet its obligations as they become due in the short term.

The Company is generating cash from revenues and deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, product development and marketing.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. In the event sufficient cash flow is not available from operating activities, the Company may continue to raise equity or debt capital from investors in order to meet liquidity needs. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations and future prospects. There can be no assurance that such financing will be available or will be at terms acceptable to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying Consolidated Financial Statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America ("GAAP") and reflect the accounts and operations of the Company and those of the Company's subsidiaries in which the Company has a controlling financial interest. Investments in entities in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method.

All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position of the Company as of December 31, 2021 and 2020, the consolidated results of operations and cash flows for the years ended December 31, 2021 and 2020 have been included.

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation

These Consolidated Financial Statements as December 31, 2021 and 2020 include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control as defined in ASC 810 "Consolidation". Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company has ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than fifty percent of the outstanding voting securities of another entity. In assessing control, potential voting rights that are currently exercisable are considered.

The following are the Company's principal wholly-owned or controlled subsidiaries and or affiliates that are included in these consolidated financial statements as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020:

Corporate Entities

Entity	Location	Purpose	Ownership	
			2021	2020
MPB Acquisition Corp	Nevada	Holding company	100%	0%
GH Group Inc	Long Beach, CA	Holding company	100%	100%
GHB Unsub LLC	Long Beach, CA	Holding company	100%	0%
Glass House Retail, LLC	Long Beach, CA	Holding company	100%	100%
Glass House Cultivation, LLC	Santa Barbara, CA	Holding company	100%	100%
Glass House Manufacturing, LLC	Lompoc, CA	Holding company	100%	100%
LOB Investment Co. LLC	Long Beach, CA	Holding company	100%	100%
SoCal Hemp Co, LLC	San Bernardino Co., CA	Holding company	100%	100%
Field Investment Co. LLC	Long Beach, CA	Holding company	0%	100%
Field Taste Matters, Inc.	Long Beach, CA	Holding company	0%	100%

Management and Operating Entities

Subsidiaries	Location	Purpose	Ownership	
			2021	2020
G&H Supply Company, LLC	Carpinteria, CA	Provides cultivation management	100%	100%
Mission Health Associates, Inc.	Carpinteria, CA	Cannabis cultivation	100%	100%
MGF Management LLC	Carpinteria, CA	Cultivation management	100%	100%
G&K Produce LLC	Carpinteria, CA	Cannabis cultivation	100%	100%
K&G Flowers LLC	Carpinteria, CA	Cannabis cultivation	100%	100%
GHCC Management LLC	Camarillo, CA	Cultivation management	100%	0%
Glass House Camarillo Cultivation LLC	Camarillo, CA	Cannabis cultivation	100%	0%
Lompoc Manufacturing GHG, LLC	Lompoc, CA	Processing management	100%	100%
Lompoc Management Co. LLC	Lompoc, CA	Manufacturing management	100%	100%
CA Manufacturing Solutions LLC	Lompoc, CA	Cannabis manufacturing	100%	100%
Saint Gertrude Management Company LLC	Santa Ana, CA	Retail management	100%	100%
Bud and Bloom	Santa Ana, CA	Cannabis retail	100%	100%
Farmacy SB, Inc.	Santa Barbara, CA	Cannabis retail	100%	100%
ICANN, LLC	Berkeley, CA	Cannabis retail	100%	0%
Farmacy Isla Vista, LLC	Santa Barbara, CA	Cannabis retail applicant	100%	100%
SBDANK LLC	Santa Ynez, CA	Cannabis retail applicant	51%	51%
E7 Eureka LLC	Eureka, CA	Cannabis retail applicant	100%	0%
Zero One Seven Management, LLC	Long Beach, CA	Manufacturing management	0%	100%
ATES Enterprises, LLC	Long Beach, CA	Cannabis manufacturing	0%	100%

Real Estate Entities

Subsidiaries	Location	Purpose	Ownership	
			2021	2020
Glass House Farm LLC	Carpinteria, CA	Real Estate	100%	100%
Magu Farm LLC	Carpinteria, CA	Real Estate	100%	100%
East Saint Gertrude 1327 LLC	Santa Ana, CA	Real Estate	100%	100%
2000 De La Vina LLC	Santa Barbara, CA	Real Estate	100%	100%
GH Camarillo LLC	Camarillo, CA	Real Estate	100%	0%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Controlling Interest

Non-controlling interest represents equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of total net revenue and expenses during the reporting period. The Company regularly evaluates significant estimates and assumptions related to the consolidation or non-consolidation of variable interest entities, estimated useful lives, depreciation of property and equipment, amortization of intangible assets, inventory valuation, share-based compensation, business combinations, goodwill impairment, long-lived asset impairment, purchased asset valuations, fair value of financial instruments, compound financial instruments, derivative liabilities, deferred income tax asset valuation allowances, incremental borrowing rates, lease terms applicable to lease contracts and going concern. These estimates and assumptions are based on current facts, historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results the Company experiences may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations will be affected.

Segmented Information

The Company currently operates in one segment, the production and sale of cannabis products, which is how the Company's Chief Operating Decision Maker manages the business and makes operating decisions. All of the Company's operations are in the United States of America in the State of California. Intercompany sales and transactions are eliminated in consolidation.

Reclassifications

Certain comparative amounts have been reclassified to conform with current period presentation. There were no impacts on net loss or cash flows for the periods presented.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Restricted Cash

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of December 31, 2021 and 2020, restricted cash was \$3.0 million and nil, respectively, which is held in an escrow account and used as an interest reserve for the senior term loan agreement. See "Note 16 – Notes Payable" for further discussion.

Accounts Receivable

The Company extends non-interest-bearing trade credit to its customers in the ordinary course of business which is not collateralized. Accounts receivable are shown on the face of the Consolidated Balance Sheets, net of an allowance for doubtful accounts. The Company analyzes the aging of accounts receivable, historical bad debts, customer creditworthiness and current economic trends, in determining the allowance for doubtful accounts. The Company does not accrue interest receivable on past due accounts receivable. The reserve for doubtful accounts was \$60,000 and \$200,000 as of December 31, 2021 and 2020, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is comprised of raw materials, finished goods and work-in-process such as pre-harvested cannabis plants and by-products to be extracted. The costs of growing cannabis, including but not limited to labor, utilities, nutrition and supplies, are capitalized into inventory until the time of harvest. All direct and indirect costs related to inventory are capitalized when incurred, and subsequently classified to cost of goods sold in the Consolidated Statements of Operations. Raw materials and work-in-process is stated at the lower of cost or net realizable value, determined using the weighted average cost. Finished goods inventory is stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out (“FIFO”) method of accounting. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. The Company periodically reviews physical inventory for excess, obsolete, and potentially impaired items and establishes reserves when warranted. The Company reviews inventory for obsolete, redundant and slow-moving goods, and any such inventory is written down to net realizable value. Packaging and supplies are initially valued at cost. The reserve estimate for excess and obsolete inventory is based on expected future use. The reserve estimates have historically been consistent with actual experience as evidenced by actual sale or disposal of the goods. As of December 31, 2021 and 2020, the Company’s reserve was \$784,289 and nil, respectively.

Investments

Investments in unconsolidated affiliates are accounted as follows:

Equity Method and Joint Venture Investments

The Company accounts for investments in which it can exert significant influence but does not control as equity method investments in accordance with ASC 323, “*Investments—Equity Method and Joint Ventures*”. In accordance with ASC 825, “*Financial Instruments*”, the fair value option (“FVO”) to measure eligible items at fair value on an instrument-by-instrument basis can be applied. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for under the equity method. These investments are recorded at the amount of the Company’s initial investment and adjusted each period for the Company’s share of the investee’s income or loss, and dividends paid.

Investments in Equity without Readily Determinable Fair Value

Investments without readily determinable fair values (which are classified as Level 3 investments in the fair value hierarchy) use a determinable available measurement alternative in accordance with ASC 321, “*Investments—Equity Securities*”. The measurement alternative requires the investments to be held at cost and adjusted for impairment and observable price changes, if any.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Buildings	39 Years
Furniture and Fixtures	5 Years
Leasehold Improvements	Shorter of Lease Term or Economic Life
Equipment and Software	3 – 5 Years
Construction in Progress	Not Depreciated

The assets’ residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Consolidated Statements of Operations in the period the asset is derecognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Intangible assets with a definite life are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values and amortization methods are reviewed at each reporting period, and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Dispensary Licenses	Indefinite
Intellectual Property	5 Years

In accordance with ASC 350, “Intangibles—Goodwill and Other” (“ASC 350”), costs of internally developing, maintaining or restoring intangible assets are expensed as incurred. Inversely, costs are capitalized when certain criteria are met through the point at which the intangible asset is substantially complete and ready for its intended use.

Goodwill

Goodwill is measured as the excess of consideration transferred over the net of the acquisition date fair value of assets acquired and liabilities assumed in a business acquisition. In accordance with ASC 350, goodwill and other intangible assets with indefinite lives are no longer subject to amortization. The Company reviews the goodwill and other intangible assets allocated to each of the Company’s reporting units for impairment on an annual basis as of year-end or whenever events or changes in circumstances indicate carrying amount it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the carrying amount of a reporting unit is in excess of its fair value, the Company recognizes an impairment charge equal to the amount in excess.

The Company applies the guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2011-08 “Intangibles-Goodwill and Other-Testing Goodwill for Impairment,” which provides entities with an option to perform a qualitative assessment (commonly referred to as “Step Zero”) to determine whether further quantitative analysis for impairment of goodwill is necessary. In performing Step Zero for the Company’s goodwill impairment test, the Company is required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to the Company’s business, industry and market trends, and the overall future financial performance of its reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing Step Zero, the Company would perform a quantitative impairment analysis to estimate the fair value of goodwill.

During the years ended December 31, 2021 and 2020, the Company performed the Step Zero analysis for its goodwill impairment test. As a result of the Company’s Step Zero analysis, no further quantitative impairment test was deemed necessary. There were no impairments of goodwill or intangible assets with indefinite lives for the years ended December 31, 2021 and 2020.

Impairment of Long-Lived Assets

For purposes of the impairment test, long-lived assets such as property, plant and equipment, and definite-lived intangible assets are grouped with other assets and liabilities at the lowest level for which identifiable independent cash flows are available (“asset group”). In accordance with ASC 360, “Property, Plant, and Equipment” (“ASC 360”), the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, the impairment test is a two-step approach wherein the recoverability test is performed first to determine whether the long-lived asset is recoverable. The recoverability test (Step 1) compares the carrying amount of the asset to the sum of its future undiscounted cash flows using entity-specific assumptions generated through the asset’s use and eventual disposition. If the carrying amount of the asset is less than the cash flows, the asset is recoverable and an impairment is not recorded. If the carrying amount of the asset is greater than the cash flows, the asset is not recoverable and an impairment loss calculation (Step 2) is required. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The cash flow projection and fair value represents management’s best estimate, using appropriate and customary assumptions, projections and methodologies at the date of evaluation. The reversal of impairment losses is prohibited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased Assets

In accordance with ASU 2016-02, “Leases (Topic 842)” (“ASC 842”), the Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets and accrued obligations under operating lease (current and non-current) liabilities in the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and are expensed in the Consolidated Statements of Operations on a straight-line basis over the lease term.

ROU assets represent the Company’s right to use an underlying asset for the lease term, and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets are classified as a finance lease or an operating lease. A finance lease is a lease in which 1) ownership of the property transfers to the lessee by the end of the lease term; 2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise; 3) the lease is for a major part of the remaining economic life of the underlying asset; 4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already included in the lease payments equals or exceeds substantially all of the fair value; or 5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. The Company classifies a lease as an operating lease when it does not meet any one of these criteria.

The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company applies judgement in determining the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. All relevant factors that create an economic incentive for it to exercise either the renewal or termination options are considered. The Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the ROU asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another ROU asset.

Income Taxes

Prior to the Roll-Up, most of the combined entities flowing into the Company’s investment funds were either single member LLCs or taxed as flow-through entities. Income taxes for such entities are not payable, or provided for, by the Company. Members are taxed individually on their share of the entity’s earnings. California imposes an LLC fee based on revenue, which is included with state taxes as a provision for income taxes. Certain entities with cannabis licenses were either corporations or LLCs electing to be taxed as corporations.

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the Consolidated Balance Sheets. Effects of enacted tax law changes on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period in which the law is enacted. Deferred tax assets may be reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

The Company follows accounting guidance issued by the Financial Accounting Standards Board (“FASB”) related to the application of accounting for uncertainty in income taxes. Under this guidance, the Company assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, “Accounting for Derivative Instruments and Hedging Activities” (“ASC 815”). ASC 815 generally provide three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of Conventional Convertible Debt Instrument”.

On January 1, 2021, the Company early adopted ASU 2020-06, “Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity”, which simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under ASC 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. By removing the separation model, a convertible debt instrument will be reported as a single liability instrument with no separate accounting for embedded conversion features. This new standard also removes certain settlement conditions that are required for contracts to qualify for equity classification and simplifies the diluted earnings per share calculations by requiring that an entity use the if-converted method and that the effect of potential share settlement be included in diluted earnings per share calculations. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in Preferred Shares of GH Group based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. ASC 815-40 provides that generally, if an event is not within the entity’s control could require net cash settlement, then the contract shall be classified as an asset or a liability.

Derivative Liabilities

The Company evaluates its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the Consolidated Statements of Operations. In calculating the fair value of derivative liabilities, the Company uses a valuation model when Level 1 inputs are not available to estimate fair value at each reporting date. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the Consolidated Balance Sheets as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the Consolidated Balance Sheets dates. Critical estimates and assumptions used in the model are discussed in “Note 13 - Derivative Liabilities”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred and included in the Consolidated Statements of Operations. Identifiable assets and liabilities, including intangible assets of acquired businesses, are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the Consolidated Statements of Operations immediately as a gain on acquisition. See "Note 9 – Business Acquisitions" for further details on business combinations.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. The Company allocates the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models, and therefore require considerable judgment. The Company's estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. The Company bases its fair value estimates on assumptions it believes to be reasonable but are inherently uncertain. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with ASC 450, "Contingencies", as appropriate, with the corresponding gain or loss being recognized in earnings in accordance with ASC 805, "Business Combinations".

Revenue Recognition

Revenue is recognized by the Company in accordance with ASC 606, "Revenue from Contracts with Customers". Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In order to recognize revenue under ASC 606, the Company applies the following five (5) steps:

- (1) Identify a customer along with a corresponding contract;
- (2) Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- (3) Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- (4) Allocate the transaction price to the performance obligation(s) in the contract;
- (5) Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenues consist of wholesale and consumer packaged goods ("CPG") and retail sales of cannabis, which are generally recognized at a point in time when control over the goods have been transferred to the customer and is recorded net of sales discounts. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. During the years ended December 31, 2021 and 2020, sales discounts were approximately \$4.0 million and \$3.2 million, respectively.

Revenue is recognized upon the satisfaction of the performance obligations. The Company satisfies its performance obligations and transfers control upon delivery and acceptance by the customer.

Dispensary Revenue

The Company recognizes revenue from the sale of cannabis for a fixed price upon delivery of goods to customers at the point of sale since at this time performance obligations are satisfied. Fees collected related to taxes that are required to be remitted to regulatory authorities are recorded as liabilities and are not included as a component of revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cultivation and Wholesale CPG

The Company recognizes revenue from the sale of cannabis for a fixed price upon the shipment of cannabis goods as the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. The Company does not retain either continuing material involvement to the degree usually associated with ownership or effective control over the goods sold. Excise taxes due upon sale are recorded as an expense in the accompanying Consolidated Statements of Operations.

Share-Based Compensation

The Company has a share-based compensation plan comprised of stock options ("Options"), unrestricted stock bonus, RSUs and stock appreciation rights ("SARs"). Options provide the right to the purchase of one Equity Share per option. RSU's provide the right to receive one Equity Share per unit (or cash payment equal to the fair market value of an Equity Share). SARs provide the right to receive cash from the exercise of such right based on the increase in value between the exercise price and the fair market value of Equity Shares of the Company at the time of exercise.

The Company accounts for its share-based awards in accordance with ASC 718, "*Compensation – Stock Compensation*", which requires fair value measurement on the grant date and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted share awards. For stock options, the Company estimates the fair value using a closed option valuation (Black-Scholes) model. When there are market-related vesting conditions to the vesting term of the share-based compensation, the Company uses a valuation model to estimate the probability of the market-related vesting conditions being met and will record the expense. The fair value of restricted share awards is based upon the quoted market price of the Equity Shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, which is generally the performance period, and the related amount is recognized in the Consolidated Statements of Operations.

The fair value models require the input of certain assumptions that require the Company's judgment, including the expected term and the expected share price volatility of the underlying share. The assumptions used in calculating the fair value of share-based compensation represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, share-based compensation expense could be materially different in the future. In addition, the Company elected not to estimate the expected forfeiture rate and only recognize expense for those shares that actually vest.

Financial Instruments

Fair Value

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value 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. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments. There have been no transfers between fair value levels during the years ended December 31, 2021 and 2020.

Financial instruments are measured at amortized cost or at fair value. Financial instruments measured at amortized cost consist of accounts receivable, due from and due to related party, other liabilities, and accounts payable and accrued liabilities wherein the carrying value approximates fair value due to its short-term nature. Other financial instruments measured at amortized cost include notes payable and a senior secured convertible credit facility wherein the carrying value at the effective interest rate approximates fair value as the interest rate for notes payable and the interest rate used to discount the host debt contract for senior secured convertible credit facility approximate a market rate for similar instruments offered to the Company.

Cash and cash equivalents and restricted cash are measured at Level 1 inputs. Acquisition-related liabilities resulting from business combinations are measured at fair value using Level 1 or Level 3 inputs. Investments that are measured at fair value use Level 3 inputs. Refer to "Note 6 – Investments" for assumptions used to value investments. Derivative liabilities that are measured at fair value use Level 3 inputs. Refer to "Note 13 – Derivative Liabilities" for assumptions used to value the derivative liabilities. Refer to "Note 14 – Contingent Shares and Earnout Liabilities" for assumptions used to value the contingent consideration.

The individual fair values attributed to the different components of a financing transaction, notably derivative financial instruments, convertible debentures and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and derive estimates. Significant judgment is also used when attributing fair values to each component of a transaction upon initial recognition, measuring fair values for certain instruments on a recurring basis and disclosing the fair values of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of instruments that are not quoted or observable in an active market.

Impairment

The Company assesses all information available, including on a forward-looking basis, the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on available information, and forward-looking information that is reasonable and supportive. For accounts receivable only, the Company applies the simplified approach as permitted by ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk. Rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Loss per Share

The Company calculates basic loss per share by dividing net loss by the weighted-average number of Subordinate Voting Shares (including Exchangeable Shares on an as-exchanged basis) outstanding during the period. Multiple Voting shares are excluded in calculating loss per share as they do not participate in profit and loss. Diluted loss per share is the same as basic loss per share as the issuance of shares on the exercise of convertible debentures, warrants and share options are anti-dilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards

In December 2019, the FASB issued ASU 2019-12, “Simplifying the Accounting for Income Taxes”, which eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company adopted ASU 2019-12 on January 1, 2021. The adoption of the standard did not have a material impact on the Company’s Consolidated Financial Statements.

In January 2020, the FASB issued ASU 2020-01, “Investments—Equity Securities (Topic 321)”, “Investments—Equity Method and Joint Ventures (Topic 323)”, and “Derivatives and Hedging (Topic 815)”, which is intended to clarify the interaction of the accounting for equity securities under Topic 321, investments accounted for under the equity method of accounting in Topic 323, and the accounting for certain forward contracts and purchased options accounted for under Topic 815. The Company adopted ASU 2020-01 on January 1, 2021. The adoption of the standard did not have a material impact on the Company’s Consolidated Financial Statements.

In August 2020, the FASB issued ASU 2020-06, “Debt — Debt With Conversion and Other Options (Subtopic 470-20)” and “Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity”, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. ASU 2020-06 is effective for the Company for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption is applied on a modified or full retrospective transition approach. The Company early adopted ASU 2020-06 on January 1, 2021. The adoption of the standard did not have a material impact on the Company’s Consolidated Financial Statements.

3. CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Company maintains cash balances at its physical locations, which are not currently insured, and with various U.S. banks and credit unions with balances in excess of the Federal Deposit Insurance Corporation and National Credit Union Share Insurance Fund limits, respectively. The failure of a bank or credit union where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company’s business, financial condition and results of operations. As of December 31, 2021 and 2020, the Company has not experienced any losses with regards to its cash balances.

The Company provides credit in the normal course of business to customers located throughout California. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information. There were one (2021) and two (2020) customers for each of the years ended December 31, 2021 and 2020 that comprised 29% and 37%, respectively, of the Company’s revenues. As of December 31, 2021 and 2020, these same customers had balances due the Company of \$2,403,097 and \$4,053,718, respectively.

4. INVENTORY

As of December 31, 2021 and 2020, inventory consists of the following:

	2021	2020
Raw Materials	\$ 1,325,590	\$ 4,109,434
Work-in-Process	2,777,244	1,793,094
Finished Goods	2,493,468	963,474
Total Inventory	\$ 6,596,302	\$ 6,866,002

GLASS HOUSE BRANDS INC.
Notes to Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

5. NOTES RECEIVABLE

As of December 31, 2021 and 2020, notes receivable consists of the following:

	2021	2020
Notes receivable with an investee maturing in April and May 2021, bearing interest at 8.00 percent per annum.	\$ - (i)	\$ 904,534 (i)
Total Notes Receivable	-	904,534
Less Current Portion of Notes Receivable	-	(904,534)
Notes Receivable, Net of Current Portion	\$ -	\$ -

(i) As of December 31, 2021, the note receivable was fully reserved in the amount of \$968,619.

On February 23, 2021, the Company entered into a Merger and Exchange Agreement with Element 7 CA, LLC ("Element 7") to acquire the membership or equity interests of certain retail entities held by Element 7 in addition to a Consulting Agreement (collectively the "Element 7 Agreements"). As of December 31, 2021, the Company has terminated the Element 7 Agreements with Element 7 and has converted the pre-closing financing payment and consulting fees into notes receivable in accordance with the Agreements. As of December 31, 2021, the note receivable was fully reserved in the amount of \$2,274,167. During the year ended December 31, 2021, the Company did not record interest income related to the Element 7 notes receivable. See "Note 22 – Commitments and Contingencies" for further information.

6. INVESTMENTS

The Company has various investments in entities in which it holds a significant but non-controlling interest through voting equity or through representation on the entities' board of directors or equivalent governing bodies. Accordingly, the Company was deemed to have significant influence resulting in the Company accounting for these investments under the equity method.

As of December 31, 2021 and 2020, activity related to investments consist of the following:

	LOB Group, Inc.	NRO Management, LLC	SoCal Hemp JV, LLC	ICANN, LLC	F/E/D	5042 Venice, LLC	Lompoc TIC, LLC	TOTAL
Fair Value as of December 31, 2019	\$ 2,865,896	\$ 2,455,966	\$ 186,707	\$ -	\$ 2,815,130	\$ 2,245,863	\$ 381,315	\$ 10,950,877
Additions	-	-	2,987,062	2,045,309	-	-	-	5,032,371
Distribution	-	-	-	-	-	(263,656)	(76,482)	(340,138)
Disposition Due to Acquisition	-	-	-	-	(2,815,130)	-	-	(2,815,130)
(Loss) Gain on Equity Method Investments	(56,484)	(119,253)	(2,114,991)	-	-	240,488	(75,872)	(2,126,112)
Fair Value as of December 31, 2020	\$ 2,809,412	\$ 2,336,713	\$ 1,058,778	\$ 2,045,309	\$ -	\$ 2,222,695	\$ 228,961	\$ 10,701,868
Additions	-	-	701,254	-	-	-	86,248	787,502
Distributions	-	-	-	-	-	(243,880)	(96,900)	(340,780)
Reclass of Investment for Acquisition	-	-	-	(2,045,309)	-	-	-	(2,045,309)
Impairment	-	-	(817,875)	-	-	-	-	(817,875)
(Loss) Gain on Equity Method Investments	(48,271)	(317,764)	(942,157)	-	-	242,705	(23,560)	(1,089,047)
Fair Value as of December 31, 2021	\$ 2,761,141	\$ 2,018,949	\$ -	\$ -	\$ -	\$ 2,221,520	\$ 194,749	\$ 7,196,359

During the years ended December 31, 2021 and 2020, the Company recorded net losses from equity method investments of \$1,089,047 and \$2,126,112, respectively. These investments are recorded at the amount of the Company's initial investment and adjusted for the Company's share of the investee's income or loss and dividends paid. During the fourth quarter of the year ended December 31, 2021, the Company recognized \$817,875 of other than temporary impairment as a result of the investee ceasing operations. The Company determined that the fair value of its investment in SoCal Hemp JV, LLC was nil as of December 31, 2021.

7. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2021 and 2020, property, plant and equipment consist of the following:

	2021	2020
Land	\$ 70,782,068	\$ 8,966,874
Buildings	108,024,254	11,211,573
Furniture and Fixtures	316,395	44,519
Leasehold Improvements	8,412,489	7,475,295
Equipment and Software	5,712,519	4,502,869
Construction in Progress	11,867,167	315,306
Total Property, Plant and Equipment	205,114,892	32,516,436
Less Accumulated Depreciation and Amortization	(9,316,368)	(5,324,409)
Property, Plant and Equipment, Net	\$195,798,524	\$ 27,192,027

During the years ended December 31, 2021 and 2020, the Company recorded depreciation expense of \$4,597,229 and \$2,387,930, respectively.

During the year ended December 31, 2021, the Company entered into a third amendment to its acquisition agreement (the "Camarillo Acquisition Agreement") regarding the purchase of certain real property in Camarillo, California. The purchase price was amended to \$93,000,000 payable in cash. The Company further entered into a fourth amendment to the Camarillo Acquisition Agreement in which certain fixed assets in the amount of \$110,000 were added to the net assets acquired and consideration to be credited to the sellers at closing. In addition, the parties agreed to afford the sellers more time to obtain terminations to UCC-1 financing statements with respect to certain personal property conveyed as part of the asset acquisition. The Company paid the total cash purchase price upon closing on September 14, 2021 ("Camarillo Closing Date"). The asset acquisition was accounted for in accordance with ASC 805-50, "Acquisition of Assets Rather than a Business". As consideration for the option right to purchase certain real property in conjunction with the Camarillo Acquisition Agreement (the "Option Right"), the Company issued 6,500,000 Equity Shares with an aggregate value of \$29,250,000 on the Camarillo Closing Date. In addition to the Equity Shares issued for the Option Right on the Camarillo Closing Date, the Company is obligated to issue up to 3,500,000 Equity Shares as a contingent payment, and a potential earnout fee of up to \$75,000,000 payable in Equity Shares, if certain conditions and financial metrics are met, see "Note 14 – Contingent Shares and Earnout Liabilities" for further information.

The following is a summary of the total consideration paid in the above transaction:

Cash Payments	\$ 93,000,000
Survey and Other Fees	262,875
Shares Issued for the Purchase of Real Property	29,250,000
Fair Value of Contingent Consideration	14,973,000
Fair Value of Earn Out Payments	19,847,000
Total Consideration in the Camarillo Transaction	\$ 157,332,875

8. DISPOSITION OF SUBSIDIARY

On March 3, 2021, the Company entered into an agreement to assign all of its membership interests in Field Investment Co., LLC ("Field Investment Co."), a subsidiary and Field Investment Co.'s subsidiaries Field Taste Matters, Inc., ATES Enterprises, LLC, and Zero One Seven Management, LLC for de minimis consideration to an unrelated third party. On the same day, the Company immediately divested itself of Field Investment Co. and recognized a loss on disposition of a subsidiary in the amount of \$6,090,337 for the year ended December 31, 2021. The subsidiary disposed of does not qualify as a discontinued operation in accordance with ASC 205 "Discontinued Operations".

The net assets of the subsidiary that was disposed of consists of the following:

ASSETS:	
Accounts Receivable, Net	\$ 21,067
Prepaid Expenses and Other Current Assets	430,654
Operating Lease Right-of-Use Assets, Net	976,417
Property, Plant and Equipment, Net	310,501
Intangible Assets, Net	3,727,500
Goodwill	2,095,918
Other Assets	95,419
TOTAL ASSETS	\$ 7,657,476
LIABILITIES:	
Accounts Payable and Accrued Liabilities	\$ 473,500
Operating Lease Liabilities	1,051,588
Notes Payable	42,051
TOTAL LIABILITIES	\$ 1,567,139
NET ASSETS DISPOSED	\$ 6,090,337

9. BUSINESS ACQUISITIONS

A summary of business acquisitions completed during the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Total Consideration		
Cash	\$ 442,956	\$ 81,523
Equity Investment Converted	2,045,309	2,815,130
Prior Note Receivable Converted	-	1,910,678
Fair Value of Equity Issued	3,380,278	3,095,642
Total Consideration	\$ 5,868,543	\$ 7,902,973
Net Assets Acquired (Liabilities Assumed)		
Current Assets ⁽³⁾	\$ 562,221	\$ 2,149,910
Operating Right-of-Use Asset	1,160,730	-
Property, Plant and Equipment	692,645	461,055
Non-Current Assets	-	178,142
Deferred Tax Assets, Net	(209,466)	-
Current Liabilities Assumed	(922,745)	(814,834)
Long-Term Liabilities Assumed	(1,113,584)	(57,218)
Intangible Assets:		
Intellectual Property	600,000	750,000
Dispensary License	2,900,000	3,140,000
Total Intangible Assets	3,500,000	3,890,000
Total Identifiable Net Assets Acquired (Net Liabilities Assumed)	3,669,801	5,807,055
Goodwill ⁽¹⁾	2,198,742	2,095,918
Total Net Assets Acquired	\$ 5,868,543	\$ 7,902,973
Pro Forma Revenues ⁽²⁾	n/a	\$ 60,361
Pro Forma Net Loss ⁽²⁾	n/a	\$ (393,743)

(1) Goodwill arising from acquisitions represent expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition. Generally, goodwill related to dispensaries acquired within a state adds to the footprint of the Company's dispensaries within the state, giving the Company's customers more access to the Company's branded stores. Goodwill related to cultivation and wholesale acquisitions provide for lower costs and synergies of the Company's growing and wholesale distribution methods which allow for overall lower costs.

(2) If the acquisition had been completed on January 1, 2021 or 2020 for the 2021 and 2020 acquisitions, respectively, the Company estimates it would have recorded increases in revenues and net loss shown in the pro forma amounts noted above. As the 2021 acquisition was completed on January 1, 2021, no pro forma information is required.

(3) Included in current assets acquired in these business combinations was cash acquired in the amount of \$158,928 and nil during the year ended December 31, 2021 and 2020, respectively.

On February 11, 2020, the Company completed the acquisition of a licensed concentrate and extractions business for an aggregate consideration of \$7,902,973 which is comprised of prior investment with a value of \$2,815,130, convertible note receivable, and accrued interest in the amount of \$1,910,678, cash at closing in the amount of \$81,523, and the issuance of 10,318,807 Class A Common Shares valued at \$3,095,642.

On January 1, 2021, the Company completed an acquisition of 100% of the equity interests of iCANN, LLC dba Pharmacy Berkeley ("iCANN") a licensed retail cannabis company located in Berkeley, California. Pursuant to the terms of the merger agreement between a subsidiary of the Company and iCANN, the following occurred: (i) the Company elected to convert an earlier issued convertible note with an unpaid principal amount of \$2,000,000 and accrued interest of \$45,309 into equity interests of iCANN; (ii) the Company paid \$400,000 in cash to four founder-holders of iCANN equity interests; (iii) the Company issued 7,511,725 shares of Class A Common Stock of GH Group (which were ultimately exchanged for 731,369 Exchangeable Shares) to holders of iCANN equity interests; and (iv) \$42,956 in cash to the remaining holders of iCANN equity interests who were not accredited investors. In addition, during the year ended December 31, 2021, the Company granted 48,682 Exchangeable Shares to various brokers and consultants as finders' fees and recorded \$225,000 in share-based compensation.

10. INTANGIBLE ASSETS

As of December 31, 2021 and 2020, intangible assets consist of the following:

	2021	2020
Definite Lived Intangible Assets		
Intellectual Property	\$ 790,000	\$ 940,000
Total Definite Lived Intangible Assets	790,000	940,000
Less Accumulated Amortization	(208,667)	(201,000)
Definite Lived Intangible Assets, Net	581,333	739,000
Indefinite Lived Intangible Assets		
Dispensary Licenses	5,048,500	4,540,000
Total Indefinite Lived Intangible Assets	5,048,500	4,540,000
Total Intangible Assets, Net	\$ 5,629,833	\$ 5,279,000

For the year ended December 31, 2021 and 2020, the Company recorded amortization expense related to intangible assets of \$170,167 and \$188,333, respectively. Additionally, during the year ended December 31, 2021, management noted no indications of impairment on its intangible assets.

The following is the future minimum amortization expense to be recognized for the years ended December 31:

December 31:		
2022	\$	158,000
2023		158,000
2024		145,333
2025		120,000
Total Future Amortization Expense	\$	581,333

11. GOODWILL

As of December 31, 2021 and 2020, goodwill was \$4,918,823 and \$4,815,999, respectively. See "Note 8 – Disposition of Subsidiary" and "Note 9 – Business Acquisitions" for further information.

Goodwill is assigned to the reporting unit, which is the operating segment level or one level below the operating segment. Goodwill arises when the purchase price for acquired businesses exceeds the fair value of tangible and intangible assets acquired less assumed liabilities. Goodwill is reviewed annually for impairment or more frequently if impairment indicators arise. The goodwill impairment test compares the fair value of a reporting unit with its carrying amount. The amount by which the carrying amount exceeds the reporting unit's fair value is recognized as a goodwill impairment loss. The Company conducts its annual goodwill impairment assessment as of the last day of the fiscal year. During the years ended December 31, 2021 and 2020, management noted no indications of impairment on its goodwill.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of December 31, 2021 and 2020, accounts payable and accrued liabilities consist of the following:

	2021	2020
Accounts Payable	\$ 4,777,435	\$ 2,583,910
Accrued Liabilities	2,418,664	1,082,980
Accrued Payroll and Related Liabilities	1,699,253	1,724,921
Sales Tax and Cannabis Taxes	1,319,652	1,178,904
Total Accounts Payable and Accrued Liabilities	\$ 10,215,004	\$ 6,570,715

The Company offers a customer loyalty rewards program that allows members to earn discounts on future purchases. Unused discounts earned by loyalty rewards program members are included in accrued liabilities and recorded as a sales discount at the time a qualifying purchase is made. The value of points accrued as of December 31, 2021 and 2020 was \$380,000 and \$1,007,000, respectively.

13. DERIVATIVE LIABILITIES

During the years ended December 31, 2021 and 2020, the Company issued convertible debt to third parties and related parties, see "Note 16 – Notes Payable" and "Note 17 – Notes Payable – Related Parties", respectively. Upon the analysis of the conversion feature of the convertible debt under ASC 815 "Derivatives and Hedging" ("ASC 815"), the Company determined that the conversion features are to be accounted as derivative liabilities. The Company valued the conversion feature using the Binomial Lattice Model using the following Level 3 inputs:

	2021*	2020
Weighted-Average Risk Free Annual Rate	0.25%	0.82%
Weighted-Average Average Probability at Maturity	0.00%	0.31%
Weighted-Average Average Probability Before Maturity	100.00%	59.00%
Weighted-Average Average Probability at Change of Control	0.00%	33.00%
Weighted-Average Expected Annual Dividend Yield	0.0%	9.0%
Weighted-Average Expected Stock Price Volatility	0.0%	70.9%
Weighted-Average Expected Life in Years	-	2.28

* Represents inputs immediately prior to the conversion on June 29, 2021

A reconciliation of the beginning and ending balance of derivative liabilities and change in fair value of derivative liabilities for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Balance at Beginning of Year	\$ 7,365,000	\$ -
Derivative Liability Incurred Upon Issuance of Convertible Debt	182,000	7,113,337
Change in Fair Value	(825,000)	251,663
Reclassified to Equity Upon Conversion of Debt	(6,722,000)	-
Balance at End of Year	\$ -	\$ 7,365,000

Derivative liabilities are included in current liabilities as the holders of the convertible notes can convert at any time.

During the year ended December 31, 2021, the Company converted all its convertible debt with derivative conversion features to Preferred Shares. As a result, the Company recorded adjustments to the fair value of the derivative through the date of conversion. The remaining derivative balance was reclassified to shareholders' equity upon conversion of the related convertible debt. See "Note 16 – Notes Payable" and "Note 17 – Notes Payable – Related Parties" for further information. It is management's view that conversions of debt with bifurcated conversion features that are deemed derivatives should be accounted under the conversion accounting model. As a result of the conversion of debt and relief of the derivative conversion feature, the Company recognized no loss on extinguishment of debt or additional amortization of debt discount as the conversion of the debt was executed under the original terms of the agreement as required under ASC 470 "Debt".

14. CONTINGENT SHARES AND EARNOUT LIABILITIES

	2021
Balance at Beginning of Year	\$ -
Contingent Shares Issued Upon Closing of Business Combination	7,640,334 (i)
Contingent Earnout Issued for Option Right	19,847,000 (ii)
Contingent Shares Issued for Option Right	14,973,000 (iii)
Change in Fair Value of Contingent Liabilities	(4,031,634)
Balance at End of Year	\$ 38,428,700

(i) Contingent Earnout – Business Combination on June 29, 2021

Upon closing of the Business Combination on June 29, 2021, 1,008,975 Equity Shares related to the sponsor of Mercer Park Brand Acquisition Corp. were locked up by the Company. These shares are to be released from the lock-up restrictions based upon the amount of cash raised by the Company from certain debt and equity financings through June 2023. As of December 31, 2021, the Company released 392,819 Equity Shares that were originally subject to lock-up restrictions. In accordance with ASC 480 “*Distinguishing Liabilities from Equity*” (“ASC 480”), management determined the provisions of these earnouts required liability treatment. Accordingly, the remaining 616,156 Equity Shares under lock-up restrictions were initially valued and recorded as a liability in the amount of \$7,640,334. The remaining Equity Shares are subject to a capital-based earnout of permitted debt or equity financings within one year following closing as further defined in the Investor Rights Agreement entered into on June 29, 2021 in connection with the completion of the Business Combination. As of December 31, 2021, the value of the contingent earnout was \$2,372,200 and included as a component of contingent shares and earnout liabilities in the accompanying Consolidated Balance Sheets. The decrease in fair value of \$5,268,134 was recorded as a component of change in fair value of contingent liabilities during the year ended December 31, 2021 and is included in the accompanying Consolidated Statements of Operations.

Additional earnout payments consisting of up to an additional 6,306,095 of the Company’s Equity Shares are issuable to the sponsor of Mercer Park and all holders of record of Equity Shares, the Exchangeable Shares, vested stock options and vested RSU’s as of December 31, 2021 in the event the 20-day VWAP of the Equity Shares reaches \$13.00 or \$15.00 within two years of closing. In the event that the permitted debt or equity raised by the Company and Equity Share price targets are not met, as described in the Investor Rights Agreement, the earnout payments will be forfeited. In accordance with ASC 480, management determined the provisions of these earnouts did not require liability treatment. As of December 31, 2021, no shares were issued in connection with these earnouts.

(ii) Contingent Earnout – Camarillo Transaction

As a consideration for the Option Right, the Company is obligated to pay a contingent earnout fee of up to \$75,000,000, payable in Equity Shares, if certain conditions and financial metrics are met. In accordance with ASC 480, the Company initially recorded \$19,847,000 as a capital addition to property and equipment and as a component of contingent shares and earnout liabilities in the Consolidated Balance Sheets. As of December 31, 2021, the fair value of the contingent earnout was \$22,571,000 which reflected an increase in fair value of \$2,724,000 during the year ended December 31, 2021 which is included as component of change in fair value of contingent liabilities in the accompanying Consolidated Statements of Operations. The value of the contingent consideration is based upon the potential earn out of the facilities’ adjusted earnings during the earnout period and is measured at fair value using a discounted cash flow model that is based on unobservable inputs.

14. CONTINGENT SHARES AND EARNOUT LIABILITIES (Continued)

(iii) Contingent Shares – Camarillo Transaction

As consideration for the Option Right, the Company issued 6,500,000 Equity Shares with an aggregate value of \$29,250,000 on the Camarillo Closing Date. The Company allocated the fair value of the Option Right to the assets acquired upon its exercise in September 2021. In addition to the Equity Shares issued for the Option Right, the Company is obligated to issue up to 3,500,000 Equity Shares as a contingent payment, which are subject to certain conditions and events following closing. As a result, the Company initially valued and recorded \$14,973,000 as a component in contingent shares and earnout liabilities in the Consolidated Balance Sheets. As of December 31, 2021, the fair value of the contingent payment was \$13,485,500 and included as a component in contingent shares and earnout liabilities in the accompanying Consolidated Balance Sheet as of December 31, 2021. As this contingent liability is considered a derivative under ASC 815, the Company recorded a decrease in fair value of \$1,487,500 during the year ended December 31, 2021 and is included as component of change in fair value of contingent liabilities in the accompanying Consolidated Statements of Operations. The value of the contingent consideration is based upon the value of the Company's Equity Shares, the probability of future events occurring and other unobservable inputs.

15. LEASES

The Company leases buildings which it plans to use for corporate purposes and the production and sale of cannabis products. In accordance with ASC 842, the Company initially measures the ROU asset at cost, which is primarily comprised of the initial amount of the lease liability, plus initial direct costs and lease payments at or before the commencement date, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company utilizes its secured borrowing rate.

Measurement of the lease payments are comprised using 1) fixed lease payments less any incentives; 2) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; 3) the amount expected to be payable by the lessee under residual value guarantees; 4) the exercise of purchase options, if the lessee is reasonably certain to exercise the options; 5) payments of penalties for early termination of a lease unless the Company is reasonably certain not to terminate early. The incremental borrowing rate is determined using estimates which are based on the information available at commencement date and determines the present value of lease payments if the implicit rate is unavailable.

Most operating leases contain renewal options that provide for rent increases based on prevailing market conditions. The terms used to calculate the ROU assets for these properties include the renewal options that the Company is reasonably certain to exercise, not longer than the underlying asset life. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants. The Company has elected not to recognize ROU assets and lease liabilities for short-term leases (defined as leases with a lease term of 12 months or less that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise).

15. LEASES (Continued)

The below are the details of the lease cost and other disclosures regarding the Company's leases for the years ended December 31, 2021 and 2020:

	2021	2020
Operating Lease Cost	\$ 730,881	\$ 919,519
Short-Term Lease Costs	669,003	344,980
Total Lease Expenses	\$ 1,399,884	\$ 1,264,499
	2021	2020
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 712,358	\$ 842,717
Non-Cash Additions to Right-of-Use Assets and Lease Liabilities:		
Recognition of Right-of-Use Assets for Operating Leases	\$ 1,419,650	\$ 1,182,942
Weighted-Average Remaining Lease Term (Years) - Operating Leases	8.00	5.00
Weighted-Average Discount Rate - Operating Leases	17.00%	17.00%

On September 14, 2021, the Company entered into an agreement to lease out a portion of its real property at approximately \$500,000 per month for 36 months. However, lease payments to the Company are abated if certain contingencies are met by the lessee. Such contingencies are expected to be met, and as a result, no rental income was recognized by the Company.

Future minimum operating lease payments under non-cancelable operating leases as of December 31, 2021 are as follows:

December 31:	Third Parties	Related Parties	Total
2022	\$ 374,197	\$ 393,127	\$ 767,324
2023	384,088	396,783	780,871
2024	384,088	393,597	777,685
2025	365,566	320,004	685,570
2026	310,000	320,004	630,004
Thereafter	1,320,833	560,007	1,880,840
Total Future Minimum Lease Payments	3,138,772	2,383,522	5,522,294
Less Imputed Interest	(1,479,098)	(908,562)	(2,387,660)
Total Amount Representing Present Value	1,659,674	1,474,960	3,134,634
Less Current Portion of Operating Lease Liabilities	(109,136)	(160,018)	(269,154)
Operating Lease Liabilities, Net of Current Portion	\$ 1,550,538	\$ 1,314,942	\$ 2,865,480

The Company leases certain business facilities from related parties and third parties under non-cancellable operating lease agreements that specify minimum rentals. The operating leases require monthly payments ranging from \$800 to \$28,000 and expire through July 2031. Certain lease monthly payments may escalate up to 5.0% each year. In such cases, the variability in lease payments is included within the current and noncurrent operating lease liabilities.

16. NOTES PAYABLE

As of December 31, 2021 and 2020, notes payable consist of the following:

	2021	2020
Note payable maturing in June 2021, bearing interest at 7.00 percent per annum	\$ - (i)	343,435 (i)
Note payable maturing in December 2020, bearing interest at 8.00 percent per annum	- (ii)	212,821 (ii)
Convertible notes payable maturing in February 2023, bearing interest at 8.00 percent per annum	- (iii)	20,790,514 (iii)
Term loan payable maturing in November 30, 2026, bearing interest at 10.00 percent per annum	44,616,587 (iv)	- (iv)
Other - Vehicle Loans	238,835	44,931
Total Notes Payable	44,855,422	21,391,701
Less Unamortized Debt Issuance Costs and Loan Origination Fees	-	(5,421,622)
Net Amount	\$ 44,855,422	\$ 15,970,079
Less Current Portion of Notes Payable	(37,986)	(601,187)
Notes Payable, Net of Current Portion	\$ 44,817,436	\$ 15,368,892

- (i) During the year ended December 31, 2017, GH Group issued debt to an unrelated third party for working capital needs in the amount of \$2,000,000. The debt matured in June 2021 and bore interest at 7.00 percent per year. The balance as of December 31, 2021 and 2020 was nil and \$343,435, respectively.
- (ii) During the year ended December 31, 2019, GH Group issued debt to an unrelated third party for working capital needs in the amount of \$377,658. The debt matured in December 2020 and bore interest at 8.00 percent per year. The balance as of December 31, 2021 and 2020 was nil and \$212,821, respectively.
- (iii) Effective January 8, 2020, the board of directors of GH Group approved approximately \$17,500,000 in a private placement of Senior Convertible Notes. On January 4, 2021, the board of directors of GH Group approved an increase of the Senior Convertible Notes offering to \$22,599,844. On June 29, 2021, the Senior Convertible Notes were automatically converted into Preferred Shares following the occurrence of a Qualified Equity Financing ("QEF") at a conversion price equal to the lesser of 80% of the cash price paid per Preferred Share or the quotient resulting from dividing \$250,000,000 by the number of outstanding shares of Common Stock of GH Group immediately prior to the QEF. Prior to conversion, the Senior Convertible Notes bore cash interest at a rate of 4% per year paid quarterly and generally accrue interest at a rate of 4.3% per year. The Senior Convertible Note holders were also issued a security interest in the stock and membership interests held by GH Group and its subsidiaries. As noted above, on June 29, 2021, all principal and accrued interest under the Senior Convertible Notes were converted into Preferred Shares. See "Note 13 – Derivative Liabilities" and "Note 18 – Shareholders' Equity" for further details on aggregate shares issued and amounts.

16. NOTES PAYABLE (Continued)

- (iv) On December 9, 2021 ("Senior Secure Closing Date"), the Company entered into a senior secured term loan agreement for total available proceeds of up to \$100,000,000 with funds managed by a U.S.-based private credit investment fund and other third-party lenders (together, the "Senior Secured Lender"). Effective December 10, 2021, the Company closed on an initial term loan through the credit agreement of \$50,000,000. The principal amount under the credit agreement will be paid in monthly installments in an aggregate amount equal to 1.25% per annum of the original principal amount, 24 months following the Senior Secure Closing Date, with a maturity date through November 30, 2026. Interest will be paid, beginning December 31, 2021, in monthly installments equal to the floating base rate plus the applicable term margin, or 5.25%. The interest rate will not be less than 10% per annum or exceed 12% per annum. As of December 31, 2021, the interest rate was 10%. The Company incurred debt issuance costs of approximately \$2,142,000 reduced from the initial term loan principal amount received. In connection with the Initial Term Loan, the Company issued 2,000,000 warrants to the Senior Secured Lender, with an exercise price of \$11.50 per share, to acquire one Equity Share until June 26, 2026. These warrants were fair valued using level 1 inputs as these warrants are openly traded on a stock exchange. Accordingly, the Company recorded an additional debt discount of \$3,276,764 related to the change in terms of the warrants.

Two additional delayed draw term loans may be requested by the Company in an amount equal to the principal amount of \$25,000,000 (or such lesser amount as agreed) each. The Company has optional and mandatory prepayments. Mandatory prepayments include any voluntary and involuntary sale or disposition of assets by the Company or any restricted subsidiaries. The outstanding principal amount of the obligation will be repaid by 100% of cash proceeds received with certain exemptions as defined in the agreement. As of the Senior Secure Closing Date, the Company deposited an interest reserve in the amount of \$3,000,000 into an escrow account and included as restricted cash in the Consolidated Balance Sheets. Additionally, the Company's real property held in Glass House Farm LLC, Magu Farm LLC and GH Camarillo LLC was pledged as security.

The credit agreement contains certain financial covenant which require the Company to maintain liquidity in excess of \$10,000,000 at all times. As of December 31, 2021, the Company was in compliance with such financial covenant. Additionally, there are certain covenants which will require the Company to maintain a specific minimum debt service coverage ratio which will be measured quarterly beginning with the quarter ending December 31, 2022, as well as achieve completion of phase one project work at the Camarillo facility on or before July 31, 2022. Such covenants were not in effect as of December 31, 2021.

In June 2021, GH Group completed a Series A Preferred Stock Financing round of \$12,530,963. The Preferred Stock carried an annual 15.0 percent cumulative dividend in year 1. During March 2021, the Company raised \$7,625,000 from unrelated third parties and recorded as debt. On June 29, 2021, all principal and accrued interest of such debt was converted to Preferred Shares. See "Note 13 – Derivative Liabilities" and "Note 18 – Shareholders' Equity" for further details on aggregate shares issued and amounts.

Scheduled maturities of notes payable for the years ended December 31:

December 31:	Principal Payments
2022	\$ 37,986
2023	665,433
2024	7,542,830
2025	7,545,368
2026	7,500,000
Thereafter	21,563,805
Total Future Minimum Principal Payments	\$ 44,855,422

17. NOTES PAYABLE – RELATED PARTIES

As of December 31, 2021 and 2020, notes payable from related parties consist of the following:

	2021		2020
Convertible notes payable maturing in February 2023, bearing interest at 8.00 percent per annum	\$ -	(i)	\$ 2,049,037 (i)
Convertible note payable maturing in March 2023, bearing interest at 6.00 percent per annum	-	(ii)	2,189,264 (ii)
Total Notes Payable - Related Parties	-		4,238,301
Less Unamortized Debt Issuance Costs and Loan Origination Fees	-		(534,335)
Net Amount	\$ -		\$ 3,703,966
Less Current Portion of Notes Payable - Related Parties	-		-
Notes Payable, Net of Current Portion - Related Parties	\$ -		\$ 3,703,966

- (i) Effective January 8, 2020, the board of directors of GH Group approved approximately \$17,500,000 in a private placement of Senior Convertible Notes. On January 4, 2021, the board of directors of GH Group approved an increase of the Senior Convertible Notes offering to \$22,599,844. On June 29, 2021, the Senior Convertible Notes were automatically converted into Preferred Shares following the occurrence of a Qualified Equity Financing (“QEF”) at a conversion price equal to the lesser of 80% of the cash price paid per Preferred Share or the quotient resulting from dividing \$250,000,000 by the number of outstanding shares of Common Stock of GH Group immediately prior to the QEF. Prior to conversion, the Senior Convertible Notes bore cash interest at a rate of 4% per year paid quarterly and generally accrue interest at a rate of 4.3% per year. The Senior Convertible Note holders were also issued a security interest in the stock and membership interests held by GH Group and its subsidiaries. As noted above, on June 29, 2021, all principal and accrued interest under the Senior Convertible Notes were converted into Preferred Shares. See “Note 13 – Derivative Liabilities” and “Note 18 – Shareholders’ Equity” for further details on aggregate shares issued and amounts.
- (ii) During the year ended December 31, 2018, Magu Farm LLC (“Magu Farm”) issued approximately \$9,925,000 in secured promissory notes convertible into equity interests (collectively, the “Magu Farm Convertible Notes”) in Magu Investment Fund LLC (“Magu Investment Fund”) to certain lenders who are affiliates of shareholders of the Company (collectively, the “Magu Farm Lenders,” and individually, a “Magu Farm Lender”)

On October 7, 2019, Magu Farm and Magu Investment Fund notified each Magu Farm Lender of Magu Investment Fund’s intention to merge with and into the Company at the closing of the Roll-Up. Subsequent to such notification, effective as of October 7, 2019, each Magu Farm Lender other than Kings Bay Investment Company Ltd., a Cayman Islands company (“KBIC”), entered into a letter agreement pursuant to which such Magu Farm Lender, among other things, (a) converted its respective Magu Farm Convertible Note with an aggregate value of \$8,000,000 into equity interests in Magu Investment Fund and (b) agreed to terminate both the Co-Lending Agreement and its respective security interest as defined in the agreement. All accrued and unpaid interest were paid prior to conversion. Effective March 1, 2020, KBIC assigned the balance of its respective Magu Farm Convertible Note (the “Kings Bay Note”) to Kings Bay Capital Management Ltd., a Cayman Islands company (“KBCM”).

Effective as of April 10, 2020, KBCM and the Company entered into an Assignment, Novation and Note Modification Agreement and a Security Agreement, pursuant to which, among other things, (a) the Company assumed all of Magu Farm LLC’s rights, duties, liabilities and obligations under the Kings Bay Note, (b) the Kings Bay Note was modified to, among other things, provide KBCM with the right to convert the Kings Bay Note into Class A Common Stock at the same conversion price accorded to the other Magu Farm Lenders, and (c) the obligations under the Kings Bay Note were secured by a pledge of the securities of the Company’s subsidiaries but expressly subordinated to the holders of the Senior Convertible Notes. As a result of the modification, the Company recorded a loss on extinguishment of debt due to modification for approximately \$389,000 which is included as a component of other expense, netted in the accompanying Consolidated Statements of Operations for the year ended December 31, 2020. On June 29, 2021, all principal and accrued interest under the Kings Bay Note was converted into Preferred Shares, and the Kings Bay security interest was terminated by filing of a UCC-3 termination statement. See “Note 18 – Shareholders’ Equity” for further details on shares issued and amount.

17. NOTES PAYABLE – RELATED PARTIES (Continued)

In February 2021, GH Group issued a \$2,000,000 unsecured promissory note in favor of Beach Front Properties, LLC. The debt matures in February 2023 and bears interest at fifteen percent (15%) per year. On June 29, 2021, all principal and accrued interest under such promissory note was converted to Preferred Shares. See “*Note 13 – Derivative Liabilities*” and “*Note 18 – Shareholders’ Equity*” for further details on aggregate shares issued and amounts.

In June 2021, GH Group completed a Qualified Equity Financing (“QEF”) for the offering and sale of the Preferred Shares in the amount of \$12,530,963. The Preferred Shares carry an annual fifteen percent (15%) cumulative dividend in year 1, which is increased by 5% in the year following the first anniversary of the date of issuance. On June 29, 2021, all principal and accrued interest from such debt was converted into Preferred Shares. See “*Note 13 – Derivative Liabilities*” and “*Note 18 – Shareholders’ Equity*” for further details on aggregate shares issued and amounts.

18. SHAREHOLDERS’ EQUITY

As of December 31, 2021, the authorized share capital of the Company is comprised of an unlimited number of (i) Subordinate Voting Shares, (ii) Restricted Voting Shares, (iii) Limited Voting Shares, (iv) Multiple Voting Shares and (v) Preferred Shares.:

Multiple Voting Shares

The Company is authorized to issue an unlimited number of Multiple Voting Shares without nominal or par value. Holders of Multiple Voting Shares will be entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the Business Corporations Act (British Columbia). On all matters upon which holders of Multiple Voting Shares are entitled to vote, each Multiple Voting Share will be entitled to 50 votes per Multiple Voting Share. Multiple Voting Shares are not entitled to dividends. The Multiple Voting Shares have three (3)-year sunset period that will expire June 29, 2024, upon which they will be automatically redeemed for \$0.001 per Multiple Voting Share.

Equity Shares

The holders of each class of Equity Shares are entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend (if applicable, virtually) and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia) and except that holders of Limited Voting Shares are not entitled to vote for the election of directors. The Subordinate Voting Shares and Restricted Voting Shares carry one vote per share on all matters. The Limited Voting Shares carry one vote per share on all matters except the election of directors, as the holders of Limited Voting Shares do not have any entitlement to vote in respect of the election for directors of the Company.

In the case of 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 Equity Shares will be entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Equity Shares (including any liquidation preference on any issued and outstanding Multiple Voting Shares and/or Preferred Shares), to participate ratably the Company’s remaining property along with all holders of the other classes of Equity Shares (on a per share basis).

Exchangeable Shares (MPB Acquisition Corp.)

Exchangeable Shares are shares issued by MPB Acquisition Corp., a wholly-owned subsidiary of the Company (“MPB”), and will entitle their holders to rights that are comparable to those rights attached to the Subordinate Voting Shares, except that (i) the Exchangeable Shares will have 1.1 votes per share (this expires on June 29, 2022, after which they will have one vote per share), and (ii) the aggregate voting power of the Exchangeable Shares will not exceed 49.9% of the total voting power of all classes of shares of MPB. Until the Exchangeable Shares are exchanged for Subordinate Voting Shares, holders of Exchangeable Shares will not have the right to vote at meetings of the Company, though they will have the right to vote at meetings of the shareholders of MPB, including with respect to altering the rights of holders of any of the Exchangeable Shares, or if MPB decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares will be exchangeable at any time, on a one-for-one basis, for Subordinate Voting Shares, at the option of the holder.

The Company treats the Exchangeable Shares as options with a value equal to a share of Subordinate Voting Shares, which represents the holder’s claim on the equity of the Company. In order to comply with certain contractual requirements of the Business Combination, the Company and MPB are required to maintain the economic equivalency of such Exchangeable Shares with the publicly traded Subordinated Voting Shares of the Company. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in the assets of the Company as the holders of the Company’s publicly traded Subordinated Voting Shares. The Company has presented these Exchangeable Shares as a part of shareholders’ equity within these Consolidated Financial Statements due to (i) the fact that they are economically equivalent to the Corporation’s publicly traded Subordinated Voting Shares, and (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under US securities laws but may dispose of the Exchangeable Shares without such restriction by exchanging them for Subordinate Voting Shares of the Company. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders’ equity to non-controlling interests; however, there would be no impact on earnings per share.

18. SHAREHOLDERS' EQUITY (Continued)

Preferred Shares (GH Group)

The authorized total number of Preferred Shares is 50,000,000. As of December 31, 2021, there are 18,515,491 Preferred Shares issued and outstanding. Holders of Preferred Shares are entitled to notice of and to attend any meeting of the shareholders of GH Group but are not entitled to vote. The Preferred Shares do not carry any voting rights and include a 15% cumulative dividend rate, which is increased by 5% in the year following the first anniversary of the date of issuance. Dividends are payable when and if declared by GH Group's board of directors. The Preferred Shares have a conversion option to convert the Preferred Shares into Class A Common Stock of GH Group within 60 days after the issuance by the holder. In the event of a liquidation, voluntary or involuntary, dissolution or winding-up of GH Group, the holders of the Preferred Shares outstanding are entitled to be paid out of the assets of GH Group available for distribution to it stockholders, before any payment shall be made to the holders of Junior Securities an amount in cash equal to the aggregate Liquidation Value which is a) all Preferred Shares held, b) plus unpaid accrued and accumulated dividends on the Preferred Shares (declared or undeclared) c) divided by the fair market value of 1 share of Series A Common Stock at the conversion time. GH Group has the right to redeem all or some of the Preferred Shares from a holder for an amount equal to the Liquidation Value and all unpaid accrued and accumulated dividends. Capitalized terms not defined in this paragraph shall have the meanings ascribed in GH Group's Certificate of Designation, as amended. In accordance with the provisions above, the Company recorded distributions to the holders of Preferred Shares in the amount of \$1,797,423 for the year ended December 31, 2021. No distributions were recognized for the year ended December 31, 2020.

Non-Controlling Interest

Non-controlling interest represents equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

During the year ended December 31, 2020, as part of the Roll-Up transaction, the Company acquired all the membership or equity interests from a certain combined group of companies and their non-controlling members, resulting in a non-controlling interest balance of \$3,554,731 being reclassified to a controlling interest during the year ended December 31, 2020.

Separate from the Roll-Up transaction, the Company recorded a loss attributable to a non-controlling interest during the years ended December 31, 2021 and 2020, of \$197,774 and nil, respectively. The value of the equity issuances issued to non-controlling interest members were fair valued using the estimated fair value of the equity of the Company.

Transactions Prior to the Business Combination through December 31, 2020 (GH Group)

On January 31, 2020, pursuant to the Roll-Up Agreements, the Roll-Up was consummated whereby the assets and liabilities of a certain combined group of companies were rolled into GH Group through a series of mergers whereby GH Group now owns and controls all of the assets and liabilities of such combined entities. As a result of the Roll-Up, the investors and sponsor of the combined entities were ultimately 22,388,322 Exchangeable Shares.

On February 11, 2020, GH Group issued Class A Common Stock which was exchanged into 1,004,676 Exchangeable Shares valued at \$3,095,642 related to an acquisition.

In February 2020, GH Group repurchased Class A Common Stock which was equivalent to 201,435 Exchangeable Shares from an investor and issued as part of the Senior Convertible Notes in February 2020, \$1,750,000 Senior Convertible Notes. The shares repurchased were simultaneously cancelled.

Transactions Prior to the Business Combination January 1, 2021 through June 29, 2021 (GH Group)

On January 1, 2021, GH Group issued Class A Common Stock which was exchanged into 731,369 Exchangeable Shares valued at \$3,380,278 related to an acquisition, see "Note 9 – Business Acquisitions". In addition, GH Group issued additional Class A Common Stock which was exchanged into 48,682 Exchangeable Shares to brokers and consultants for the acquisition. The shares issued to brokers and consultants for the acquisition were recorded as share-based compensation in the amount of \$225,000.

In June 2021, GH Group issued Class A Common Stock which was exchanged into 646,096 Exchangeable Shares in conversion of \$1,925,000 in Senior Convertible Notes.

In June 2021, GH Group issued Class A Common Stock which was exchanged into 160,149 Exchangeable Shares for the cashless exercise of 1,968,300 warrants.

18. SHAREHOLDERS' EQUITY (Continued)

Transactions Contemporaneous to the Business Combination (June 29, 2021) and through December 31, 2021 (Glass House Brands Inc.)

On June 29, 2021, contemporaneously with the Business Combination, the Company issued 4,754,979 Multiple Voting Shares to the founders of GH Group and issued 22,335,908 Subordinate Voting Shares to investors for approximately \$124,359,000 in cash, net of fees but before the value of the earnout liability recorded of \$7,640,334, see "Note 14 – Contingent Shares and Earnout Liabilities".

During the year ended December 31, 2021, the Company, through GH Group, issued 38,808,618 Preferred Shares in connection with the Series A Preferred Stock financing and conversion of Senior Convertible Notes into Preferred Shares with an aggregate value of \$31,285,258, net of the value of the initial derivative liability. In conjunction with these transactions, the Company issued 4,928,578, as converted, Company warrants with an exercise price of \$10.00 per warrant which expire in June 2024. Simultaneously, certain holders of Preferred Shares holding 20,293,127 Preferred Shares elected to convert their Preferred Shares to 2,577,227 Exchangeable Shares.

On June 29, 2021, certain holders of 5,392,564 vested options of GH Group were exercised (some on a cashless basis and cash exercise) and were issued Subordinate Voting Shares. As a result, the Company issued 479,195 Subordinate Voting Shares with an aggregate value of \$88,654.

On September 14, 2021, in conjunction with the closing of the Camarillo Acquisition for the purchase of certain real property, the Company issued 6,500,000 Subordinate Voting Shares with an aggregate value of \$29,250,000, see "Note 7 – Property, Plant and Equipment" for further information.

On August 23, 2021, the Company received \$1,500,000 from an investor prior to receiving Subordinate Voting Shares. During the year ended December 31, 2021, the Company issued 150,000 Subordinate Voting Shares to said investor.

In October 2021, the Company agreed to issue 150,000 Subordinate Voting Shares at a per value price of \$4.99 per share and an aggregate value of \$748,500 to Element 7. The shares are still pending delivery as of December 31, 2021. See "Note 22 – Commitments and Contingencies" for further information.

On December 9, 2021, the Company issued 2,000,000 Company warrants with an exercise price of \$11.50 per warrant which will expire in June 2026. See "Note 16 – Notes Payable" for further information.

During the year ended December 31, 2021, the Company's Exchangeable Voting Shareholders exchanged 9,098,302 of their shares for Subordinate Voting Shares in accordance with their agreements.

19. SHARE-BASED COMPENSATION

The Company has an equity incentive plan (the "Incentive Plan") under which the Company may issue various types of equity instruments or instruments that track to equity, more particularly the Company's Subordinate Voting Shares, to any employee, officers, consultants or directors. The types of equity instruments issuable under the Incentive Plan encompass, among other things, stock options, unrestricted stock bonus, stock appreciation rights, and restricted stock units (together, "Awards"). Share-based compensation expenses are recorded as a component of general and administrative costs. Compensation issuable under the Incentive Plan is governed by the policies and procedures promulgated by the Company's Compensation, Nominating, and Governance Committee as adopted by the Board of Directors. The maximum number of Awards that may be issued under the Incentive Plan is 15% of the outstanding capitalization of the Company, including the Exchangeable Shares, as calculated using the treasury method. If an Award expires, becomes un-exercisable, or is cancelled, forfeited or otherwise terminated without having been exercised or settled in full, as the case may be, the shares allocable to the unexercised portion of the Award shall again become available for future grant or sale under the Incentive Plan (unless the Incentive Plan has terminated by its terms). Shares that have been issued under the Incentive Plan will result in additional capacity in the Incentive Plan. Granting and vesting of Awards will be determined by the Compensation Committee or the Board of Directors as applicable. The exercise price for options (if applicable) will generally not be less than the fair market value of the Award at the time of grant and will generally expire after 5 years.

19. SHARE-BASED COMPENSATION (Continued)

Stock Options

Immediately prior to the close of the Business Combination, GH Group had 31,403,186 outstanding vested options with a blended average exercise price of \$0.23 and 29,294,324 outstanding unvested options with a blended average exercise price of \$0.26. Incident to the close, 5,392,564 options were exercised resulting in the issuance of 479,195 Subordinate Voting Shares.

Of the remaining options, the vested GH Group non-qualified stock options ("NQSOs") were paid the net-value of their outstanding options at close by reserving 1,433,793 Subordinate Voting Shares to be issued on or before June 29, 2024. As these shares have not been issued and are payable on or before June 29, 2024, the Company reclassified \$2,756,830 from equity to shares payable. Unvested NQSOs were exchanged RSUs of the Company on substantially similar terms to the NQSO grants equal to the net-value of such options at close using a share price of \$10 and a GH Group Class A Common share value of \$0.97 prior to close. As a result, the Company issued 1,076,499 RSU's.

Vested and unvested GH Group incentive stock options ("ISOs") were exchanged for Company incentive stock options using an exchange ratio of 10.27078 to 1. This resulted in the exchange of 21,065,367 ISO's for 2,051,000 Company incentive stock options.

A reconciliation of the beginning and ending balance of stock options outstanding is as follows:

	Number of Stock Options	Weighted-Average Exercise Price
Balance as of December 31, 2019	50,575,080	\$ 0.22
Granted	4,696,786	\$ 0.30
Forfeited	(6,868,242)	\$ 0.22
Balance as of December 31, 2020	48,403,624	\$ 0.23
Granted Prior to Business Combination	12,182,545	\$ 0.30
Forfeited Prior to Business Combination	(296,350)	\$ 0.24
Exercised Prior to Business Combination	(4,921,707)	\$ 0.26
Exchanged for Subordinate Shares At Business Combination	(19,320,935)	\$ 0.26
Converted to RSU's At Business Combination	(14,886,359)	\$ 0.26
Effect on Conversion related to the Business Combination	(19,108,791)	\$ 0.28
Granted After Business Combination	108,695	\$ 4.60
Forfeited After Business Combination	(72,938)	\$ 2.36
Balance as of December 31, 2021	2,087,784	\$ 2.78

The following table summarizes the stock options that remain outstanding as of December 31, 2021:

Security Issuable	Exercise Price	Expiration Date	Stock Options Outstanding
Subordinate Voting Shares	\$ 2.26	October 2024	976,465
Subordinate Voting Shares	\$ 3.08	April 2025	161,226
Subordinate Voting Shares	\$ 3.08	January 2026	841,398
Subordinate Voting Shares	\$ 4.60	October 2026	108,695
			2,087,784

As of December 31, 2021 and 2020, options vested and exercisable was 1,000,717 and 20,880,755, respectively. For the years ended December 31, 2021 and 2020, the fair value of stock options granted with a fixed exercise price was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

	2021	2020
Weighted-Average Risk-Free Annual Interest Rate	0.29%	0.31%
Weighted-Average Expected Annual Dividend Yield	0.0%	0.0%
Weighted-Average Expected Stock Price Volatility	84.6%	85.3%
Weighted-Average Expected Life in Years	4.00	4.00
Weighted-Average Estimated Forfeiture Rate	0.0%	0.0%

19. SHARE-BASED COMPENSATION (Continued)

Stock price volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly-traded cannabis companies. The expected life represents the period of time that stock options granted are expected to be outstanding. The risk-free rate was based on United States Treasury zero coupon bond with a remaining term equal to the expected life of the options.

During the years ended December 31, 2021 and 2020, the weighted-average fair value of stock options granted was \$0.34 and \$0.18, respectively, per option. As of December 31, 2021 and 2020, stock options outstanding have a weighted-average remaining contractual life of 3.4 years and 8.8 years, respectively.

For the year ended December 31, 2021 and 2020, the Company recognized \$4,442,223 and \$2,547,792, respectively, in share-based compensation expense related to these stock options.

Restricted Stock Units

As previously noted, 1,076,499 RSU's were issued for the exchange of 14,886,359 GH Group stock options held immediately prior to the Business Combination. An additional grant of 2,591,584 RSU's were made to certain members of the Company's management team which vests over three years and are subject to accelerated vesting if certain performance metrics are achieved.

A reconciliation of the beginning and ending balance of restricted stock units outstanding is as follows:

	Number of Restricted Stock
Balance as of December 31, 2019 and 2020	-
Granted	2,591,584
Exchanged and Converted from Options	1,076,499
Forfeited	(437,135)
Balance as of December 31, 2021	3,230,948

During the years ended December 31, 2021 and 2020, the Company recognized \$4,042,690 and nil, respectively, in stock-based compensation related to RSU's. The Company recognizes the exchanged and converted from options as stock-based compensation related to RSU's.

Stock Appreciation Right Units

During the year ended December 31, 2021, GH Group issued 230,752 stock appreciation rights ("SARs units") to various employees of the Company. The SARs units vest 33% one year after the grant date and the remaining 67% vest monthly over two years. Vested and exercised SAR units will receive cash in the amount of the SARs units exercised multiplied by the excess of the fair market value of an Equity Share over the stated strike price of the SAR unit. As the SARs units are cash-settled, the Company recognizes the value of the SAR units as liabilities which are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. As of December 31, 2021, the Company recorded a liability of \$35,442.

A reconciliation of the beginning and ending balance of SARs units outstanding is as follows:

	Number of Stock Appreciation Rights Units
Balance as of December 31, 2019 and 2020	-
Granted	230,752
Forfeited	(71,016)
Balance as of December 31, 2021	159,736

During the years ended December 31, 2021 and 2020, the Company recognized approximately \$35,442 and nil, respectively, in expense related to the SARs units.

19. SHARE-BASED COMPENSATION (Continued)

Warrants

A reconciliation of the beginning and ending balance of warrants outstanding is as follows:

	Number of Warrants	Weighted- Average Exercise Price
Balance as of December 31, 2019 and 2020	1,968,300	\$ 0.16
Exercised	(1,968,300)	\$ 0.16
Assumed from the Business Combination	28,489,500	\$ 11.50
Granted	6,928,578	\$ 10.43
Balance as of December 31, 2021	35,418,078	\$ 11.35

The following table summarizes the warrants that remain outstanding as of December 31, 2021:

Security Issuable	Exercise Price	Expiration Date	Warrants Outstanding	Warrants Exercisable
Subordinate Voting Shares	\$ 11.50	June 2026	28,489,500	28,489,500
Subordinate Voting Shares	\$ 10.00	June 2024	4,928,578	4,928,578
Subordinate Voting Shares	\$ 11.50	June 2026	2,000,000	2,000,000
			35,418,078	35,418,078

For the year ended December 31, 2020, the fair value of warrants granted with a fixed exercise price and fair valued using level 3 inputs was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

	2020
Weighted-Average Risk-Free Annual Interest Rate	0.31%
Weighted-Average Expected Annual Dividend Yield	0.0%
Weighted-Average Expected Stock Price Volatility	85.3%
Weighted-Average Expected Life in Years	3.00
Weighted-Average Estimated Forfeiture Rate	0.0%

There were no warrants issued in during the year ended December 31, 2021 that required fair valuing using level 3 inputs.

Stock price volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly-traded cannabis companies. The expected life represents the period of time that stock options granted are expected to be outstanding. The risk-free rate was based on United States Treasury zero coupon bond with a remaining term equal to the expected life of the options.

During the years ended December 31, 2021 and 2020, the weighted-average fair value of warrants granted was \$1.64 and \$0.22, respectively, per warrant. As of December 31, 2021 and 2020, warrants outstanding have a weighted-average remaining contractual life of 4.2 years and 2.6 years, respectively.

20. LOSS PER SHARE

The following is a reconciliation for the calculation of basic and diluted loss per share for the years ended December 31, 2021 and 2020:

	2021	2020
Net Loss	\$ (44,167,812)	\$ (16,659,478)
Weighted-Average Shares Outstanding - Basic and Diluted	39,243,005	21,265,601
Loss Per Share - Basic and Diluted	\$ (1.13)	\$ (0.78)

Diluted loss per share is the same as basic loss per share as the issuance of shares on the exercise of convertible debentures, warrants and share options are anti-dilutive.

21. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES

Provision for income taxes consists of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Current:		
Federal	\$ 3,382,708	\$ 3,543,578
State	5,162	1,544,371
Total Current	3,387,870	5,087,949
Deferred:		
Federal	(322,017)	1,229,887
State	232,249	100,697
Total Deferred	(89,768)	1,330,584
Total Provision for Income Taxes	\$ 3,298,102	\$ 6,418,533

As of December 31, 2021 and 2020, the components of deferred tax assets and liabilities were as follows:

	2021	2020
Deferred Tax Assets:		
Allowance for Doubtful Accounts	\$ 984,437	\$ 13,992
Inventory Reserve	219,474	-
Deferred Rent	18,978	25,995
Accrued Expenses	131,916	-
Operating Lease Liabilities	606,718	-
Non-qualified Stock Options	809,992	572,999
Loss on Disposal of Subsidiary	1,720,979	-
Operating Losses	19,488,540	5,937,406
Other	-	6,130
Total Deferred Tax Assets	23,981,034	6,556,522
Valuation Allowance	(22,495,563)	(6,510,405)
Net Deferred Tax Assets	\$ 1,485,471	\$ 46,117
Deferred Tax Liabilities:		
Contingent Consideration	\$ (1,203,039)	\$ -
Property, Plant & Equipment	(937,801)	(1,273,724)
Right-of-Use Assets	(598,774)	-
State Taxes	(76,672)	-
Other	-	(192,976)
Total Deferred Tax Liabilities	(2,816,286)	(1,466,700)
Net Deferred Tax Liabilities	\$ (1,330,815)	\$ (1,420,583)

21. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES (Continued)

The reconciliation between the effective tax rate on income and the statutory tax rate is as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Income Tax Benefit at Federal Rate	\$ (8,634,892)	\$ (505,820)
State Taxes and Fees	1,435,198	1,464,420
IRS Section 280E Disallowance	1,922,244	914,042
Uncertain Tax Position	420,976	306,115
Change in Valuation Allowance	15,810,756	4,279,589
State Tax Carryforwards	(3,928,330)	-
Excess Accrual of Prior Year Taxes	(3,425,023)	-
Interest on Convertible Debt	-	160,588
Other Permanent Differences	(302,827)	(200,401)
Reported Income Tax Expense	\$ 3,298,102	\$ 6,418,533

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E ("Section 280E") for U.S. federal income tax purposes under which the Company is only allowed to deduct expenses directly related to the cost of goods sold (COGS) of its products. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under Section 280E, and the Company deducts all operating expenses on its state tax returns.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits for years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Balance at Beginning of Year	\$ 849,358	\$ 543,243
IRS Section 280E Positions Acquired	178,712	-
IRS Section 280E Positions	420,976	306,115
Balance at End of Year	\$ 1,449,046	\$ 849,358

The Company has determined that the tax impact of its corporate overhead allocation was not more likely than not to be sustained on the merits as required under ASC 740 "Income Taxes" due to the evolving interpretations of Section 280E. As a result, the Company included in the balance of total unrecognized tax benefits as of December 31, 2021 and 2020, potential benefits of \$1,449,046 and \$849,358, respectively, that if recognized would impact the effective tax rate on income from operations. Unrecognized tax benefits that reduce a net operating loss, similar to tax loss or tax credit carryforwards, are presented as a reduction to deferred income taxes.

The Company's evaluation of tax positions was performed for those tax years which remain open to for audit. The Company may from time to time, be assessed interest or penalties by the taxing authorities, although any such assessments historically have been minimal and immaterial to the Company's financial results. In the event the Company is assessed for interest and/or penalties, such amounts will be classified as income tax expense in the financial statements.

As of December 31, 2021, the Company's federal tax returns since 2018 and state tax returns since 2017 are still subject to adjustment upon audit. No tax returns are currently being examined by any taxing authorities. While it is reasonably possible that certain portions of the unrecognized tax benefit may change from a lapse in applicable statute of limitations, it is not possible to reasonably estimate the effect of any amount of such a change to previously recorded uncertain tax positions in the next 12 months.

22. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of these regulations could result in fines, restrictions on its operations, or revocation, cancellation, non-renewal or other losses of permits, licensed and entitlements that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state statutes, regulations, and ordinances as of December 31, 2021 and 2020, cannabis laws and regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

Royalty

Effective as of May 9, 2019, Sweet & Salty, Inc., a California corporation ("Lender") and GH Brands LLC, a California limited liability company and subsidiary of the Company ("GH Brands") entered into a License and Services Agreement, pursuant to which Lender granted to GH Brands an exclusive, transferable, sublicensable, right and license to use, exploit and incorporate the name, nicknames, initials, signature, voice, image, likeness, and photographic or graphic representations of likeness, statements and biography of the artist Annabella Avery Thorne, professionally known as Bella Thorne, for all purposes relating to or in connection with the development, quality control, cultivation, extraction, manufacture, production, branding, testing, advertising, marketing, promotion, commercialization, packaging, distribution, exploitation and/or sale of the products of GH Brands and its affiliates. The term of the License and Service Agreement is 3 years, with the right to renew upon 60 days prior notice for an additional 2-year term. Royalty fees for Bella Thorne branded boxes are 10% for the 1st year and 12% for years 2 to 5. Royalty fees for flower products and accessories are 6% for the 1st year, 7% for the 2nd year and 8% for years 3 to 5. Minimum guarantee fees are recoupable against royalties for an initial term of \$1,000,000 (\$50,000 initial payment, \$200,000 for the 1st year, \$375,000 for the 2nd year and \$375,000 for the 3rd year). The agreement provides an option to renew for a 2-year term with a guaranteed minimum fee of \$1,500,000 (\$750,000 for the 4th year, \$750,000 for the 5th year). During the years ended December 31, 2021 and 2020, the Company recognized expenses related to these royalties in the amount of \$388,436 and \$137,500, respectively. As of December 31, 2021 and 2020, the Company has \$328,125 and nil, respectively, due under this royalty agreement which are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets

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, 2021 and 2020, there were no pending or threatening lawsuits that could be reasonably assessed to have resulted in a probable loss to the Company in an amount that can be reasonably estimated. As such, no accrual has been made in the Consolidated Financial Statements relating to claims and litigations. As of December 31, 2021 and 2020, there were also no proceedings in which any of the Company's directors, officers or affiliates were an adverse party to the Company or had a material interest adverse to the Company's interest.

Element 7 Transaction

Effective February 23, 2021, the Company entered into a Merger and Exchange Agreement (the "Element 7 Merger Agreement") with Element 7 whereby the Company has the right, subject to satisfactory completion of due diligence and other conditions, to obtain all of the equity interests held by Element 7 in seventeen holding companies that hold the rights to in-process state and local cannabis retail licenses or license applications, some of which are partially owned. Under the Element 7 Merger Agreement, the Company is obligated to purchase all such equity interests for each retail cannabis license that meets the conditions for sale and Element 7 is obligated to sell such equity interests. The consideration payable under the Element 7 Merger Agreement is \$1,500,000 for 100% of Element 7's equity interests in each cannabis retail license holding entity payable in equity shares of the Company at \$10 per share (plus certain pre-close convertible debt financing of up to \$4,000,000). Conditions to closing the transaction include, among other things, the availability of \$25,000,000 for development of certain Element 7 retail cannabis licenses, and the delivery by Element 7 of certain leases.

22. COMMITMENTS AND CONTINGENCIES (Continued)

In addition, effective February 23, 2021, the Company entered into a License Development and Consulting Agreement (the “Element 7 License Agreement”) with Element 7 to provide certain retail consulting services to develop and obtain up to thirty-four cannabis retail licenses in exchange for the payment of certain fees as set forth in the Element 7 License Agreement, including, without limitation, a fixed fee of up to \$5,580,000 and \$150,000 for each transfer of retail cannabis license developed and transferred to GH Group. During the year ended December 31, 2021, the Company paid \$2,274,167 which was recorded as a note receivable, see “Note 5 - Notes Receivable” for further information.

In November 2021, the Company terminated the Element 7 Merger Agreement and the Element 7 License Agreement and filed suit against Element 7 for, among other things, fraud and breach of contract and demanded performance under the Merger and Exchange Agreement and Consulting Agreement executed on February 23, 2021. As of December 31, 2021, the Company received membership or equity interests in one entity out of seventeen entities that were contractually committed to be transferred under the Merger Agreement. Accordingly, 150,000 Subordinate Voting Shares are to be issued, see “Note 18 - Shareholders’ Equity” for further information. The Company believes the likelihood of a loss contingency is neither probable nor remote. As such, no amount has been accrued in the financial statements.

23. RELATED PARTY TRANSACTIONS

Incubation Services

Effective January 1, 2019, GH Group and Magu Capital LLC (“Magu Capital”), a company partially owned by an executive and board members of the Company, entered into a Services and Incubation Agreement (the “Services and Incubation Agreement”), pursuant to which Magu Capital agreed to perform certain advisory and business “incubation” services for GH Group (and incur certain fees and expenses on behalf of GH Group as part of, and as performance for, such services) in consideration of GH Group’s agreement to issue to Magu Capital, upon a date certain following the closing of the Roll-Up as reasonably determined by the board of directors of GH Group, a warrant to purchase a fixed number of Class A Common shares of GH Group at an agreed upon strike price no later than three years following the grant date. On July 23, 2020, GH Group issued to Magu Capital a warrant to purchase Class A Common shares of GH Group (the “Magu Capital Warrant”), in full satisfaction of GH Group’s obligations under the Services and Incubation Agreement to compensate Magu Capital for the incubation services. The Magu Capital Warrants were fair valued at approximately \$427,000. The Company recorded a gain on extinguishment of the liability in the amount of approximately \$573,000 which was recorded as a component of other income in the accompanying Consolidated Statements of Operations for the year ended December 31, 2020. On June 28, 2021, GH Group notified Magu Capital of its termination of the Services and Incubation Agreement, and by extension the automatic exercise of Magu Capital’s warrant issued in connection with the Services and Incubation Agreement.

Issuance of Exchangeable Shares for Management Services

In January 2020, as part of the Roll-Up, GH Group: (a) issued to APP Investment Advisors LLC, (“APP Investment Advisors”), a company partially owned by an executive and board members of the Company, 880,870 Class A Common shares of GH Group in exchange for certain management services rendered by APP Investment Advisors for AP Investment Fund (one of the entities that merged with GH Group in the Roll-Up); and (b) issued to Magu Capital 2,263,513 Class A Common shares of GH Group in exchange for certain management services rendered by Magu Capital for CA Brand Collective, Magu Investment Fund and MG Padaro Fund (i.e., entities that merged with GH Group in the Roll-Up). All of the Class A Common shares issued to APP Investment Advisors and Magu Capital were exchanged for Exchangeable Shares upon the closing of the Business Combination. See “Note 18 - Shareholders’ Equity” for further information on Exchangeable Shares.

Leases

Neo Street Partners LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in October 2018, provides for an initial annual base rent payment of \$213,049 increasing to \$243,491 for years two to five. Rent expense for the years ended December 31, 2021 and 2020 were \$243,491 and \$243,491, respectively.

3645 Long Beach LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in December 2019, provides for an initial annual base rent payment of \$64,477 increasing to \$69,352 for year two and increasing five percent per annum thereafter. Rent expense for the years ended December 31, 2021 and 2020 were \$69,352 and \$64,752, respectively.

23. RELATED PARTY TRANSACTIONS (Continued)

Consulting Agreement

Beach Front Property Management Inc, a company that is majority-owned by an executive and board member of the Company, entered into a consulting agreement with the Company dated September 28, 2020. The monthly consulting fee is \$10,860 for M&A advisory and assistance and real estate acquisition and financing services. The agreement may be terminated by either party for any/or no reason without penalty upon seven days written notice. Consulting fees for the years ended December 31, 2021 and 2020 were \$130,320 and \$32,580, respectively.

Refer to "Note 17 – Notes Payable - Related Parties" for additional information around the notes payable for the years ended December 31, 2021 and 2020.

24. REVENUES, NET

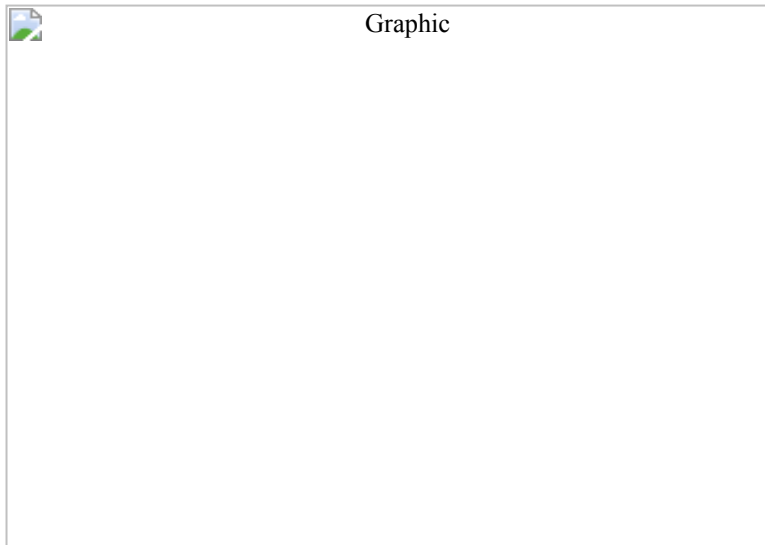
Revenues are disaggregated as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Retail	\$ 21,734,403	\$ 14,503,125
Wholesale	47,712,449	33,756,476
Revenues, Net	\$ 69,446,852	\$ 48,259,601

25. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 22, 2022, which is the date these Consolidated Financial Statements were issued, and has concluded that the following subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the notes to the Consolidated Financial Statements.

On December 17, 2021, the Company enter into a definitive agreement, as amended, to acquire all of the issued and outstanding shares and other securities of Plus Products Holdings Inc. ("PLUS"), a leading cannabis edibles company in California. The definitive agreement is in the process of being amended and restated. The Company is acquiring PLUS for approximately \$33 million through a combination of Company unsecured convertible debenture notes, Equity Shares and RSUs (the "PLUS Acquisition"). The PLUS Acquisition, which is expected to close in Q2 2022, is being completed by way of a court and creditor approved plan under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 (the "CCAA"), and is subject to certain customary closing conditions and approvals for transactions of this nature, including, among others, the final approval of the Supreme Court of British Columbia in the context of the CCAA proceedings.



GLASS HOUSE BRANDS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

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GLASS HOUSE BRANDS INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Glass House Brands Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Glass House Brands Inc. (the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in shareholders’ equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (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 the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these 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.

We have served as the Company's auditor since 2020.

/s/ Macias Gini & O’Connell LLP

Los Angeles, California
April 1, 2024
PCAOB ID Number 324

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GLASS HOUSE BRANDS INC.
Consolidated Balance Sheets
As of December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2023	2022
ASSETS		
Current Assets:		
Cash	\$ 29,524,252	\$ 11,143,502
Restricted Cash	3,000,000	3,000,000
Accounts Receivable, Net	3,979,135	4,788,748
Prepaid Expenses and Other Current Assets	3,873,399	7,756,072
Inventory	8,839,537	10,950,071
Notes Receivable	—	1,255,843
Total Current Assets	49,216,323	38,894,236
Operating Lease Right-of-Use Assets, Net	8,959,645	10,847,642
Finance Lease Right-of-Use Assets, Net	1,900,183	285,971
Long Term Investments	2,327,043	4,246,192
Property, Plant and Equipment, Net	215,686,369	216,430,924
Intangible Assets, Net	21,212,980	35,921,835
Goodwill	—	37,797,301
Deferred Tax Asset, Net	—	1,512,332
Other Assets	4,472,454	4,692,135
TOTAL ASSETS	\$ 303,774,997	\$ 350,628,568
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 26,931,887	\$ 21,969,516
Income Taxes Payable	7,878,991	7,601,074
Contingent Shares and Earnout Liabilities	34,589,000	14,656,666
Shares Payable	8,569,594	8,588,915
Current Portion of Operating Lease Liabilities	1,452,472	1,077,971
Current Portion of Finance Lease Liabilities	386,779	66,790
Current Portion of Notes Payable	7,550,324	40,237
Total Current Liabilities	87,359,047	54,001,169
Operating Lease Liabilities, Net of Current Portion	7,703,968	9,859,232
Finance Lease Liabilities, Net of Current Portion	1,519,649	214,017
Other Non-Current Liabilities	5,443,818	2,800,823
Notes Payable, Net of Current Portion	56,512,600	62,618,711
TOTAL LIABILITIES	158,539,082	129,493,952
MEZZANINE NON-CONTROLLING INTEREST:		
GH Group, Inc. Preferred Series B Shares (no par value, 55,000 shares authorized, 49,969 shares issued and outstanding as of December 31, 2023 and December 31, 2022)	57,545,155	51,774,193
GH Group, Inc. Preferred Series C Shares (no par value, 5,000 shares authorized, 5,000 and 4,700 shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively)	5,608,093	4,759,925
GH Group, Inc. Preferred Series D Shares (no par value, 15,000 shares authorized, 15,000 and nil shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively)	15,000,000	—
SHAREHOLDERS' EQUITY:		
Multiple Voting Shares (No par value, unlimited shares authorized, 4,754,979 shares issued and outstanding as of December 31, 2023 and December 31, 2022)	—	—
Subordinate Voting Shares (No par value, unlimited shares authorized, 61,986,686 and 55,653,855 shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively)	—	—
Exchangeable Shares (No par value, unlimited shares authorized, 8,953,951 and 12,566,550 shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively)	—	—
Additional Paid-In Capital	280,695,032	261,527,245
Accumulated Deficit	(190,934,649)	(92,665,231)
Total Shareholders' Equity Attributable to the Company	89,760,383	168,862,014
Non-Controlling Interest	(22,677,716)	(4,261,516)
TOTAL SHAREHOLDERS' EQUITY	145,235,915	221,134,616
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 303,774,997	\$ 350,628,568

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GLASS HOUSE BRANDS INC.
Consolidated Statements of Operations
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2023	2022
Revenues, Net	\$ 160,835,847	\$ 84,873,992
Cost of Goods Sold (Exclusive of Depreciation and Amortization Shown Separately Below)	79,866,972	64,162,019
Gross Profit	80,968,875	20,711,973
Operating Expenses:		
General and Administrative	52,913,911	45,574,365
Sales and Marketing	2,837,764	3,427,338
Professional Fees	7,304,308	9,951,482
Depreciation and Amortization	14,627,126	12,301,466
Impairment Expense for Goodwill	37,911,601	5,850,772
Impairment Expense for Intangible Assets	14,902,928	—
Total Operating Expenses	130,497,638	77,105,423
Loss from Operations	(49,528,763)	(56,393,450)
Other Expense (Income):		
Interest Expense	9,818,733	7,608,490
Interest Income	(45,138)	(56,468)
Loss on Equity Method Investments	2,101,649	2,006,639
Loss on Change in Fair Value of Derivative Liabilities	28,289	29,863
Loss (Gain) on Change in Fair Value of Contingent Liabilities and Shares Payable	24,399,013	(28,868,949)
Loss on Extinguishment of Debt	—	489,647
Other Expense (Income), Net	2,286,288	(252,822)
Total Other Expense (Income), Net	38,588,834	(19,043,600)
Loss from Operations Before Provision for Income Tax Expense	(88,117,597)	(37,349,850)
Provision for Income Tax Expense (Benefit)	9,943,382	(4,385,154)
Net Loss	(98,060,979)	(32,964,696)
Net Income (Loss) Attributable to Non-Controlling Interest	208,439	(61,675)
Net Loss Attributable to the Company	\$ (98,269,418)	\$ (32,903,021)
Loss Per Share - Basic	\$ (1.62)	\$ (0.83)
Loss Earnings Per Share - Diluted	\$ (1.62)	\$ (0.83)
Weighted-Average Shares Outstanding - Basic	72,028,902	64,182,436
Weighted-Average Shares Outstanding - Diluted	72,028,902	64,182,436

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GLASS HOUSE BRANDS INC.
**Consolidated Statements of Changes in Shareholders' Equity
For the Year Ended December 31, 2022**
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Units	Units	Units							
	Multiple Voting Shares	Subordinate Equity Shares	Exchangeable Voting Shares	Additional Paid- In Capital	Accumulated Deficit	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	\$Amount Mezzanine Non- Controlling Equity Preferred Series B	\$Amount Mezzanine Non- Controlling Equity Preferred Series C	Non-Controlling Interest	TOTAL SHAREHOLDERS' EQUITY
BALANCE AS OF DECEMBER 31, 2021	4,754,979	38,563,405	18,256,784	\$ 241,896,900	\$ (59,762,210)	\$ 182,134,690	\$ —	\$ —	\$ (197,774)	\$ 181,936,916
Net Loss	—	—	—	—	(32,903,021)	(32,903,021)	—	—	(61,675)	(32,964,696)
Share-Based Compensation from Options and RSU's	—	—	—	12,755,681	—	12,755,681	—	—	—	12,755,681
Issuance for Business Acquisition	—	8,417,325	—	25,266,796	—	25,266,796	—	—	—	25,266,796
Fair Value of Incentive Shares Issued in a Business Acquisition	—	—	—	188,122	—	188,122	—	—	—	188,122
Reclassification of Series A Preferred Shares to Non- Controlling Interests	—	—	—	(29,487,835)	—	(29,487,835)	—	—	29,487,835	—
Redemption of Series A Preferred Shares	—	—	—	—	—	—	—	—	(772,718)	(772,718)
Issuance of Series B Preferred Stock and Warrants	—	—	—	7,790,939	—	7,790,939	19,467,011	—	—	27,257,950
Issuance of Series C Preferred Stock and Warrants	—	—	—	966,208	—	966,208	—	3,733,792	—	4,700,000
Exchange of Series A Preferred Shares and Warrants For Series B Shares and Preferred Warrants	—	—	—	—	—	—	17,082,976	—	(17,082,976)	—
Adjustment of Series B Preferred Shares to Redemption Value	—	—	—	—	—	—	13,449,142	—	(13,449,142)	—
Adjustment of Series C Preferred Shares to Redemption Value	—	—	—	—	—	—	—	966,208	(966,208)	—
Issuance for Payment of Interest on Convertible Debentures	—	347,108	—	868,763	—	868,763	—	—	—	868,763
Issuance for Conversion of Exchangeable Shares	—	5,936,636	(5,936,636)	—	—	—	—	—	—	—
Shares Issued for Exercise of Options	—	227,116	—	303,694	—	303,694	—	—	—	303,694
Shares Issued for Exercise of Restricted Stock Units	—	2,162,265	—	—	—	—	—	—	—	—
Contributions	—	—	—	888,727	—	888,727	—	—	4,616,273	5,505,000
Fair Value of Warrants Issued with Debt	—	—	—	89,250	—	89,250	—	—	—	89,250
Issuance for Working Capital Adjustment	—	—	246,402	—	—	—	—	—	—	—
Distributions to Preferred Shareholders	—	—	—	—	—	—	1,775,064	59,925	(5,835,131)	(4,000,142)
BALANCE AS OF DECEMBER 31, 2022	4,754,979	55,653,855	12,566,550	\$ 261,527,245	\$ (92,665,231)	\$ 168,862,014	\$ 51,774,193	\$ 4,759,925	\$ (4,261,516)	\$ 221,134,616

GLASS HOUSE BRANDS INC.
Consolidated Statements of Changes in Shareholders' Equity
For the Year Ended December 31, 2023
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Units	Units	Units				\$ Amount	\$ Amount	\$ Amount		
	Multiple	Equity	Exchangeable	Additional Paid-	Accumulated	TOTAL EQUITY	Mezzanine	Mezzanine	Mezzanine	Non-	TOTAL
	Voting	Shares	Voting	In	Deficit	ATTRIBUTABLE	Non-Controlling	Non-Controlling	Non-Controlling	Controlling	SHAREHOLDERS'
	Shares		Shares	Capital		TO	Equity	Equity	Equity	Interest	EQUITY
						SHAREHOLDERS	Preferred	Preferred	Preferred		
							Series B	Series C	Series D		
BALANCE AS OF DECEMBER 31, 2022	4,754,979	55,653,855	12,566,550	\$ 261,527,245	\$ (92,665,231)	\$ 168,862,014	\$ 51,774,193	\$ 4,759,925	\$ —	\$ (4,261,516)	\$ 221,134,616
Net (Loss) Income	—	—	—	—	(98,269,418)	(98,269,418)	—	—	—	208,439	(98,060,979)
Share-Based Compensation from Options and RSU's	—	—	—	7,636,791	—	7,636,791	—	—	—	—	7,636,791
Issuance for Shares Payable - Plus Business Acquisition	—	1,300,006	—	4,446,000	—	4,446,000	—	—	—	—	4,446,000
Issuance of Series C Preferred Shares and Warrants	—	—	—	84,174	—	84,174	—	215,826	—	—	300,000
Adjustment of Series C Preferred Shares to Redemption Value	—	—	—	—	—	—	—	84,174	—	(84,174)	—
Issuance of Series D Preferred Shares and Warrants	—	—	—	5,709,193	—	5,709,193	—	—	9,290,807	—	15,000,000
Adjustment of Series D Preferred Shares to Redemption Value	—	—	—	—	—	—	—	—	5,709,193	(5,709,193)	—
Issuance for Payment of Interest on Convertible Debentures	—	271,063	—	1,291,629	—	1,291,629	—	—	—	—	1,291,629
Issuance for Conversion of Exchangeable Shares	—	3,612,599	(3,612,599)	—	—	—	—	—	—	—	—
Shares Issued for Exercise of Restricted Stock Units	—	1,149,163	—	—	—	—	—	—	—	—	—
Distributions to Non-Controlling Interest Holders	—	—	—	—	—	—	—	—	—	(182,151)	(182,151)
Dividends - Preferred Shareholders	—	—	—	—	—	—	5,770,962	548,168	—	(12,649,121)	(6,329,991)
BALANCE AS OF DECEMBER 31, 2023	4,754,979	61,986,686	\$ 8,953,951	\$ 280,695,032	\$ (190,934,649)	\$ 89,760,383	\$ 57,545,155	\$ 5,608,093	\$ 15,000,000	\$ (22,677,716)	\$ 145,235,915

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GLASS HOUSE BRANDS INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (98,060,979)	\$ (32,964,696)
Adjustments to Reconcile Net Loss to Net Cash Provided By (Used In) Operating Activities:		
Deferred Tax Benefit	1,512,332	(11,538,095)
Bad Debt Expense, Net of Recoveries	981,430	787,299
Interest Capitalized to Notes Receivable	(100,442)	—
Loss on Disposal of Property and Equipment	130,469	—
Depreciation and Amortization	14,627,126	12,301,466
Loss on Equity Method Investments	2,101,649	2,006,639
Impairment Expense for Goodwill	37,911,601	5,850,772
Impairment Expense for Intangible Assets	14,902,928	—
Loss on Extinguishment of Debt	—	489,647
Non-Cash Operating Lease Costs	1,258,391	844,995
Accretion of Debt Discount and Loan Origination Fees	2,036,788	1,521,638
Loss on Change in Fair Value of Derivative Liabilities	28,289	29,863
Loss (Gain) on Change in Fair Value of Contingent Liabilities and Shares Payable	24,399,013	(28,868,949)
Share-Based Compensation	7,636,791	12,755,681
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(171,817)	(1,578,992)
Prepaid Expenses and Other Current Assets	3,882,673	(1,566,054)
Inventory	2,360,534	(674,275)
Other Assets	191,392	(2,284,841)
Accounts Payable and Accrued Liabilities	5,985,412	473,073
Interest Payments on Finance Leases	(159,411)	(14,577)
Income Taxes Payable	277,917	1,993,543
Operating Lease Liabilities	(1,151,157)	(812,338)
Other Non-Current Liabilities	2,642,995	463,648
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	23,223,924	(40,784,553)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(12,309,356)	(27,765,732)
Proceeds From Payments on Note Receivable	63,267	—
Issuance of Note Receivable	(285,410)	(6,717,100)
Contributions to Equity Method Investments	(182,500)	(513,343)
Distributions Received from Equity Method Investments	—	3,001,871
Cash Acquired in Business Acquisition, Net of Cash Paid	—	2,793,631
NET CASH USED IN INVESTING ACTIVITIES	(12,713,999)	(29,200,673)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the Issuance of Notes Payable, Third Parties and Related Parties	63,404	9,421,000
Proceeds from the Issuance of Preferred Shares	15,300,000	31,957,950
Redemption of Preferred Shares	—	(772,718)
Payment on Finance Lease	(284,221)	(20,215)
Payments on Notes Payable, Third Parties and Related Parties	(696,216)	(9,887,672)
Contributions	—	3,060,000
Cash Received Upon Exercise of Options	—	303,694
Distributions to Non-Controlling Interest Holders	(182,151)	—
Distributions to Preferred Shareholders	(6,329,991)	(4,000,142)
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,870,825	30,061,897
NET INCREASE (DECREASE) IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS	18,380,750	(39,923,329)
Cash, Restricted Cash and Cash Equivalents, Beginning of Period	14,143,502	54,066,831
CASH, RESTRICTED CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 32,524,252	\$ 14,143,502

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GLASS HOUSE BRANDS INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2023	2022
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 7,394,786	\$ 4,713,783
Cash Paid for Taxes	\$ 4,829,638	\$ 4,129,492
Non-Cash Investing and Financing Activities:		
Net Assets Acquired From an Acquisition, Excluding Cash Acquired	\$ —	\$ 62,711,127
Shares Issued to Settle Shares Payable - Plus Business Acquisition	\$ 4,446,000	\$ —
Purchase of Property and Equipment from Proceeds of Note Payable, Third Parties	\$ —	\$ 242,868
Issuance of Warrants for Relief of Liabilities	\$ —	\$ 868,763
Reclass of Turlock Notes Receivable for Acquired Assets of NHC Turlock	\$ 1,578,428	\$ —
Issuance of Equity for Payment of Interest	\$ 1,291,629	\$ —
Recognition of Right-of-Use Asset and Lease Liability for Finance Lease	\$ 1,909,842	\$ 301,022
Lease Terminations and Amendments	\$ 629,606	\$ —
Adjustment of Preferred Shares to Redemption Value	\$ 5,793,367	\$ —
Exchange of Series A Preferred Shares and Warrants For Series B Shares and Preferred Warrants	\$ —	\$ 17,082,976
Adjustment of Series B and C Preferred Shares to Redemption Value	\$ —	\$ 14,415,350
Recognition of Right-of-Use Assets for Operating Leases	\$ —	\$ 8,614,907
Conversion of Note Receivable to Equity of Investee	\$ —	\$ 5,461,257
Fair Value of Warrants Issued in Connection with Debt	\$ —	\$ 89,250
Non-Cash Investment and Non-Controlling Interest Addition	\$ —	\$ 2,445,000
Interest Capitalized to Property and Equipment	\$ 273,699	\$ 1,043,392

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

1. NATURE OF OPERATIONS

Glass House Brands Inc. (the “Company”), formerly known as Mercer Park Brand Acquisition Corp. (“Mercer Park”), was incorporated under the *Business Corporations Act* (British Columbia) on April 16, 2019. The Company is a vertically integrated cannabis company that operates exclusively in the state of California. The Company, through its subsidiaries cultivates, manufactures, and distributes cannabis bulk flower and trim to wholesalers and consumer packaged goods to third-party retail stores in the state of California. The Company also owns and operates retail cannabis stores in the state of California. The Company’s subordinate voting shares (the “Subordinate Voting Shares”), restricted voting shares (the “Restricted Voting Shares”) and limited voting shares (the “Limited Voting Shares”, and collectively with the Subordinate Voting Shares and the Restricted Voting Shares, the “Equity Shares”), and common share purchase warrants are listed on the NEO Exchange Inc., trading under the symbols “GLAS.A.U” and “GLAS.WT.U”, respectively. The Equity Shares and common share purchase warrants also trade on the OTCQX in the United States under the symbols “GLASF” and “GHBWF”, respectively. The head office and principal address of the Company is 3645 Long Beach Boulevard, Long Beach, California 90807. The Company’s registered office in Canada is 666 Burrard Street, Suite 2500, Vancouver, BC V6C 2X8 Canada.

Liquidity

Historically, the Company’s primary source of liquidity has been its operations, capital contributions made by equity investors and debt issuances. The Company is meeting its current operational obligations as they become due from its current working capital and from operations. However, the Company has sustained losses since inception and may require additional capital in the future. As of and for the year ended December 31, 2023, the Company had an accumulated deficit of \$190,934,649, a net loss attributable to the Company of \$98,269,418 and net cash provided by operating activities of \$23,223,924. The Company estimates that based on current business operations and working capital, it will continue to meet its obligations as they become due in the short term.

The Company is generating cash from revenues and deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, product development and marketing.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages its liquidity risk through the management of its capital structure. The Company’s approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. In the event sufficient cash flow is not available from operating activities, the Company may continue to raise equity or debt capital from investors in order to meet liquidity needs. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm the Company’s business, results of operations and future prospects. There can be no assurance that such financing will be available or will be on terms acceptable to the Company.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying Consolidated Financial Statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and reflect the accounts and operations of the Company and those of the Company’s subsidiaries in which the Company has a controlling financial interest. Investments in entities in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method.

All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position of the Company as of December 31, 2023 and 2022, the consolidated results of operations and cash flows for the years ended December 31, 2023 and 2022 have been included.

Consolidation of Variable Interest Entities (a “VIE”)

ASC 810 “Consolidation” (“ASC 810”) requires a variable interest holder to consolidate a VIE if that party has the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. To determine whether or not a variable interest the Company holds could potentially be significant to the VIE, the Company considers both qualitative and quantitative factors regarding the nature, size and form of the Company’s involvement with the VIE. The equity method of accounting is applied to entities in which the Company is not the primary beneficiary, or the entity is not a VIE and the Company does not have effective control, but can exercise influence over the entity with respect to its operations and major decisions. The Company does not consolidate a VIE in which it is not considered the primary beneficiary. The Company evaluates its relationships with all the VIE’s on an ongoing basis to reassess if it continues to be the primary beneficiary.

Basis of Consolidation

These Consolidated Financial Statements as of December 31, 2023 and 2022 include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control as defined in ASC 810. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company has ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than fifty percent of the outstanding voting securities of another entity. In assessing control, potential voting rights that are currently exercisable are considered.

The following are the Company’s principal wholly-owned or controlled subsidiaries and/or affiliates that are included in these consolidated financial statements as of and for the years ended December 31, 2023 and 2022:

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GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Corporate Entities

Entity	Location	Purpose	Ownership	
			2023	2022
MPB Acquisition Corp	Nevada	Holding company	100 %	100 %
GH Group Inc	Long Beach, CA	Holding company	100 %	100 %
GHB Unsub LLC	Long Beach, CA	Holding company	100 %	100 %
Glass House Retail, LLC	Long Beach, CA	Holding company	100 %	100 %
Glass House Cultivation LLC	Camarillo, CA	Holding company	100 %	100 %
Glass House Manufacturing LLC	Lompoc, CA	Holding company	100 %	100 %
LOB Investment Co. LLC	Long Beach, CA	Holding company	100 %	100 %
Plus Products Holding Inc.	Long Beach, CA	Holding company	100 %	100 %
Plus Products Nevada LLC	Long Beach, CA	Holding company	100 %	100 %
Plus Products Services LLC	Long Beach, CA	Holding company	100 %	100 %
Plus Products Wonders LLC	Long Beach, CA	Holding company	100 %	100 %
Uplift Services LLC	Long Beach, CA	Holding company	100 %	100 %
Carberry LLC	Long Beach, CA	Holding company	100 %	100 %

GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Management and Operating Entities

Subsidiaries	Location	Purpose	Ownership	
			2023	2022
G&H Supply Company, LLC	Carpinteria, CA	Cultivation management	100 %	100 %
Mission Health Associates, Inc.	Carpinteria, CA	Cannabis cultivation	100 %	100 %
MGF Management LLC	Carpinteria, CA	Cultivation management	100 %	100 %
G&K Produce LLC	Carpinteria, CA	Cannabis cultivation	100 %	100 %
K&G Flowers LLC	Carpinteria, CA	Cannabis cultivation	100 %	100 %
Glass House Camarillo Cultivation LLC	Camarillo, CA	Cannabis cultivation	100 %	100 %
Lompoc Manufacturing GHG, LLC	Lompoc, CA	Cannabis processing	100 %	100 %
Lompoc Management Co. LLC	Lompoc, CA	Manufacturing management	100 %	100 %
CA Manufacturing Solutions LLC	Lompoc, CA	Cannabis manufacturing	100 %	100 %
Bud and Bloom Inc	Santa Ana, CA	Cannabis retail	100 %	100 %
Farmacy SB Inc	Santa Barbara, CA	Cannabis retail	100 %	100 %
ICANN LLC	Berkeley, CA	Cannabis retail	100 %	100 %
Farmacy Isla Vista LLC	Goleta, CA	Cannabis retail	100 %	100 %
SBDANK LLC	Santa Ynez, CA	Cannabis retail	51 %	51 %
E7 Eureka LLC	Eureka, CA	Cannabis retail applicant	100 %	100 %
The Pottery Inc	Los Angeles, CA	Cannabis retail	100 %	100 %
Natural Healing Center LLC	Grover Beach, CA	Cannabis retail	100 %	100 %
NHC Lemoore LLC	Lemoore, CA	Cannabis retail	100 %	100 %
NHC-MB LLC	Morro Bay, CA	Cannabis retail	100 %	100 %
NHC Turlock, LLC	Turlock, CA	Cannabis retail	100 %	0 %

Real Estate Entities

Subsidiaries	Location	Purpose	Ownership	
			2023	2022
Glass House Farm LLC	Carpinteria, CA	Real Estate	100 %	100 %
Magu Farm LLC	Carpinteria, CA	Real Estate	100 %	100 %
East Saint Gertrude 1327 LLC	Santa Ana, CA	Real Estate	100 %	100 %
GH Camarillo LLC	Camarillo, CA	Real Estate	100 %	100 %

Non-Controlling Interest

Non-controlling interest represents equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of total net revenue and expenses during the reporting period. The Company regularly evaluates significant estimates and assumptions related to the consolidation or non-consolidation of variable interest entities, estimated useful lives, depreciation of property and equipment, amortization of intangible assets, inventory valuation, share-based compensation, business combinations, goodwill impairment, long-lived asset impairment, purchased asset valuations, fair value of financial instruments, compound financial instruments, derivative liabilities, deferred income tax asset valuation allowances, incremental borrowing rates, lease terms applicable to lease contracts and going concern. These estimates and assumptions are based on current facts, historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results the Company experiences may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations could be negatively impacted.

Segmented Information

The Company currently operates in three reportable segments which are retail, wholesale biomass and cannabis-related consumer packaged goods ("CPG"). All of the Company's operations are in the United States of America in the State of California. Intercompany sales and transactions are eliminated in consolidation. See "Note 21 - Segment Information" for further information.

Employee Retention Tax Credits

On March 27, 2020, the U.S. government enacted the Coronavirus Aid Relief and Security Act (the "CARES Act") to provide certain relief as a result of the COVID-19 pandemic. The CARES Act provides tax relief, along with other stimulus measures, including a provision for an Employee Retention Credit ("ERC"). As there is no authoritative guidance under GAAP on accounting for government assistance to for-profit business entities, the Company accounts for the ERC by analogy to International Accounting Standard, Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20"). During the year ended December 31, 2023, the Company filed with the Internal Revenue Service credits totaling \$11,580,468. The Company will not recognize the amounts claimed until such time that it has been determined that the Company has reasonable assurance that the credits will be realized.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Restricted Cash

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of December 31, 2023 and 2022, restricted cash was \$3.0 million and \$3.0 million, respectively, which is held in an escrow account and used as an interest reserve for the Company's senior term loan agreement. See "Note 14 - Notes Payable and Convertible Debentures" for further discussion.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accounts Receivable

The Company extends non-interest-bearing trade credit to its customers in the ordinary course of business which is not collateralized. Accounts receivable are shown on the face of the Consolidated Balance Sheets, net of an allowance for doubtful accounts. The Company analyzes the aging of accounts receivable, historical bad debts, customer creditworthiness and current economic trends in determining the allowance for doubtful accounts. The Company does not accrue interest receivable on past due accounts receivable. As of December 31, 2023 and 2022, the Company's reserve for doubtful accounts was \$717,418 and \$1,114,183, respectively.

Inventory

Inventory is comprised of raw materials, finished goods and work-in-process such as pre-harvested cannabis plants and by-products to be extracted. The costs of growing cannabis, including but not limited to labor, utilities, nutrition and supplies, are capitalized into inventory until the time of harvest. All direct and indirect costs, except depreciation and amortization related to inventory are capitalized when incurred, and subsequently classified to cost of goods sold in the Consolidated Statements of Operations. Raw materials and work-in-process are stated at the lower of cost or net realizable value, determined using the weighted average cost. Finished goods inventory is stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out ("FIFO") method of accounting. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. The Company periodically reviews physical inventory for excess, obsolete, and potentially impaired items and reserves. The Company reviews inventory for obsolete, redundant and slow-moving goods, and any such inventory is written down to net realizable value. Packaging and supplies are initially valued at cost. The reserve estimate for excess and obsolete inventory is based on expected future use. The reserve estimates have historically been consistent with actual experience as evidenced by actual sale or disposal of the goods. As of December 31, 2023 and 2022, the Company's reserve was \$791,307 and \$353,994, respectively.

Investments

Long-term investments are related to investments in equity and debt securities of entities over which the Company does not have a controlling financial interest or significant influence and are accounted for at fair value in accordance with ASC 321, "*Investments—Equity Securities*", as well as investments and joint ventures in which the Company can exert significant influence but does not control.

Equity investments without readily determinable fair values (which are classified as Level 3 investments in the fair value hierarchy) are measured at cost with adjustments for observable changes in price or impairments (referred to as the "measurement alternative"). In applying the measurement alternative, the Company performs a qualitative assessment on a quarterly basis and recognizes an impairment if there are sufficient indicators that the fair value of the equity investments is less than carrying values. Changes in value are recorded in Other Expense (Income), Net in the Consolidated Statements of Operations.

Equity Method and Joint Venture Investments

The Company accounts for investments in which it can exert significant influence but does not control as equity method investments in accordance with ASC 323, "*Investments—Equity Method and Joint Ventures*". In accordance with ASC 825, "*Financial Instruments*", the fair value option to measure eligible items at fair value on an instrument-by-instrument basis can be applied. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for under the equity method. These investments are recorded at the amount of the Company's initial investment and adjusted each period for the Company's share of the investee's income or loss, and dividends paid.

GLASS HOUSE BRANDS, INC.**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2023 and 2022***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Property, Plant and Equipment***

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Buildings	15 Years
Furniture and Fixtures	5 Years
Leasehold Improvements	Shorter of Lease Term or Economic Life
Equipment and Software	3 – 5 Years
Construction in Progress	Not Depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively, if appropriate. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Consolidated Statements of Operations in the period the asset is derecognized.

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. Intangible assets with a definite life are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values and amortization methods are reviewed at each reporting period, and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Dispensary Licenses	Indefinite
Intellectual Property	5-10 Years

In accordance with ASC 350, “*Intangibles—Goodwill and Other*” (“ASC 350”), costs of internally developing, maintaining or restoring intangible assets are expensed as incurred. Inversely, costs are capitalized when certain criteria are met through the point at which the intangible asset is substantially complete and ready for its intended use.

Goodwill

Goodwill is measured as the excess of consideration transferred over the net of the acquisition date fair value of assets acquired and liabilities assumed in a business acquisition. In accordance with ASC 350, goodwill and other intangible assets with indefinite lives are no longer subject to amortization. The Company reviews the goodwill and other intangible assets allocated to each of the Company's reporting units for impairment on an annual basis as of year-end or whenever events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the carrying amount of a reporting unit is in excess of its fair value, the Company recognizes an impairment charge equal to the amount in excess.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Company applies the guidance in Financial Accounting Standards Board (the “FASB”) Accounting Standards Update (“ASU”) 2011-08 “*Intangibles-Goodwill and Other-Testing Goodwill for Impairment*,” which provides entities with an option to perform a qualitative assessment (commonly referred to as “Step Zero”) to determine whether further quantitative analysis for impairment of goodwill is necessary. In performing Step Zero for the Company’s goodwill impairment test, the Company is required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to the Company’s business, industry and market trends, and the overall future financial performance of its reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing Step Zero, the Company would perform a quantitative impairment analysis to estimate the fair value of goodwill.

During the years ended December 31, 2023 and 2022, the Company performed its’ analysis for its goodwill impairment test. Refer to “*Note 11 – Goodwill*” for further discussion on goodwill impairment.

Impairment of Long-Lived Assets

For purposes of the impairment test, long-lived assets such as property, plant and equipment, and definite-lived intangible assets are grouped with other assets and liabilities at the lowest level for which identifiable independent cash flows are available (“asset group”). In accordance with ASC 360, “*Property, Plant, and Equipment*”, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The recoverability test (Step 1) compares the carrying amount of the asset to the sum of its future undiscounted cash flows using entity-specific assumptions generated through the asset’s use and eventual disposition. If the carrying amount of the asset is less than the cash flows, the asset is recoverable and an impairment is not recorded. If the carrying amount of the asset is greater than the cash flows, the asset is not recoverable and an impairment loss calculation (Step 2) is required. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The cash flow projection and fair value represents management’s best estimate, using appropriate and customary assumptions, projections and methodologies at the date of evaluation. In accordance with U.S GAAP, the reversal of impairment losses is prohibited.

Leased Assets

In accordance with ASU 2016-02, “*Leases (Topic 842)*” (“ASC 842”), the Company determines if an arrangement is a lease at inception. Operating and finance leases are included in operating lease right-of-use (“ROU”) assets and accrued obligations under operating and finance lease (current and non-current) liabilities in the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and are expensed in the Consolidated Statements of Operations on a straight-line basis over the lease term.

ROU assets represent the Company’s right to use an underlying asset for the lease term, and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets are classified as a finance lease or an operating lease. A finance lease is a lease in which at least one of the following is true: 1) ownership of the property transfers to the lessee by the end of the lease term; 2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise; 3) the lease is for a major part of the remaining economic life of the underlying asset; 4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already included in the lease payments equals or exceeds substantially all of the fair value; or 5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. The Company classifies a lease as an operating lease when it does not meet any one of these criteria.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company applies judgment in determining the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. All relevant factors that create an economic incentive for it to exercise either the renewal or termination options are considered. The Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the ROU asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another ROU asset.

In accordance with ASC 842, lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company applies judgment in determining the incremental borrowing rate using estimates which are based on the information available at commencement date. The Company initially measures the ROU asset at the initial amount of the lease liability, plus initial direct costs and lease payments at or before the commencement date, less any lease incentives received.

Additionally, management monitors for events or changes in circumstances that may require a reassessment of one of its leases and determines if a remeasurement is required.

Income Taxes

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the Consolidated Balance Sheets. Effects of enacted tax law changes on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period in which the law is enacted. Deferred tax assets may be reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

The Company follows accounting guidance issued by the FASB related to the application of accounting for uncertainty in income taxes. Under this guidance, the Company assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, "Accounting for Derivative Instruments and Hedging Activities" ("ASC 815"). ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company also assesses convertible instruments under ASU 2020-06, “*Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging— Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*”, which simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under ASC 815, or that do not result in substantial premiums accounted for as paid-in capital. By removing the separation model, a convertible debt instrument will be reported as a single liability instrument with no separate accounting for embedded conversion features. This new standard also removes certain settlement conditions that are required for contracts to qualify for equity classification and simplifies the diluted earnings per share calculations by requiring that an entity use the if-converted method and that the effect of potential share settlement be included in diluted earnings per share calculations. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in the Preferred Shares of GH Group based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. ASC 815 provides that generally, if an event that is not within the entity’s control, or could require net cash settlement, then the contract shall be classified as an asset or a liability.

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred and included in the Consolidated Statements of Operations. Identifiable assets and liabilities, including intangible assets of acquired businesses, are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the Consolidated Statements of Operations immediately as a gain on acquisition. See “*Note 8 – Business Acquisitions*” for further details on business combinations.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. The Company allocates the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models, and therefore require considerable judgment. The Company’s estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. The Company bases its fair value estimates on assumptions it believes to be reasonable but are inherently uncertain. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with ASC 450, “*Contingencies*”, as appropriate, with the corresponding gain or loss being recognized in earnings in accordance with ASC 805.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue Recognition

Revenue is recognized by the Company in accordance with ASC 606, “Revenue from Contracts with Customers” (“ASC 606”). Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In order to recognize revenue under ASC 606, the Company applies the following five (5) steps:

- (1) Identify a customer along with a corresponding contract;
- (2) Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- (3) Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- (4) Allocate the transaction price to the performance obligation(s) in the contract; and
- (5) Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenues consist of wholesale biomass and CPG and retail sales of cannabis, which are generally recognized at a point in time when control over the goods have been transferred to the customer and is recorded net of sales discounts. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company’s credit policy. During the years ended December 31, 2023 and 2022, sales discounts were approximately \$11.9 million and \$10.7 million, respectively.

Revenue is recognized upon the satisfaction of the performance obligations. The Company satisfies its performance obligations and transfers control upon delivery and acceptance by the customer.

Dispensary Revenue

The Company recognizes revenue from the sale of cannabis products for a fixed price upon delivery of goods to customers at the point of sale since at this time performance obligations are satisfied. Fees collected related to taxes that are required to be remitted to regulatory authorities are recorded as liabilities and are not included as a component of revenues.

Cultivation and Wholesale CPG

The Company recognizes revenue from the sale of cannabis products for a fixed price upon the shipment of cannabis goods as the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. The Company does not retain either continuing material involvement to the degree usually associated with ownership or effective control over the goods sold. Excise taxes due upon sale are recorded as an expense in the accompanying Consolidated Statements of Operations.

Cost of Goods Sold

Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles and concentrates, packaging and other supplies, fees for services and processing, and allocated overhead, such as allocations of rent, administrative salaries, utilities and related costs. Cost of goods sold excludes depreciation and amortization.

General and Administrative Expenses

General and administrative expenses are comprised primarily of personnel costs, including salaries, incentive compensation, benefits, and share-based compensation, professional service costs, including legal, accounting,

consulting and other professional fees, and corporate insurance and other facilities costs associated with the Company's corporate offices.

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GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-Based Compensation

The Company has an amended and restated equity incentive plan comprised of stock options (“Options”), unrestricted stock bonus, restricted stock units and stock appreciation rights (the “SARs”). Options provide the right to the purchase of one Equity Share per Option. RSUs provide the right to receive one Equity Share per unit (or cash payment equal to the fair market value of an Equity Share). The SARs provide the right to receive cash from the exercise of such right based on the increase in value between the exercise price and the fair market value of the Equity Shares of the Company at the time of exercise.

The Company accounts for its share-based awards in accordance with ASC 718, “*Compensation – Stock Compensation*”, which requires fair value measurement on the grant date and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted share awards. For stock options, the Company estimates the fair value using the Black-Scholes closed option valuation model. When there are market-related vesting conditions to the vesting term of the share-based compensation, the Company uses a valuation model to estimate the probability of the market-related vesting conditions being met and will record the expense. The fair value of restricted share awards is based upon the quoted market price of the Equity Shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, which is generally the performance period, and the related amount is recognized in the Consolidated Statements of Operations.

The fair value models require the input of certain assumptions that require the Company’s judgment, including the expected term and the expected share price volatility of the underlying share. The assumptions used in calculating the fair value of share-based compensation represent management’s best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, share-based compensation expense could be materially different in the future. In addition, the Company elected not to estimate the expected forfeiture rate and only recognize expense for those shares that actually vest. If the actual forfeiture rate is materially different from management’s estimates, the share-based compensation expense could be significantly different from what the Company has recorded in the current period.

Financial Instruments

Fair Value

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value 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. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments. There have been no transfers between fair value levels during the years ended December 31, 2023 and 2022.

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GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments are measured at amortized cost or at fair value. Financial instruments measured at amortized cost consist of accounts receivable, other liabilities, and accounts payable and accrued liabilities wherein the carrying value approximates fair value due to its short-term nature. Other financial instruments measured at amortized cost include notes payable wherein the carrying value at the effective interest rate approximates fair value as the interest rate for such notes payable.

Cash and cash equivalents and restricted cash are measured at Level 1 inputs. Acquisition-related liabilities resulting from business combinations are measured at fair value using Level 1 or Level 3 inputs. Investments that are measured at fair value use Level 3 inputs. Refer to “*Note 7 – Investments*” for assumptions used to value investments. Refer to “*Note 13 – Contingent Shares and Earnout Liabilities*” for assumptions used to value the contingent consideration.

The individual fair values attributed to the different components of a financing transaction, notably derivative financial instruments, convertible debentures and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and derive estimates. Significant judgment is also used when attributing fair values to each component of a transaction upon initial recognition, measuring fair values for certain instruments on a recurring basis and disclosing the fair values of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of instruments that are not quoted or observable in an active market.

Impairment

The Company assesses all information available, including on a forward-looking basis, related to the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on available information, and forward-looking information that is reasonable and supportive. For accounts receivable only, the Company applies the simplified approach as permitted by ASU 2016-13, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*”. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk. Rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Loss per Share

The Company calculates basic earnings or loss per share by dividing net earnings or loss by the weighted-average number of the Equity Shares (including the Exchangeable Shares, as defined herein, on an as-exchanged basis) outstanding during the period. Multiple Voting Shares, as defined herein, are excluded from the calculation of earnings or loss per share as they do not participate in earnings or losses. Diluted loss per share is the same as basic loss per share if the issuance of shares on the exercise of convertible debentures, contingent shares, warrants, restricted stock units and share options are anti-dilutive. Diluted earnings per share includes options, warrants, restricted stock units, and contingently issuable shares that are determined to be dilutive using the treasury stock method for all equity instruments issuable in equity units and the Company’s convertible debentures using the “if converted” method for. See “*Note 17 – Loss Per Share*” for further information.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards

In May 2021, the FASB issued ASU 2021-04, “*Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*” (“ASU 2021-04”), which amends existing guidance for earnings per share (EPS) in accordance with Topic 260. ASU 2021-04 became effective for the Company beginning January 1, 2022. This update should be applied prospectively on or after the effective date of the amendments. The Company adopted ASU 2021-04 on January 1, 2022. The adoption of the standard did not have a material impact on the Company’s Consolidated Financial Statements.

In October 2021, the FASB issued ASU 2021-08, “*Business Combinations (Subtopic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*” (“ASU 2021-08”), which is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability and the effect of payment terms on subsequent revenue recognized. ASU 2021-08 became effective for the Company beginning January 1, 2023. The adoption of the standard did not have a material impact on the Company’s Consolidated Financial Statements.

On March 31, 2022, the FASB issued ASU 2022-02, “*Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*” (“ASU 2022-02”), which eliminates the accounting guidance on troubled debt restructurings for creditors and amends the guidance on “vintage disclosures” to require disclosure of current-period gross write-offs by year of origination. ASU 2022-02 also updates the requirements related to accounting for credit losses under the current guidance and adds enhanced disclosures for creditors with respect to loan refinancing and restructuring for borrowers experiencing financial difficulty. ASU 2022-02 became effective for the Company beginning January 1, 2023. The adoption of the standard did not have a material impact on the Company’s Consolidated Financial Statements.

Recently Issued Accounting Standards

In March 2023, the FASB issued ASU 2023-01, “*Leases (Topic 842), Common Control Arrangements*” (“ASU 2023-01”), which requires an entity to determine whether a related party arrangement between entities under common control is a lease. If the arrangement is determined to be a lease, an entity must classify and account for the lease on the same basis as an arrangement with an unrelated party (on the basis of legally enforceable terms and conditions). ASU 2023-01 is effective for the Company beginning January 1, 2024 with early adoption permitted. The Company is currently evaluating the effect of adopting this accounting standard.

In November 2023, the FASB issued ASU 2023-07, “*Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*” (“ASU 2023-07”), which is intended to improve the financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. ASU 2023-07 is effective for the Company beginning January 1, 2024 with early adoption permitted. The Company is currently evaluating the effect of adopting this accounting standard.

In December 2023, the FASB issued ASU 2023-09, “*Income Taxes (Topic 280), Improvements to Income Tax Disclosures*” (“ASU 2023-09”), which require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a certain quantitative threshold. ASU 2023-09 is effective for the Company beginning January 1, 2025 with early adoption permitted. The Company is currently evaluating the effect of adopting this accounting standard.

GLASS HOUSE BRANDS, INC.**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2023 and 2022***(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

3. CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Company maintains cash balances at its physical locations, which are not currently insured, and with various U.S. banks and credit unions with balances in excess of the Federal Deposit Insurance Corporation and National Credit Union Share Insurance Fund limits, respectively. The failure of a bank or credit union where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company's business, financial condition and results of operations. As of December 31, 2023 and 2022, the Company has not experienced any losses with regards to its cash balances.

The Company provides certain credit terms in the normal course of business to customers located throughout California. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical and projected trends, and other information. There were one (2023) and two (2022) customer(s) for the year ended December 31, 2023 and 2022, respectively, that comprised 21% and 32%, respectively, of the Company's revenues. As of December 31, 2023 and 2022, these same customers had a balance due to the Company of \$722,514 and \$5,240,179, respectively.

4. INVENTORY

As of December 31, 2023 and 2022, inventory consists of the following:

	2023	2022
Raw Materials	\$ 1,192,369	\$ 2,761,602
Work-in-Process	3,326,832	3,977,761
Finished Goods	4,320,336	4,210,708
Total Inventory	\$ 8,839,537	\$ 10,950,071

5. NOTES RECEIVABLE

On May 12, 2022, the Company announced it executed definitive agreements (the "Agreements") to acquire 100% of the equity interests in certain Natural Healing Center-branded and operated retail dispensaries. See "Note 8 – Business Acquisitions" for further information on the business combinations completed during the year ended December 31, 2022. As a result, the Company reclassified \$5,461,255 of the note receivable previously issued as consideration for the purchase of Natural Healing Center, LLC. As of December 31, 2022, three acquisitions related to the Natural Healing Center-branded and operated retail dispensaries (Natural Healing Center, LLC., NHC Lemoore, LLC and NHC-MB LLC) have closed and one retail dispensary located in Turlock, California, which closed in 2023. Calculation and payment of consideration for the acquisition of the Turlock dispensary will occur at the end of its sixth full quarter of operations, at six times its annualized EBITDA in that quarter. The consideration will be paid 80% in stock priced at the 25-day volume-weighted average price ("VWAP") of the Equity Shares as of that quarter end and 20% in the form of an unsecured, subordinated promissory note bearing interest of 8% annually and maturing after the four-year anniversary of the closing date.

The Company was issued senior secured promissory notes (the "Notes") in conjunction with the Agreements. The Notes have an interest rate of 15% per annum with outstanding principal balance and accrued interest to be paid in full in cash 180 days following the closing of the plan of merger of Natural Healing Center, LLC, unless prepaid in whole or in part upon the closing of the transactions contemplated by the Agreements, as against the Merger Consideration (as defined in the Agreements). As of December 31, 2023 and 2022, the notes receivable balance is nil and \$1,255,843, respectively, and the Notes are included as Notes Receivable in the Consolidated Balance Sheets.

GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
6. INVESTMENTS

The Company has various investments in entities in which it holds a significant but non-controlling interest through voting equity or through representation on the entities' board of directors or equivalent governing bodies. Accordingly, the Company was deemed to have significant influence resulting in the Company accounting for these investments under the equity method.

On August 17, 2022, the Company, through its subsidiary, 5042 Venice, LLC, closed on the sale of the 50% held undivided tenancy-in-common interest in its equity method investment (the "TIC Interest"). As part of the transaction, the Company no longer has an equity interest in the TIC Interest. However, the Company became the manager of 5042 Real Estate Investment LLC which acquired 42.93% of the TIC Interest and the remaining 7.07% was acquired by a related party to senior management of the Company.

On July 28, 2022, the Company acquired the remaining equity and property ownership interests of N.R.O Management, LLC and The Pottery, a retail dispensary located in Los Angeles, California. See "Note 8 – Business Acquisitions" for further discussion. During the year ended December 31, 2022, the Company recorded the difference of the book value and the fair value of the equity method investment, as of the acquisition date, as a loss from equity method investments of \$745,072.

	LOB Group, Inc.	N.R.O Management, LLC	SoCal Hemp JV, LLC	5042 Venice, LLC	Estate Investment, LLC	Reeform, LLC	Lompoc TIC, LLC	TOTAL
Balance December 31, 2021	\$ 2,761,141	\$ 2,018,949	\$ —	\$ 2,221,520	\$ —	\$ —	\$ 194,749	\$ 7,196,359
Additions	—	300,000	213,000	343	2,445,000	—	—	2,958,343
Distribution	—	—	—	(3,001,871)	—	—	—	(3,001,871)
Acquisition of Equity Method Investment	—	(900,000)	—	—	—	—	—	(900,000)
(Loss) Gain on Equity Method Investments	(457,671)	(1,418,949)	(213,000)	780,008	(665,401)	—	(31,626)	(2,006,639)
Balance December 31, 2022	\$ 2,303,470	\$ —	\$ —	\$ —	\$ 1,779,599	\$ —	\$ 163,123	\$ 4,246,192
Additions	—	—	—	—	—	182,500	—	182,500
(Loss) Gain on Equity Method Investments	(2,303,470)	—	—	—	191,172	(18,265)	28,914	(2,101,649)
Balance at December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ 1,970,771	\$ 164,235	\$ 192,037	\$ 2,327,043

During the years ended December 31, 2023 and 2022, the Company recorded net losses from equity method investments of \$2,101,649 and \$2,006,639, respectively. These investments are recorded at the amount of the Company's initial investment and adjusted for the Company's share of the investee's income or loss and dividends paid.

GLASS HOUSE BRANDS, INC.**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2023 and 2022***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***7. PROPERTY, PLANT AND EQUIPMENT**

As of December 31, 2023 and 2022, property, plant and equipment consist of the following:

	2023	2022
Land	\$ 70,888,383	\$ 70,888,383
Buildings	143,206,685	140,042,534
Furniture and Fixtures	827,273	471,696
Leasehold Improvements	14,680,328	10,927,265
Equipment and Software	9,497,864	8,050,827
Construction in Progress	10,166,294	6,447,286
Total Property, Plant and Equipment	249,266,827	236,827,991
Less Accumulated Depreciation and Amortization	(33,580,458)	(20,397,067)
Property, Plant and Equipment, Net	<u>\$215,686,369</u>	<u>\$216,430,924</u>

During the years ended December 31, 2023 and 2022, the Company recorded depreciation expense of \$13,492,771 and \$11,323,468, respectively. Construction in progress represents assets under construction for cultivation not yet ready for use. Additionally, during the year ended December 31, 2023 and 2022, the Company capitalized interest to property and equipment of \$273,699 and \$1,043,392, respectively.

8. BUSINESS ACQUISITIONS*NHC Turlock, LLC*

On April 21, 2023, the Company completed the acquisition of NHC Turlock, LLC, a California retail dispensary, through GHG-NHC Turlock Inc., a wholly-owned subsidiary of the Company. Pursuant to the terms of the merger agreement, calculation and payment of consideration for the acquisition of NHC Turlock will occur at the end of its sixth full quarter of operations ("Turlock Earnout Date"), at twenty-four times its annualized EBITDA in that quarter ("Turlock Contingent Consideration") offset by the amount owed by the seller of NHC Turlock to the Company under a note receivable. The Turlock Contingent Consideration is comprised of 80% in deferred Equity Shares and 20% in long-term debt. The deferred Equity Shares payable are to be issued upon the earlier of: 1) the Turlock Earnout Date or 2) April 21, 2025. The fair value of the deferred Equity Shares payable is to be determined using the volume-weighted average price (VWAP) for the day immediately preceding the date of issuance. The long-term debt portion of the Turlock Contingent Consideration will be in the form of an unsecured, subordinated promissory note bearing interest of 8% annually and maturing after the four-year anniversary of the closing date.

As of the date of acquisition, the fair value of the Turlock Contingent Consideration was determined to be nil based on the Company's forecasts of future EBITDA, and as a result, the total consideration was estimated to be the balance of the note receivable of \$1,578,428. The Company recorded \$250,000 in inventory and \$1,328,428 of intangible assets for NHC Turlock's cannabis license and assumed the lease related to this entity. The Company analyzed the transaction under ASC 805 "*Business Combination*" and determined that it did not meet the criteria of a business and accounted for this transaction as an asset acquisition. At the acquisition date for NHC Turlock, the Company determined that NHC Turlock's cannabis license was fully impaired and recorded an impairment expense for intangible assets of \$1,328,428 for year ended December 31, 2023. See "*Note 9 – Intangible Assets*" for further information.

2022 Business Acquisitions

The purchase price allocations for the business acquisitions completed during the year ended December 31, 2022, as set forth in the table below, reflect various fair value estimates and analyses that were subject to change within the measurement period as valuations are finalized. Measurement period adjustments that the Company determined to be

material were applied to the Company's consolidated financial statements in the period the adjustment was determined for the acquisitions. Depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected. The acquisitions noted below were accounted for in accordance with

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GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
8. BUSINESS ACQUISITIONS (Continued)

ASC 805 “Business Combinations”. The acquisition adjustments related to the business combinations were not pushed down to the separate financial statements of the acquired entities.

The summary of allocation of purchase price of the business acquisitions completed during the year ended December 31, 2022 are as follows:

Closing Date:	Plus Products Holding Inc. April 28, 2022	The Pottery, Inc. July 28, 2022	Natural Healing Center, LLC September 6, 2022	NHC Lemoore, LLC September 6, 2022	NHC-MB, LLC September 14, 2022	Total
Total Consideration						
Convertible Debenture Notes	\$ 16,257,104	\$ —	\$ —	\$ —	\$ —	\$ 16,257,104
Restricted Stock Units Issued	188,122	—	—	—	—	188,122
Derivative Asset	(251,020)	—	—	—	—	(251,020)
Contingent Restricted Stock Units	5,460,000	—	—	—	—	5,460,000
Fair Value of Equity Issued	9,707,414	1,100,000	5,938,298	3,272,515	5,248,569	25,266,796
Shares Payable	—	—	2,262,000	1,234,000	1,933,000	5,429,000
Fair Value of Remaining 50% Equity Interest	—	900,000	—	—	—	900,000
Cash Payment	—	—	590,795	1,642,522	305,427	2,538,744
Loan Forgiveness	—	—	1,711,000	3,750,000	—	5,461,000
Working Capital Adjustment	—	—	169,683	98,064	16,324	284,071
Assumption of IRS Debt	—	—	6,753,499	—	—	6,753,499
Total Consideration	\$ 31,361,620	\$ 2,000,000	\$ 17,425,275	\$ 9,997,101	\$ 7,503,320	\$ 68,287,316
Net Assets Acquired (Liabilities Assumed)						
Current Assets ⁽²⁾	\$ 6,095,273	\$ 382,436	\$ 4,134,643	\$ 147,259	\$ 459,585	\$ 11,219,196
Operating Right-of-Use Asset	294,159	3,671,969	992,717	991,606	772,647	6,723,098
Property, Plant and Equipment	789,779	37,201	273,679	1,788,166	—	2,888,825
Non-Current Assets	93,662	3,500	—	—	—	97,162
Current Liabilities Assumed	(1,157,112)	(2,854,242)	(2,375,611)	(697,558)	(634,434)	(7,718,957)
Lease Liabilities	(294,159)	(3,671,969)	(832,060)	(833,989)	(652,654)	(6,284,831)
Deferred Tax Liabilities	(2,154,737)	(971,031)	(3,665,852)	(363,787)	(1,595,065)	(8,750,472)
Intangible Assets:						
Intellectual Property	5,100,000	400,000	1,100,000	300,000	600,000	7,500,000
Customer Relationship	2,600,000	—	—	—	—	2,600,000
Cannabis License	—	3,070,000	12,000,000	1,000,000	5,100,000	21,170,000
Total Intangible Assets	7,700,000	3,470,000	13,100,000	1,300,000	5,700,000	31,270,000
Total Identifiable Net Assets Acquired (Net Liabilities Assumed)	11,366,865	67,864	11,627,516	2,331,697	4,050,079	29,444,021
Goodwill ⁽¹⁾	19,994,755	1,932,136	5,797,759	7,665,404	3,453,241	38,843,295
Total Net Assets Acquired	\$ 31,361,620	\$ 2,000,000	\$ 17,425,275	\$ 9,997,101	\$ 7,503,320	\$ 68,287,316
Revenues from Acquisition	\$ 5,641	\$ 2,844,275	\$ 10,152,141	\$ 2,859,936	\$ 5,329,449	\$ 21,191,442
Net Income (Loss) from Acquisition	\$ 215,659	\$ (1,129,577)	\$ 3,604,574	\$ (504,722)	\$ 1,454,587	\$ 3,640,521
Pro Forma Revenues ⁽³⁾	\$ 3,911,580	\$ 2,110,084	\$ 8,158,053	\$ 3,889,361	\$ 4,647,797	\$ 22,716,875
Pro Forma Net Income (Loss) ⁽³⁾	\$ 1,067,848	\$ (1,287,036)	\$ 551,711	\$ (231,069)	\$ 289,561	\$ 391,015

(1) Goodwill arising from acquisitions represents expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition. Generally, goodwill related to dispensaries acquired within a state adds to the footprint of the Company's dispensaries within the state, giving the Company's customers more access to the Company's branded stores. Goodwill related to cultivation and wholesale acquisitions provides for lower costs and synergies of the Company's growing and wholesale distribution methods which allow for overall lower costs.

(2) Included in current assets acquired in the business combination was cash acquired, accounts receivable, other current assets and inventory as of the acquisition date.

(3) If the 2022 acquisitions had been completed on January 1, 2022, the Company estimates it would have recorded changes in revenues and changes in net (losses) income shown in the pro forma amounts noted above.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. BUSINESS ACQUISITIONS (Continued)

During the year ended December 31, 2023, upon finalization of the NHC acquisition allocations, the Company determined certain measurement period adjustments in which the Company increased its consideration for various working capital adjustments, as defined in the agreement, and certain assets and liabilities that were determined to be no longer collectible or payable. In accordance with ASC 805, such adjustments were determined to be measurement period adjustments during the year ended December 31, 2023.

Plus Products Holdings, Inc.

On April 28, 2022, the Company completed an acquisition of 100% of the equity interests in Plus Products Holdings, Inc. ("Plus Products"), a leading cannabis edibles company located in California. Pursuant to the terms of the acquisition agreement, the purchase price is for an aggregate consideration of \$31,361,620 and is comprised of the following: (i) 20,005 unsecured convertible debenture notes, of which 8,003 may be issued in the form of alternative convertible debenture notes (see "Note 14 – Notes Payable and Convertible Debentures" for further information), (ii) 2,102,578 Equity Shares, (iii) 208,635 Equity Shares granted pro-rata upon closing to exempt grantees (the "Incentive Shares"), (iv) 44,751 RSUs granted pro-rata upon closing which fully vested on May 30, 2022 and settled in the Company's Equity Shares (the "Incentive RSUs") and (v) 1,300,000 RSUs contingent on revenue earnout provisions. In addition, the Company granted 450,000 RSUs (the "Retention RSUs") to certain Plus Products employees which will vest 33% one year after the grant date and the remaining 67% vest in eight equal quarterly installments following the grant date. The fair value of the Retention RSUs, or \$1,890,000, was recognized as a component of equity with expense subsequently recognized over the vesting period.

The Pottery Inc.

On July 28, 2022, the Company acquired the remaining equity and other ownership interests of N.R.O Management, LLC and The Pottery, a retail dispensary located in Los Angeles, California. The Company previously owned 50% of the equity and other ownership interests prior to July 28, 2022. The purchase price is for an aggregate consideration of \$2,000,000 and is comprised of the following: (i) 500,000 Equity Shares of the Company and (ii) the fair value of the remaining 50% of the equity interests held. The shares will have a one-year lock-up period through July 28, 2023. As of the date of the acquisition, the total fair value of the equity shares was determined to be \$1,100,000, or approximately \$2.20 per share. The fair value of the remaining 50% equity interests was determined to be \$900,000 using the income approach based on Level 3 inputs on the fair value hierarchy framework. In addition, the Company, or its designee, had the option of acquiring all the remaining undivided ownership interests in the underlying real property for \$3,000,000, in cash. The Company elected not to acquire the remaining undivided ownership interests of the underlying real property.

Natural Healing Center, LLC

On September 6, 2022, the Company completed the acquisition of Natural Healing Center, LLC. ("Grover Beach"), a retail dispensary located in Grover Beach, California, through GHG-NHC Grover Inc., a wholly owned subsidiary of the Company. Pursuant to the terms of the merger agreement, the purchase price is for an aggregate consideration of \$17,425,275 and is comprised of the following: (i) \$5,938,298 fair value of the Equity Shares of the Company and \$2,262,000 fair value of deferred Equity Shares payable, (ii) cash payment, (iii) loan forgiveness (iv) working capital adjustment and (v) assumption of certain IRS debt. The Equity Shares issued were paid upon closing with fair value determined as the closing price of the Company's stock as of September 7, 2022. The deferred Equity Shares payable are to be issued upon the earlier of: 1) the sixth calendar quarter following the opening of NHC Turlock, LLC ("Turlock") or 2) September 7, 2024.

NHC Lemoore, LLC

On September 6, 2022, the Company completed the acquisition of NHC Lemoore, LLC ("Lemoore"), a retail dispensary located in Lemoore, California, through GHG-NHC Lemoore Inc., a wholly owned subsidiary of the Company. Pursuant to the terms of the merger agreement, the preliminary purchase price is for an aggregate consideration of \$9,997,101 and is comprised of the following: (i) \$3,272,515 fair value of the Equity Shares of the Company and \$1,234,000 fair value

of deferred Equity Shares (ii) a cash payment and (iii) working capital adjustment. The Equity Shares issued were paid upon closing with fair value determined as the closing price of the Company's stock as of September 7, 2022. The deferred Equity Shares payable are to be issued upon the earlier of: 1) the sixth calendar quarter following the opening of Turlock or 2) September 7, 2024.

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GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
8. BUSINESS ACQUISITIONS (Continued)
NHC-MB, LLC

On September 14, 2022, the Company completed the acquisition of NHC-MB LLC (“Morro Bay”), a retail dispensary in Morro Bay, California, through GHG-NHC Morro Inc., a wholly owned subsidiary of the Company. Pursuant to the terms of the merger agreement, the preliminary purchase price is for an aggregate consideration of \$7,503,320 and is comprised of the following: (i) \$5,249,569 fair value of the Equity Shares of the Company and \$1,933,000 fair value of deferred Equity Shares and (ii) a cash payment. 80% of the Equity Shares issued were paid upon closing with fair value determined as the closing price of the Company’s stock as of September 14, 2022. The deferred Equity Shares payable are to be issued upon the earlier of: 1) the sixth calendar quarter following the opening of Turlock or 2) September 14, 2024. The full value of the Equity Shares issued were accounted as consideration and included as a component of shares payable in the accompanying Consolidated Balance Sheets.

9. INTANGIBLE ASSETS

As of December 31, 2023 and 2022, intangible assets consist of the following:

	2023	2022
Definite Lived Intangible Assets		
Customer Relationships	\$ 587,000	\$ 2,600,000
Intellectual Property	4,777,000	8,290,000
Total Definite Lived Intangible Assets	5,364,000	10,890,000
Less Accumulated Amortization	(2,321,020)	(1,186,665)
Definite Lived Intangible Assets, Net	3,042,980	9,703,335
Indefinite Lived Intangible Assets		
Cannabis Licenses	18,170,000	26,218,500
Total Indefinite Lived Intangible Assets	18,170,000	26,218,500
Total Intangible Assets, Net	\$21,212,980	\$35,921,835

For the years ended December 31, 2023 and 2022, the Company recorded amortization expense related to intangible assets of \$1,134,355 and \$977,998, respectively. During the year ended December 31, 2023, the Company recognized \$9,376,928 of other than temporary impairment in its cannabis licenses related to its retail reportable segment that were identified as part of the annual impairment assessment as of December 31, 2023 as a result of unforeseen changes in the market from more than expected retail competition in the latter half of calendar 2023. During the quarter ended March 31, 2023, the Company recognized \$5,526,000 of other than temporary impairment in customer relationships and intellectual property related to the consumer packaged goods reportable segment as a result of management's response and updated earnings projections for unforeseen changes in market demand in the consumer packaged goods market. There were no such impairments recognized during the year ended December 31, 2022.

The following is the future minimum amortization expense to be recognized for the years ended December 31:

December 31:	
2024	\$ 746,466
2025	718,616
2026	598,616
2027	465,283
2028	118,616
Thereafter	395,383
Total Future Amortization Expense	\$3,042,980

GLASS HOUSE BRANDS, INC.**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2023 and 2022***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***10. GOODWILL**

As of December 31, 2023 and 2022, goodwill was nil and \$37,797,301, respectively.

The following are activities for goodwill for the year ended December 31:

	2023	2022
Balance at Beginning of Year	\$ 37,797,301	\$ 4,918,823
Acquisitions During the Year	—	38,729,250
Measurement Period Adjustments	114,300	—
Impairments During the Year	(37,911,601)	(5,850,772)
Balance at End of Year	\$ —	\$37,797,301

Goodwill is assigned to the reporting unit, which is the operating segment level or one level below the operating segment. Goodwill arises when the purchase price for acquired businesses exceeds the fair value of tangible and intangible assets acquired less assumed liabilities. Goodwill is reviewed annually for impairment or more frequently if impairment indicators arise. The goodwill impairment test compares the fair value of a reporting unit with its carrying amount. The amount by which the carrying amount exceeds the reporting unit's fair value is recognized as a goodwill impairment loss. The Company conducts its annual goodwill impairment assessment as of the last day of the fiscal year.

During the period ended March 31, 2023, management noted indications of impairment on the goodwill of its consumer packaged goods reportable segment and recorded an impairment expense of \$14,143,983 as a result of management's response and updated earnings projections for unforeseen changes in market demand in the consumer packaged goods market. During the last quarter of December 31, 2023, management noted indications of impairment on the goodwill of its retail reportable segment and recorded an impairment expense of \$23,767,618 as a result of unforeseen changes in the market from more than expected retail competition. During the year ended December 31, 2022, management noted indications of impairment on the goodwill of its consumer packaged goods reportable segment and recorded an impairment expense of \$5,850,722 as a result of unforeseen market demand and updated earnings projections in the consumer packaged goods market.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of December 31, 2023 and 2022, accounts payable and accrued liabilities consist of the following:

	2023	2022
Accounts Payable	\$ 5,539,966	\$ 6,005,745
Accrued Liabilities	13,123,070	12,603,940
Accrued Payroll and Related Liabilities	5,351,228	2,089,259
Sales Tax and Cannabis Taxes	2,917,623	1,270,572
Total Accounts Payable and Accrued Liabilities	\$26,931,887	\$21,969,516

The Company offers a customer loyalty rewards program that allows members to earn discounts on future purchases. Unused discounts earned by loyalty rewards program members are included in accrued liabilities and recorded as a sales discount at the time a qualifying purchase is made. The value of points accrued as of December 31, 2023 and 2022, was approximately \$1,103,000 and \$999,000, respectively.

GLASS HOUSE BRANDS, INC.**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2023 and 2022***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***12. CONTINGENT SHARES AND EARNOUT LIABILITIES**

As of December 31, 2023 and 2022, activity related to the contingent shares and earnout liabilities consist of the following:

	2023	2022
Balance at Beginning of Year	\$14,656,666	\$ 38,428,700 (i)
Contingent Shares Issued	(4,446,000)(ii)	5,460,000 (ii)
Change in Fair Value of Contingent Liabilities	24,378,334	(29,232,034)
Balance at End of Year	<u>\$34,589,000</u>	<u>\$ 14,656,666</u>

(i) Contingent Earnout – Business Combination on June 29, 2021

Upon closing of the Business Combination, 1,008,975 Equity Shares issued to the sponsor of Mercer Park were locked up by the Company. These Equity Shares are to be released from the lock-up restrictions based upon the amount of cash raised by the Company from certain debt and equity financings through June 2023. During the year ended December 31, 2021, the Company released 392,819 Equity Shares that were originally subject to lock-up restrictions. In accordance with ASC 480, “*Distinguishing Liabilities from Equity*” (“ASC 480”), management determined the provisions of these earnouts required liability treatment. Accordingly, the remaining 616,156 Equity Shares are subject to a capital-based earnout of permitted debt or equity financings within one year following closing, as further detailed in the Investor Rights Agreement entered into on June 29, 2021 in connection with the completion of the Business Combination (which is available on SEDAR at www.sedar.com). As of December 31, 2023 and 2022, the value of the contingent earnout was \$0 and \$1,207,666, respectively, and included as a component of contingent shares and earnout liabilities in the accompanying Consolidated Balance Sheets. The decreases in fair value of \$1,207,666 and \$1,164,534 were recorded as components of the change in fair value of contingent liabilities during the years ended December 31, 2023 and 2022, respectively, and are included in the accompanying Consolidated Statements of Operations. As of December 31, 2023, the Company determined the criteria for the sponsor earnout liability related to the Mercer Park Transaction was not met at the expiration of the term and recorded the change in fair value of contingent consideration. Accordingly, as of December 31, 2023, the sponsor earnout liability was nil.

Additional earnout payments consisting of up to an additional 6,306,095 Equity Shares are issuable to the previous sponsor of Mercer Park and all holders of record of the Equity Shares, the Exchangeable Shares, vested stock options and vested RSUs as of December 31, 2022 in the event the 20-day VWAP of the Equity Shares reaches \$13.00 or \$15.00 within two years of closing of the Business Combination. In the event that the permitted debt or equity raised by the Company and the Equity Share price targets are not met, as described in the Investor Rights Agreement, the earnout payments will be forfeited. In accordance with ASC 480, management determined the provisions of these earnouts did not require liability treatment. As of December 31, 2023 and 2022, no Equity Shares were issued in connection with these earnouts.

Contingent Earnout – Camarillo Transaction

During the year ended December 31, 2021, the Company purchased certain real property in Camarillo, California (the “Camarillo Transaction”). As a consideration for the option right to purchase certain real property in conjunction with the Camarillo Transaction (the “Option Right”), the Company is obligated to pay a contingent earnout fee of up to \$75,000,000, payable in the Equity Shares, if certain conditions and financial metrics are met. As of December 31, 2023 and 2022, the fair value of the contingent earnout was \$18,069,000 and \$4,041,000, respectively, and included as a component of contingent shares and earnout liabilities in the accompanying Consolidated Balance Sheets. The increase in fair value of \$14,028,000 and decrease in fair value of \$18,530,000 were recorded as components of the change in fair value of contingent liabilities during the years ended December 31, 2023 and 2022, respectively, and is included as components of the change in fair value of contingent liabilities in the accompanying Consolidated Statements of Operations. The value of the

contingent consideration is based upon the potential earn-out of the facilities' adjusted earnings during the earnout period and is measured at fair value using a discounted cash flow model that is based on unobservable inputs. During the year ended December 31, 2022, the Company's original estimated earnings from the facility were not as expected and accordingly, the Company reduced the fair value of the earnout liability. During the year ended December 31, 2023, due to the improvement in the Company's operations at the facility, the Company determined the potential earnings had significantly increased and as a result increased the fair value of the earnout liability.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

12. CONTINGENT SHARES AND EARNOUT LIABILITIES (Continued)

Contingent Shares – Camarillo Transaction

As additional consideration for the Option Right, the Company issued 6,500,000 Equity Shares upon the closing of the Camarillo Transaction. The Company allocated the fair value of the Option Right to the assets acquired upon its exercise in September 2021. In addition to the Equity Shares issued for the Option Right, the Company is obligated to issue up to 3,500,000 Equity Shares as a contingent payment, which are subject to certain conditions and events following closing. As of December 31, 2023 and 2022, the fair value of the contingent payment was \$16,520,000 and \$6,860,000, respectively, and included as a component in contingent shares and earnout liabilities in the accompanying Consolidated Balance Sheets. The Company recorded increase in fair value of \$9,660,000 and decrease in fair value of \$6,625,500 during the years ended December 31, 2023 and 2022, respectively, and were included as components of the change in fair value of contingent liabilities in the accompanying Consolidated Statements of Operations. The value of the contingent consideration is based upon the value of the Company's Equity Shares, the probability of future events occurring and other unobservable inputs.

(ii) Contingent RSUs – Plus Products

As consideration for the acquisition of Plus Products, see "Note 8 – Business Acquisitions" for further details, the Company issued 1,300,000 RSUs contingent on revenue earnout provisions. The Company allocated the fair value of the contingent RSUs to the net assets acquired upon the closing of the transaction in April 2022. As of December 31, 2023 and 2022, the fair value of the contingent RSUs was \$0 and \$2,548,000, respectively, and included as a component in contingent shares and earnout liabilities in the accompanying Consolidated Balance Sheets. The Company recorded an increase in fair value of \$1,898,000 and decrease in fair value of \$2,912,000, respectively, during the years ended December 31, 2023 and 2022, and it was included as a component of change in fair value of contingent liabilities in the accompanying Consolidated Statements of Operations. During the year ended December 31, 2023, the Company moved \$4,446,000 of contingent shares payable related to the Plus Business Acquisition to additional paid-in-capital. See "Note 15 – Shareholders' Equity" for further discussion. The value of the contingent consideration is based upon the value of the Company's Equity Shares, the probability of future events occurring and other unobservable inputs.

13. LEASES

The Company leases buildings which it plans to use for corporate purposes and the production and sale of cannabis products. In accordance with ASC 842, lease liability is initially measured at the present value of total lease payments, discounted using a discount rate set to the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company uses an estimated incremental borrowing rate. Total lease payments are comprised of (i) fixed lease payments less any incentives; (ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; (iii) the amount expected to be payable by the lessee under residual value guarantees; (iv) the exercise of purchase options, if the lessee is reasonably certain to exercise the options; (v) payments of penalties for early termination of a lease unless the Company is reasonably certain not to terminate early. The incremental borrowing rate is determined using estimates which are based on the information available at commencement date.

An ROU asset is measured at the initial amount of the lease liability, plus initial direct costs and lease payments at or before the commencement date, less any lease incentives received.

Operating leases may contain renewal options that provide for rent increases based on prevailing market conditions. The terms used to calculate the ROU assets for these properties include the renewal options that the Company is reasonably certain to exercise. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreements do not contain significant residual value guarantees,

restrictions or covenants. For finance leases, lease costs are comprised of straight-line amortization of the ROU asset and the interest portion of lease payments which are recorded to Depreciation and Amortization and Interest Expense, respectively, on the Consolidated Statements of Operations. Finance lease ROU assets are amortized based on the lesser of the lease term and the useful life of the leased asset according to the capital asset accounting policy. If ownership of the ROU assets transfers to the Company at the end of the lease term or if the Company is reasonably certain to exercise a purchase option, amortization is calculated using the estimated useful life of the leased asset.

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GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
13. LEASES (Continued)

The below are the details of the lease cost and other disclosures regarding the Company's leases for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Finance Lease Cost:		
Amortization of Finance Lease Right-of-Use Assets	\$ 293,159	\$ 15,051
Interest on Lease Liabilities	159,411	14,577
Operating Lease Cost	2,440,654	1,479,305
Short-Term Lease Costs	1,149,276	933,424
Total Lease Expenses	<u>\$4,042,500</u>	<u>\$2,442,357</u>
	<u>2023</u>	<u>2022</u>
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	\$ 147,525	\$ 9,802
Operating Cash Flows from Operating Leases	\$2,333,420	\$1,446,649
Financing Cash Flows from Finance Leases	\$ 284,221	\$ 20,215
Non-Cash Additions to Right-of-Use Assets and Lease Liabilities:		
Recognition of Right-of-Use Assets for Finance Leases	\$1,909,842	\$ 301,022
Recognition of Right-of-Use Assets for Operating Leases	\$ —	\$8,614,907
Weighted-Average Remaining Lease Term (Years) - Finance Leases	4.00	3.00
Weighted-Average Remaining Lease Term (Years) - Operating Leases	7.00	7.00
Weighted-Average Discount Rate - Finance Leases	11.00 %	20.40 %
Weighted-Average Discount Rate - Operating Leases	11.46 %	12.02 %

GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
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(Amounts Expressed in United States Dollars Unless Otherwise Stated)
13. LEASES (Continued)

Future minimum lease payments under non-cancelable finance and operating leases as of December 31, 2023 are as follows:

December 31:	Operating Leases		Finance Leases	Total
	Third Parties	Related Parties	Third Parties	
2024	\$ 1,399,456	\$ 979,393	\$ 575,578	\$ 2,954,427
2025	1,399,104	554,267	618,956	2,572,327
2026	1,372,745	570,895	483,475	2,427,115
2027	1,126,862	588,022	497,045	2,211,929
2028	537,353	605,663	187,959	1,330,975
Thereafter	1,600,852	2,320,941	—	3,921,793
Total Future Minimum Lease Payments	7,436,372	5,619,181	2,363,013	15,418,566
Less Imputed Interest	(2,132,007)	(1,767,106)	(456,585)	(4,355,698)
Present Value of Lease Liability	5,304,365	3,852,075	1,906,428	11,062,868
Less Current Portion of Lease Liability	(825,318)	(627,154)	(386,779)	(1,839,251)
Present Value of Lease Liability, Net of Current Portion	\$ 4,479,047	\$ 3,224,921	\$ 1,519,649	\$ 9,223,617

On September 14, 2021, the Company entered into an agreement to lease out a portion of its real property at approximately \$500,000 per month for 36 months. However, lease payments to the Company are abated if certain contingencies are met by the lessee. As of December 31, 2023, such contingencies are expected to be met, and as a result, no rental income was recognized by the Company.

The Company leases certain business facilities from related parties and third parties under non-cancellable operating lease agreements that specify minimum rentals. The operating leases require monthly payments ranging from \$800 to \$56,000 and expire through November 2032. Certain lease monthly payments may escalate up to 5.0% each year. In such cases, the variability in lease payments is included within the current and noncurrent operating lease liabilities.

14. NOTES PAYABLE AND CONVERTIBLE DEBENTURES

As of December 31, 2023 and 2022, notes payable consist of the following:

	2023	2022
Term loan payable maturing in November 30, 2026, bearing interest at 10.00 percent per annum	\$49,375,000	\$50,000,000
Convertible Debentures	16,006,084	16,006,084
Other	434,410	442,222
Total Notes Payable	65,815,494	66,448,306
Less Unamortized Debt Issuance Costs and Loan Origination Fees	(1,752,570)	(3,789,358)
Net Amount	\$64,062,924	\$62,658,948
Less Current Portion of Notes Payable	(7,550,324)	(40,237)
Notes Payable, Net of Current Portion	\$56,512,600	\$62,618,711

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

14. NOTES PAYABLE AND CONVERTIBLE DEBENTURES (Continued)

Senior Secured Credit Agreement

On December 9, 2021 (the “Senior Secure Closing Date”), the Company entered into a senior secured term loan agreement, as amended (the “Credit Agreement”), for total available proceeds of up to \$100,000,000 with funds managed by a U.S.-based private credit investment fund and other third-party lenders (together, the “Senior Secured Lender”). Effective December 10, 2021, the Company closed on an initial term loan through the Credit Agreement of \$50,000,000. The principal amount under the Credit Agreement will be paid in monthly installments in an aggregate amount equal to 1.25% per annum of the original principal amount, 24 months following the Senior Secure Closing Date, with a maturity date through November 30, 2026. Interest will be paid, beginning December 31, 2021, in monthly installments equal to the floating base rate plus the applicable term margin, or 5.25%. The interest rate will not be less than 10% per annum or exceed 12% per annum. As of December 31, 2023 and 2022, the interest rate was 10%.

The Company has optional and mandatory prepayments. Mandatory prepayments include any voluntary and involuntary sale or disposition of assets by the Company or any restricted subsidiaries. The outstanding principal amount of the obligation will be repaid by 100% of cash proceeds received from the sale or disposition of assets with certain exemptions as defined in the Credit Agreement. As of the Senior Secure Closing Date, the Company deposited an interest reserve in the amount of \$3,000,000 into an escrow account and included as restricted cash in the Consolidated Balance Sheets as of December 31, 2023 and 2022. Additionally, the Company’s real properties held in Glass House Farm LLC, Magu Farm LLC and GH Camarillo LLC were pledged as security.

The Credit Agreement contains a financial covenant which requires the Company to maintain liquidity in excess of \$10,000,000 at all times. As of December 31, 2023 and 2022, the Company was in compliance with such financial covenant. Additionally, there are certain covenants which will require the Company to maintain a specific minimum debt service coverage ratio (“DSCR”) which will be measured quarterly beginning with the quarter ending December 31, 2022.

Amendments to the Senior Secured Credit Agreement

On January 21, 2022, the Company amended and restated the Credit Agreement (the “1st Amendment”) wherein certain events of default were waived.

On May 12, 2022, the Company amended and restated the Credit Agreement (the “2nd Amendment”) wherein certain events of default were waived, and the Company entered into an incremental term loan in the amount of \$10,000,000 (the “Incremental Term Loan”), for total available proceeds of \$110,000,000. The Incremental Term Loan bears interest at a rate of 10% per annum and payable in monthly installments. In addition, a 1% fee of the outstanding principal amount of the Incremental Term Loan is payable in monthly installments beginning August 1, 2022, with a maturity date through October 31, 2022. In connection with the Incremental Term Loan, the Company issued 175,000 warrants to the Senior Secured Lender, with an exercise price of \$11.50 per share, to acquire each Equity Share until June 26, 2026. The fair value of the warrants were determined using Level 1 inputs as these warrants are openly traded on a stock exchange. During the year ended December 31, 2022, the Company recorded an additional debt discount of \$89,250 related to the change in terms of the Credit Agreement. In addition to receiving the \$10,000,000 in Incremental Term Loan, the Company paid \$579,000 in direct loan fees, which are recorded as a debt discount.

On August 30, 2022, the Company repaid the \$10,000,000 Incremental Term Loan in cash. In accordance with ASC 470 “*Modifications and Extinguishments*,” the Company recorded \$489,647 of unamortized debt discount as a loss on extinguishment of debt during the year ended December 31, 2022.

GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
14. NOTES PAYABLE AND CONVERTIBLE DEBENTURES (Continued)

The Credit Agreement contains a financial covenant which requires the Company to maintain liquidity in excess of \$10,000,000 at all times. In March 2023, the Company entered into an amendment to the Credit Agreement by which the Senior Secured Lender waived and deferred enforcement of certain covenants which require the company to maintain a specific minimum debt service coverage ratio beginning with the quarter ending on June 30, 2023. As of December 31, 2023, the Company was in compliance with the Credit Agreement covenant. In connection with the amendment to the Credit Agreement, the Company will pay an amount equal to 2% of the aggregate principal amount of the loan outstanding as of August 1, 2023. The Company recognized amendment fees of \$1,000,000 as other expense and paid such fee on July 27, 2023. See “Note 22 - Subsequent Events” for further information regarding an additional amendment.

Convertible Debentures

On April 28, 2022, the Company completed the Plus Products acquisition in which the purchase price was payable in part through an aggregate of 20,005 unsecured convertible debenture notes which consist of 12,003 debenture notes (the “Series A Notes”) and 8,002 debenture notes (the “Series B Notes”) (collectively, the “Plus Convertible Notes”). The Plus Convertible Notes accrue interest at 8.00% per annum payable in semi-annual arrears until April 15, 2027 (the “Maturity Date”). Interest is payable in cash, by the issuance of the Company’s Equity Shares or a combination of both at the sole discretion of the Company, based on the 10-day VWAP of the Equity Shares ending 5 trading days prior to the interest payment date with a fixed exchange rate of USD\$1.00 to CAD\$1.27.

The Series A Notes are redeemable, at the sole option of the Company, in full or in part on a pro rata basis, and payable in cash, by the issuance of the Company’s Equity Shares, or a combination of both, at any time through the Maturity Date based on the higher of (i) the 10-day VWAP of the Equity Shares ending 5 trading days prior to the redemption date, or (ii) \$4.08.

The Series B Notes are redeemable, at the sole option of the Company, in full or in part on a pro rata basis, and payable in cash, by the issuance of the Company’s Equity Shares, or a combination of both, at any time through the Maturity Date based on the lower of (i) the 10-day VWAP of the Equity Shares ending 5 trading days prior to the redemption date, or (ii) \$10.00 per Equity Share. In the event the Company’s Equity Shares achieve a closing price of \$10.00 per share over any period greater than or equal to 20 consecutive trading days, each holder of the Series B Notes may elect to convert all or a portion of their holdings into the Company’s Equity Shares based on a conversion price of \$10.00 per Equity Share. As of December 31, 2022, the Company recorded \$11,894,989 and \$4,111,095 for the Series A Notes and Series B Notes, respectively. The conversion features of the Series A Notes and Series B Notes were bifurcated from the related notes and classified as derivatives due to the variability of price in accordance with ASC 815. Accordingly, the fair value of the conversion features for the Series A Notes and Series B Notes were measured at fair value using a discounted cash flow model that is based on unobservable inputs. During the years ended December 31, 2023 and 2022, the Company recorded a change in derivative asset of approximately \$28,000 and \$30,000, respectively, as a component of change in fair value of derivatives in the Consolidated Statements of Operations.

Scheduled maturities of notes payable for the years ended December 31:

December 31:	Principal Payments
2024	\$ 7,554,233
2025	7,557,658
2026	34,436,308
2027	16,267,295
2028	—
Thereafter	—
Total Future Minimum Principal Payments	\$65,815,494

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

15. SHAREHOLDERS' EQUITY

As of December 31, 2023 and 2022, the authorized share capital of the Company is comprised of an unlimited number of (i) the Subordinate Voting Shares, (ii) the Restricted Voting Shares, (iii) the Limited Voting Shares, (iv) the Multiple Voting Shares and (v) the Preferred Shares.

Multiple Voting Shares

The Company is authorized to issue an unlimited number of Multiple Voting Shares without nominal or par value. Holders of Multiple Voting Shares are entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia). On all matters upon which holders of Multiple Voting Shares are entitled to vote, each Multiple Voting Share entitles the holder thereof to 50 votes per Multiple Voting Share. Multiple Voting Shares are not entitled to dividends and are not convertible. The Multiple Voting Shares had a three (3)-year sunset period that would have expired on June 29, 2024. At the annual general and special meeting of the shareholders of the Company held on June 23, 2023, shareholders passed a special resolution to amend the Articles to extend the "sunset" date for the Multiple Voting Shares to June 29, 2027, upon which they will be automatically redeemed for \$0.001 per Multiple Voting Share.

Equity Shares

The holders of each class of the Equity Shares are entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia) and except that holders of the Limited Voting Shares are not entitled to vote for the election of directors of the Company. The Subordinate Voting Shares and the Restricted Voting Shares carry one vote per share on all matters. The Limited Voting Shares carry one vote per share on all matters except the election of directors, as the holders of the Limited Voting Shares do not have any entitlement to vote in respect of the election for directors of the Company.

In the case of 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 the Equity Shares are entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Equity Shares (including any liquidation preference on any issued and outstanding Multiple Voting Shares and/or Preferred Shares), to participate ratably the Company's remaining property along with all holders of the other classes of the Equity Shares (on a per share basis).

Exchangeable Shares of MPB Acquisition Corp.

Exchangeable Shares are part of the authorized share capital of MPB, a wholly-owned subsidiary of the Company, which entitle their holders to rights that are comparable to those rights attached to the Equity Shares. The Exchangeable Shares carry one vote per share, and the aggregate voting power of the Exchangeable Shares must not exceed 49.9% of the total voting power of all classes of shares of MPB. Until a holder exchanges their Exchangeable Shares for the Equity Shares, the holder of such Exchangeable Shares will not have the right to vote at meetings of the shareholders of the Company, though they will have the right to vote at meetings of the shareholders of MPB, including with respect to altering the rights of holders of any of the Exchangeable Shares, or if MPB decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares are exchangeable at any time, on a one-for-one basis, for the Equity Shares at the option of the holder.

The Company treats the Exchangeable Shares as options, each with a value equal to an Equity Share, which represents the holder's claim on the equity of the Company. Pursuant to the terms of the Exchangeable Shares, the Company and MPB are required to maintain the economic equivalency of such Exchangeable Shares with the publicly traded Equity Shares of the Company. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in the assets of the Company as the holders of the Equity Shares. The Company has presented these Exchangeable Shares as a part of shareholders' equity within these Consolidated Financial

Statements due to (i) the fact that they are economically equivalent to the Equity Shares, and (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under US securities laws but may dispose of the Exchangeable Shares without such restriction by exchanging them for Equity Shares. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on earnings per share.

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GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

15. SHAREHOLDERS' EQUITY (Continued)

Preferred Shares GH Group, Inc.

The authorized total number of preferred shares (the "GH Group Preferred Shares") of GH Group is 50,000,000 of which 45,000,000 shares are designated as shares of Series A Preferred Shares ("GH Group Series A Preferred"), 55,000 shares are designated as shares of Series B Preferred Shares ("GH Group Series B Preferred"), 5,000 shares of Series C Preferred Shares ("GH Group Series C Preferred") and 15,000 shares of Series D Preferred Shares ("GH Group Series D Preferred"). Holders of the GH Group Preferred Shares are entitled to receive notice of and attend any meeting of the shareholders of GH Group but are not entitled to vote. The GH Group Preferred Shares do not carry any voting rights and are not convertible. In the event of a liquidation, voluntary or involuntary, dissolution or winding-up of GH Group, the holders of outstanding GH Group Preferred Shares are entitled to be paid out of the assets of GH Group available for distribution to its stockholders, before any payment shall be made to the holders of GH Group common stock, of which holders of GH Group Series B Preferred are to receive payment prior to holders of GH Group Series A Preferred, GH Group Series C Preferred and GH Group Series D Preferred. GH Group has the right to redeem all or a portion of the GH Group Preferred Shares from a holder for an amount equal to the liquidation value and all unpaid accrued and accumulated dividends.

The GH Group Series A Preferred carries a 15% cumulative dividend rate, which increases by 5% in the year following the first anniversary of the date of issuance. The GH Group Series B Preferred and the GH Group Series C Preferred carry a 20% cumulative dividend rate, which increases by 2.5% annually after the second anniversary and until the 54-month anniversary of the initial issuance. The GH Group Series D Preferred carry a 15% cumulative dividend rate, which increases by 5% following the fifth anniversary of the original issuance. Dividends are payable if and when declared by GH Group's board of directors.

There were nil shares of the GH Group Series A Preferred issued and outstanding as of December 31, 2023 and 2022, respectively; there were 49,969 shares of the GH Group Series B Preferred issued and outstanding as of December 31, 2023 and 2022, respectively; and there were 5,000 and 4,700 shares of the GH Group Series C Preferred issued and outstanding as of December 31, 2023 and 2022, respectively; and there were 15,000 and nil shares of the GH Group Series D Preferred issued and outstanding as of December 31, 2023 and 2022, respectively. In accordance with the provisions above, the Company recorded dividends to the holders of the GH Group Preferred Shares in the amount of \$12,649,121 and \$5,835,131 for the years ended December 31, 2023 and 2022, respectively.

Non-Controlling Interest

Non-controlling interest represents equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

The Company recorded net income attributable to a non-controlling interest during the years ended December 31, 2023 and 2022, of \$208,439 and net loss of \$61,675, respectively. The value of the equity issuances issued to non-controlling interest members were determined using the estimated fair value of the equity of the Company.

Share and Equity Transactions During the Year Ended December 31, 2022

During the year ended December 31, 2022, the Company issued 2,311,213 Equity Shares to the sellers of Plus Products valued at \$9,707,414, see "Note 8 – Business Acquisitions" for further information.

During the year ended December 31, 2022, the Company issued 347,108 Equity Shares to certain convertible note holders for interest payments valued at \$868,763.

During the year ended December 31, 2022, the Company issued 227,116 Equity Shares to various individuals for the exercise of stock options. In exchange for the exercise of stock options, the Company received \$303,694 in cash.

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GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

15. SHAREHOLDERS' EQUITY (Continued)

During the year ended December 31, 2022, the Company issued 2,162,265 Equity Shares to various individuals for the conversion of Restricted Stock Units.

During the year ended December 31, 2022, certain holders of Exchangeable Shares exchanged 5,936,636 Exchangeable Shares for a like number of Equity Shares.

During the year ended December 31, 2022, the Company received \$5,505,000 in contributions from controlling and non-controlling interests.

During the year ended December 31, 2022, the Company issued 500,000 Equity Shares in connection with The Pottery acquisition valued at \$1,100,000 at the time of issuance, see "Note 8 – Business Acquisitions" for further information.

During the year ended December 31, 2022, the Company issued 5,606,112 Equity Shares to the sellers of the Natural Healing Centers retail dispensaries located in Grover Beach, Lemoore and Morro Bay valued at \$14,459,382, see "Note 8 – Business Acquisitions" for further information.

During the year ended December 31, 2022, the Company through its subsidiary, GH Group, issued 49,969 GH Group Series B Preferred Shares in connection with the GH Group Series B Preferred Shares financing with an aggregate value of \$49,999,906 comprised of the following: (i) existing GH Group Series A Preferred Shares with a face value of \$22,741,956 were exchanged for 22,712 GH Group Series B Preferred Shares and (ii) a new private placement of 27,257 GH Group Series B Preferred Shares with a face value of \$27,257,950. In conjunction with these transactions, the Company cancelled 2,274,133 existing Company warrants and issued 9,999,937 Company warrants comprised of the following: (i) 4,548,347 replacement Company warrants and (ii) 5,451,590 Company warrants. The warrants have an exercise price of \$5.00 per warrant and expire on August 31, 2027. The Company recorded the fair value of the Series B Preferred Shares as mezzanine non-controlling Interest in the amount of \$36,549,987, which is net of the value allocated to the replacement warrants of \$5,658,502 and newly issued warrants of \$7,790,939. The Series B Preferred Shares are accounted for as mezzanine non-controlling Interest as the Series B Preferred Shares redemption feature is not in the sole control of the Company. The Series B Preferred Shares were recorded to its redemption value as of December 31, 2022 with an adjustment of \$13,449,142.

During the year ended December 31, 2022, the remaining, unexchanged GH Group Series A Preferred Shares were redeemed by the Company for \$772,718, in cash.

During the year ended December 31, 2022, the Company through its subsidiary, GH Group, closed on an additional private placement financing of 4,700 GH Group Series C Preferred Shares with an aggregate face value of \$4,700,000. In conjunction with these transactions, the Company issued 940,000 Company warrants. The warrants have an exercise price of \$5.00 per warrant which expire in August 2027. The Company recorded the fair value of the Series C Preferred Shares as mezzanine non-controlling Interest in the amount of \$3,733,792, which is net of the value allocated to the newly issued warrants of \$966,208. The Series C Preferred Shares are accounted for as mezzanine non-controlling Interest as the Series C Preferred Shares redemption feature is not in the sole control of the Company. The Series C Preferred Shares were recorded to its redemption value as of December 31, 2022 with an adjustment of \$966,208.

Share and Equity Transactions During the Year Ended December 31, 2023

During the year ended December 31, 2023, the Company through its subsidiary, GH Group, closed on a private placement financing of 300 GH Group Series C Preferred Shares with an aggregate face value of \$300,000. In conjunction with these transactions, the Company issued 60,000 Company warrants. The warrants have an exercise price of \$5.00 per warrant which expire in August 2027. The Company recorded the fair value of the Series C Preferred Shares in the amount of \$215,826, which is net of the value allocated to the newly issued warrants of \$84,174. The Series C Preferred Shares are accounted for as mezzanine non-controlling Interest as the Series C Preferred Shares

redemption feature is not in the sole control of the Company. The Series C Preferred Shares were accreted by accrued but unpaid dividends and were therefore adjusted to their redemption value as of December 31, 2023 with an adjustment of \$84,174.

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GLASS HOUSE BRANDS, INC.**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2023 and 2022***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***15. SHAREHOLDERS' EQUITY (Continued)**

During the year ended December 31, 2023, the Company issued 1,300,006 Equity Shares in relief of the shares payable as contractually required. Accordingly, the Company reclassified \$4,446,000 of shares payable to equity. See "Note 12 – Contingent Shares and Earnout Liabilities" for further disclosure.

During the year ended December 31, 2023, the Company issued 271,063 shares in payment of \$1,291,629 of accrued interest.

During the year ended December 31, 2023, the Company through its subsidiary, GH Group, closed on a private placement financing of 15,000 GH Group Series D Preferred Shares with an aggregate face value of \$15,000,000. In conjunction with these transactions, the Company issued 3,000,000 Company warrants. The warrants have an exercise price of \$6.00 per warrant which expire in August 2028. The Company recorded the fair value of the Series D Preferred Shares in the amount of \$9,290,807, which is net of the value allocated to the newly issued warrants of \$5,709,193. The Series D Preferred Shares are accounted for as mezzanine non-controlling Interest as the Series D Preferred Shares redemption feature is not in the sole control of the Company. The Series D Preferred Shares were accreted by accrued but unpaid dividends and were therefore adjusted to their redemption value as of December 31, 2023 with an adjustment of \$5,709,193.

Variable Interest Entity

On June 30, 2022, the Company transferred certain tenant improvements with a net book value of \$762,095 to 2000 De La Vina LLC ("2000 DLV"), a wholly-owned subsidiary, and simultaneously sold 100% of its limited liability company membership interest in 2000 DLV for a cash payment of \$3,060,000 upon closing to an entity in which certain executives and board members of the Company are members. As part of the transaction, the Company no longer has capital and profits interests in the Company; provided, however, the Company's affiliate, GH Group, was appointed the manager and received a 20% carried interest or profits interest in 2000 DLV. Thus, the Company indirectly retains control of 2000 DLV under the First Amended and Restated Operating Agreement dated May 1, 2022 between the Company and members of 2000 DLV. Accordingly, 2000 DLV became a VIE of the Company.

The below table summarizes information for entities the Company has concluded to be VIE's as the Company possesses the power to direct activities through various agreements. Through these agreements, the Company can significantly impact the VIE and thus holds a controlling financial interest. This information represents amounts before intercompany eliminations.

As of and for the years ended December 31, 2023 and 2022, the aggregate balances of the VIE included in the accompanying Consolidated Balance Sheet and Consolidated Statements of Operations are as follows:

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 180,995	\$ 111,686
Non-Current Assets	\$4,216,362	\$2,357,957
Total Assets	<u>\$4,397,357</u>	<u>\$2,469,643</u>
Current Liabilities	\$ 2,430	\$ —
Non-Current Liabilities	\$ 237,655	\$ 241,373
Total Liabilities	<u>\$ 240,085</u>	<u>\$ 241,373</u>
Revenues, Net	<u>\$ 240,000</u>	<u>\$ 139,500</u>
Net Income Attributable to Non-Controlling Interest	<u>\$ 140,384</u>	<u>\$ 56,997</u>

GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
16. SHARE-BASED COMPENSATION

The Company has an amended and restated equity incentive plan (the “Incentive Plan”) under which the Company may issue various types of equity instruments or instruments that track to equity, more particularly the Equity Shares, to employees, officers, consultants and non-employee directors. The types of equity instruments issuable under the Incentive Plan encompass, among other things, stock options, unrestricted stock bonus, and restricted stock units (together, the “Awards”). The Awards are expensed and recorded as a component of general and administrative costs. The maximum number of the Awards that may be issued under the Incentive Plan is 10% of the fully-diluted Equity Shares of the Company (inclusive of the Equity Shares issuable in exchange for unrestricted Exchangeable Shares) as calculated using the treasury method. The Incentive Plan is an “evergreen” plan, meaning that if an Award expires, becomes un-exercisable, or is cancelled, forfeited or otherwise terminated without having been exercised or settled in full, as the case may be, the Equity Shares allocable to the unexercised portion of an Award shall again become available for future grant or sale under the Incentive Plan (unless the Incentive Plan has terminated by its terms), and the number of the Awards available for grant will increase as the number of issued and outstanding Equity Shares increases. Granting and vesting of the Awards are determined by and recommended to the Board for approval by the Compensation, Nomination and Corporate Governance Committee of the Board of Directors. The exercise price for options (if applicable) will generally not be less than the fair market value of the Award at the time of grant and will generally expire after 5 years.

Stock Options

A reconciliation of the beginning and ending balance of stock options outstanding is as follows:

	Number of Stock Options	Weighted-Average Exercise Price
Balance as of December 31, 2021	2,087,784	\$ 2.78
Exercised	(227,116)	\$ 2.30
Forfeited	(407,781)	\$ 2.82
Balance as of December 31, 2022	1,452,887	\$ 2.84
Forfeited	(17,093)	\$ 2.77
Balance as of December 31, 2023	1,435,794	\$ 2.84

The following table summarizes the stock options that remain outstanding as of December 31, 2023:

Security Issuable	Exercise Price	Expiration Date	Stock Options Outstanding
Equity Shares	\$ 2.26	October 2024	623,415
Equity Shares	\$ 3.08	April 2025	115,917
Equity Shares	\$ 3.08	January 2026	587,767
Equity Shares	\$ 4.60	October 2026	108,695
			1,435,794

As of December 31, 2023 and 2022, options vested and exercisable were 1,416,870 and 1,400,593, respectively. There were no stock options granted for the years ended December 31, 2023 and 2022.

Stock price volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly-traded cannabis companies. The expected life represents the period of time that stock options granted are expected to be outstanding. The risk-free rate was based on the United States Treasury zero coupon bond with a remaining term equal to the expected life of the options.

GLASS HOUSE BRANDS, INC.**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2023 and 2022***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***16. SHARE-BASED COMPENSATION (Continued)**

As of December 31, 2023 and 2022, stock options outstanding have a weighted-average remaining contractual life of 1.5 years and 2.4 years, respectively.

For the years ended December 31, 2023 and 2022, the Company recognized \$290,126 and \$1,934,561, respectively, of share-based compensation expense related to these stock options and is included as a component of general and administrative expense in the Consolidated Statements of Operations.

Restricted Stock Units

A reconciliation of the beginning and ending balance of RSUs outstanding is as follows:

	Number of Restricted Stock Units
Balance as of December 31, 2021	3,230,948
Granted	1,968,837
Converted	(2,162,265)
Forfeited	(1,036,986)
Balance as of December 31, 2022	2,000,534
Granted	1,769,703
Converted	(1,149,163)
Forfeited	(87,499)
Balance as of December 31, 2023	2,533,575

During the years ended December 31, 2023 and 2022, the Company recognized \$7,346,665 and \$10,821,120, respectively, in stock-based compensation related to RSUs and is included as a component of general and administrative expense in the Consolidated Statements of Operations. The fair value of the RSUs issued during the years ended December 31, 2023 and 2022 were determined using the value of the Equity Shares at the time of grant.

Stock Appreciation Right Units

GH Group has stock appreciation rights ("SARs units") which are issued to various employees of the Company. The SARs vest 33% one year after the grant date and the remaining 67% vest monthly over two years. Vested and exercised SARs will receive cash in the amount of the SARs exercised multiplied by the excess of the fair market value of an Equity Share over the stated strike price of the SAR. As the SARs are cash-settled, the Company recognizes the value of the SAR as liabilities which are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. As of December 31, 2023 and 2022, the Company recorded a liability of \$219,458 and nil, respectively.

GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
16. SHARE-BASED COMPENSATION (Continued)

A reconciliation of the beginning and ending balance of the SARs outstanding is as follows:

	Number of Stock Appreciation Rights Units
Balance as of December 31, 2021	159,736
Forfeited	(59,875)
Balance as of December 31, 2022	99,861
Granted	60,000
Forfeited	(23,945)
Balance as of December 31, 2023	135,916

During the years ended December 31, 2023 and 2022, the Company recognized an expense of \$219,458 and a gain of \$35,000, respectively, related to the SARs.

Warrants

A reconciliation of the beginning and ending balance of warrants outstanding is as follows:

	Number of Warrants	Weighted- Average Exercise Price
Balance as of December 31, 2021	35,418,078	\$ 11.29
Granted	11,114,937	\$ 5.10
Cancelled	(2,274,133)	\$ 10.43
Balance as of December 31, 2022	44,258,882	\$ 9.80
Granted	3,060,000	\$ 5.98
Balance as of December 31, 2023	47,318,882	\$ 9.56

The following table summarizes the warrants that remain outstanding as of December 31, 2023:

Security Issuable	Exercise Price	Expiration Date	Warrants Outstanding	Warrants Exercisable
Equity Shares	\$ 11.50	June 2026	30,664,500	30,664,500
Equity Shares	\$ 10.00	June 2024	2,654,445	2,654,445
Equity Shares	\$ 5.00	August 2027	10,999,937	10,999,937
Equity Shares	\$ 6.00	August 2028	3,000,000	3,000,000
			47,318,882	47,318,882

GLASS HOUSE BRANDS, INC.**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2023 and 2022***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***16. SHARE-BASED COMPENSATION (Continued)**

For the years ended December 31, 2023 and 2022, the fair value of the warrants granted with a fixed exercise price and fair valued using level 3 inputs was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

	2023	2022
Weighted-Average Risk-Free Annual Interest Rate	0.07 %	3.42 %
Weighted-Average Expected Annual Dividend Yield	0.0 %	0.0 %
Weighted-Average Expected Stock Price Volatility	2.07 %	103.7 %
Weighted-Average Expected Life in Years	0.10	5.00
Weighted-Average Estimated Forfeiture Rate	0.0 %	0.0 %

During the years ended December 31, 2023 and 2022, the weighted-average fair value of warrants granted was \$3.1 and \$1.83, respectively, per warrant. As of December 31, 2023 and 2022, warrants outstanding have a weighted-average remaining contractual life of 2.8 years and 3.6 years, respectively.

17. LOSS PER SHARE

The following is a reconciliation for the calculation of net loss attributable to the Company and the basic and diluted loss per share for the years ended December 31, 2023 and 2022:

	2023	2022
Net Loss Attributable to the Company	\$ (98,269,418)	\$(32,903,021)
Less Dividends and Increase in Redemption Values of GH Group Preferred Shares	(18,442,488)	(20,250,481)
Net Loss Attributable to the Company	(116,711,906)	(53,153,502)
Weighted-Average Shares Outstanding - Basic	72,028,902	64,182,436
Weighted-Average Shares Outstanding - Diluted	72,028,902	64,182,436
Loss Per Share Attributable to the Company - Basic	\$ (1.62)	\$ (0.83)
Loss Per Share Attributable to the Company - Diluted	\$ (1.62)	\$ (0.83)

Net income attributable to the Company, as reported, is adjusted for dividends and various other adjustments as defined in ASC 260 “Earnings Per Share”.

After adjustments as defined in ASC 260, if the Company is in a net loss position, diluted loss per share is the same as basic loss per share when the issuance of shares on the exercise of convertible debentures, warrants, RSUs and share options are anti-dilutive. After adjustments, as defined in ASC 260, if the Company is in a net income position, diluted earnings per share includes options, warrants, RSUs, convertible debt and contingently issuable shares that are determined to be dilutive using the treasury stock method for all equity instruments issuable in equity units and the “if converted” method for the Company’s convertible debt.

GLASS HOUSE BRANDS, INC.**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2023 and 2022***(Amounts Expressed in United States Dollars Unless Otherwise Stated)***18. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES**

Provision for income taxes consists of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Current:		
Federal	\$7,368,805	\$ 5,549,824
State	1,062,245	1,603,117
Total Current	8,431,050	7,152,941
Deferred:		
Federal	939,848	(7,949,438)
State	572,484	(3,588,657)
Total Deferred	1,512,332	(11,538,095)
Total Provision for Income Taxes	\$9,943,382	\$ (4,385,154)

As of December 31, 2023 and 2022, the components of deferred tax assets and liabilities were as follows:

	2023	2022
Deferred Tax Assets:		
Allowance for Doubtful Accounts	\$ 892,689	\$ 998,674
Inventory Reserve	542,715	99,060
Accrued Expenses	1,168,320	183,965
Other	668,090	—
Operating Lease Liabilities	3,284,630	1,931,799
Stock-based Compensation	5,276,968	4,329,608
Loss on Disposal of Subsidiary	1,720,979	1,600,209
Operating Losses	39,874,330	39,244,750
Property and Equipment and Depreciation	3,999,252	86,553
Total Deferred Tax Assets	57,427,973	48,474,618
Valuation Allowance	(48,439,015)	(36,303,097)
Net Deferred Tax Assets	\$ 8,988,958	\$ 12,171,521

GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
18. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES (Continued)

	2023	2022
Deferred Tax Liabilities:		
Property, Plant & Equipment	\$(6,329,953)	\$ (8,750,472)
Right-of-Use Assets	(2,659,005)	(1,908,717)
Total Deferred Tax Liabilities	(8,988,958)	(10,659,189)
Net Deferred Tax Assets (Liabilities)	\$ —	\$ 1,512,332

The reconciliation between the effective tax rate on income and the statutory tax rate is as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Income Tax Benefit at Federal Rate	\$(18,504,695)	\$(7,804,993)
State Taxes and Fees	(1,436,069)	(6,422,079)
IRS Section 280E Disallowance	6,128,449	1,624,120
Uncertain Tax Position	2,138,468	463,647
Over Accrual of Prior Year Taxes	(2,105,987)	123,775
Change in Valuation Allowance	12,135,919	13,714,557
Change in Fair Value of Contingent Consideration	5,123,793	(7,265,518)
Return to Provision	(2,409,640)	—
Other Adjustments	138,838	—
Impairment Expense	8,240,406	1,228,662
Other Permanent Differences	493,900	(47,325)
Reported Income Tax Expense	\$ 9,943,382	\$ (4,385,154)

The Company has used a discrete effective tax rate method to calculate taxes for the years ended December 31, 2023 and 2022. The Company determined that since small changes in estimated ordinary income would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate for the fiscal years ended December 31, 2023 and 2022.

As the Company operates in the legalized cannabis industry, it is subject to the limits of IRC Section 280E (“Section 280E”) for U.S. federal income tax purposes under which the Company is only allowed to deduct expenses directly related to the cost of goods sold of its product. This results in permanent differences between ordinary and necessary business expenses deemed nonallowable under Section 280E, whereas the Company deducts all operating expenses on its state tax returns for which there is no comparable provision of Section 280E under the California Revenue and Taxation Code.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

18. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES (Continued)

A reconciliation of the beginning and ending amount of total unrecognized tax benefits for years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Balance at Beginning of Year	\$2,800,823	\$1,449,046
IRS Section 280E Positions Acquired	—	888,130
IRS Section 280E Positions	2,642,995	463,647
Balance at End of Year	<u>\$5,443,818</u>	<u>\$2,800,823</u>

The Company has determined that the tax impact of its corporate overhead allocation was not more likely than not to be sustained on the merits as required under ASC 740 “*Income Taxes*” due to the evolving interpretations of Section 280E. As a result, the Company included in the balance of total unrecognized tax benefits as of December 31, 2023 and 2022, potential benefits of \$5,443,818 and \$2,800,823, respectively, that, if recognized, would impact the effective tax rate on income from operations. Unrecognized tax benefits that reduce a net operating loss, similar to tax loss or tax credit carryforwards, are presented as a reduction to deferred income taxes.

The Company’s evaluation of tax positions was performed for those tax years which remain open to for audit. The Company may from time to time, be assessed interest or penalties by the taxing authorities, although any such assessments historically have been minimal and immaterial to the Company’s financial results. In the event the Company is assessed for interest and/or penalties, such amounts will be classified as income tax expense in the financial statements.

As of December 31, 2023, the Company’s federal tax returns since 2020 and state tax returns since 2019 are still subject to adjustment upon audit. The 2019 federal tax returns of Natural Healing Center LLC (pre-acquisition) are currently under IRS examination. No other tax returns are currently being examined by any taxing authorities. While it is reasonably possible that certain portions of the unrecognized tax benefit may change from a lapse in applicable statute of limitations, it is not possible to reasonably estimate the effect of any amount of such a change to previously recorded uncertain tax positions in the next 12 months.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

19. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of these regulations could result in fines, restrictions on its operations, or revocation, cancellation, non-renewal or other losses of permits, licensed and entitlements that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state statutes, regulations, and ordinances as of December 31, 2023 and 2022, cannabis laws and regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

Royalty

Effective as of May 9, 2019, Sweet & Salty, Inc., a California corporation ("Lender"), and GH Brands LLC, a California limited liability company and subsidiary of the Company ("GH Brands"), entered into a License and Services Agreement, pursuant to which Lender granted to GH Brands an exclusive, transferable, sublicensable, right and license to use, exploit and incorporate the name, nicknames, initials, signature, voice, image, likeness, and photographic or graphic representations of likeness, statements and biography of the artist Annabella Avery Thorne, professionally known as Bella Thorne, for all purposes relating to or in connection with the development, quality control, cultivation, extraction, manufacture, production, branding, testing, advertising, marketing, promotion, commercialization, packaging, distribution, exploitation and/or sale of the products of GH Brands and its affiliates. The term of the License and Service Agreement is 3 years, with the right to renew upon 60 days prior notice for an additional 2-year term. Royalty fees for Bella Thorne branded boxes are 10% for the 1st year and 12% for years 2 to 5. Royalty fees for flower products and accessories are 6% for the 1st year, 7% for the 2nd year and 8% for years 3 to 5. Minimum guarantee fees are recoupable against royalties for an initial term of \$1,000,000 (\$50,000 initial payment, \$200,000 for the 1st year, \$375,000 for the 2nd year and \$375,000 for the 3rd year). The agreement provides an option to renew for a 2-year term with a guaranteed minimum fee of \$1,500,000 (\$750,000 for the 4th year and \$750,000 for the 5th year). On May 31, 2023, the parties agreed to settle the outstanding balances for \$450,000. During the year ended December 31, 2023, the Company recognized a gain related to these royalties in the amount of \$58,333. As of December 31, 2023 and 2022, the Company has nil and \$508,333, respectively, due under this royalty agreement which are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. The Company has not exercised the option to renew the License and Services Agreement.

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 and 2022, there were no pending or threatening lawsuits that could be reasonably assessed to have resulted in a probable loss to the Company in an amount that can be reasonably estimated. As such, no accrual has been made in the Consolidated Financial Statements relating to claims and litigations. As of December 31, 2023 and 2022, there were also no proceedings in which any of the Company's directors, officers or affiliates were an adverse party to the Company or had a material interest adverse to the Company's interest.

Element 7 Transaction and Litigation

Effective February 23, 2021, GH Group entered into a Merger and Exchange Agreement (the "E7 Merger Agreement") with Element 7 CA, LLC ("E7") whereby GH Group had the right, subject to satisfactory completion of due diligence and other conditions, to obtain all of the limited liability company membership or other equity interests held by E7 in seventeen holding companies that hold the rights to certain in-process state and local cannabis retail licenses or license applications, some of which are partially owned. In addition, GH Group entered into a License Development and Consulting Agreement (the "E7 License Agreement", and together with the E7 Merger Agreement, the "E7 Agreements") with E7 to provide certain retail consulting services to develop and obtain up to thirty-four cannabis retail licenses in exchange for the payment of certain fees as set forth in the E7 License Agreement. In November 2021, GH Group terminated the E7 Agreements based on a breach of contractual terms by E7, and as of December 31, 2021, GH Group had converted certain pre-closing financing payments and consulting fees into notes receivable in the amount of

\$2,274,167. As of December 31, 2023 and 2022, the notes receivable was fully reserved by the Company. As of December 31, 2021, the Company had received membership or other equity interests in one (1) E7 entity out of seventeen (17) entities that were contractually committed to be transferred under the E7 Merger Agreement. As of December 31, 2022, the Company had received membership or other equity interests in three (3) E7 entities out of seventeen (17) entities that were contractually committed to be transferred under the E7 Merger Agreement.

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GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

19. COMMITMENTS AND CONTINGENCIES *(Continued)*

On November 4, 2021, GH Group filed a lawsuit in the Superior Court for the County of Los Angeles, Central District (Case No. 21STCV40401) against E7 and its principals and owners Josh Black and Robert “Bobby” DiVito (together, “Element 7”) for a variety of claims, including fraud and breach of contract and demanded performance under the E7 Agreements.

The court proceeding was subsequently withdrawn by the Company without prejudice, and on March 13, 2022, GH Group entered into an agreement with American Patriot Brands, Inc. (“APB”) to jointly file suit against Element 7 to enforce the transfer of certain contractually committed licenses (the “Joint Litigation Agreement”). GH Group and APB jointly refiled a complaint against Element 7 in the Superior Court of California, County of Los Angeles (Case No. 22STCV09323). The Superior Court severed the claims of GH Group and APB, which resulted in APB’s claims remaining in Superior Court and GH Group’s claims being adjudicated in Signature Arbitration (Case No. LQMGL) (collectively, the “Element 7 Proceeding”).

Under the terms of the Joint Litigation Agreement, GH Group agreed to pay all legal fees for GH Group and APB’s joint litigation against Element 7. GH Group also held the option to purchase any E7 license or licensed entity interests recovered by APB from Element 7 that were included in the E7 Merger Agreement, that either have a state or local permit and a valid lease, or a local permit that is without a real property site but is in a competitive license jurisdiction, in each case at a valuation of \$750,000 per E7 license or licensed entity, paid in Equity Shares at the 10-day VWAP calculated as of the date of such purchase. In addition, under the Joint Litigation Agreement, GH Group also held the right of first refusal to purchase any other E7 licenses or licensed entity outside of the foregoing groups, and the right to terminate the Joint Litigation Agreement at any time. As part of the Element 7 Settlement, the Joint Litigation Agreement was terminated as of September 19, 2023.

On September 19, 2023, Element 7, APB and GH Group entered into a Settlement and General Mutual Release Agreement (the “Element 7 Settlement”), where Element 7 agreed to pay GH Group \$2,865,000 to settle the Element 7 Proceeding; provided, that if Element 7 pays GH Group \$1,865,250 by December 15, 2023, then Element 7 shall be entitled to a credit of \$999,750 towards the \$2,865,000 payment. In addition, Element 7 would retain ownership of its retail licenses.

On March 6, 2024, the Superior Court of Los Angeles entered into a Final Judgment and Order against Element 7 for the amount of \$2,865,000 in favor of GH Group.

Catalyst Litigation

The Company is the plaintiff in litigation in the Central District Superior Court of the County of Los Angeles against Elliot Lewis (“Lewis”), Damian Martin (“Martin”), South Cord Holdings LLC (“SCH”), and South Cord Management LLC (“SCM”) (collectively, “Catalyst Defendants”) following various public, false, and defamatory statements by Lewis and Martin, co-founders of SCM and SCH, that the Company is the “largest black marketeer” of cannabis in the history of the United States, only 25% of the Company’s cultivated cannabis is sold through legal channels, and therefore 70-80% is sold illegally, and that the Company is engaging in illicit conduct to avoid taxes. The Company continues to vigorously pursue its defamation claims and otherwise assert its rights with respect to the outrageous and defamatory statements of the Catalyst Defendants.

The Company is the defendant in litigation in the Central District Superior Court of the County of Los Angeles filed by 562 Discount Med, Inc. (“Discount Med”), an affiliate of SCH and SCM. Discount Med has asserted claims against the Company for violation of California Business & Professions Code Section 17200 et seq., California’s Unfair Competition Law. Discount Med similarly alleged, like the Catalyst Defendants, that the Company is the “largest black marketeer” of cannabis in California and has purposefully structured its business to profit from the illicit market. The Company has denied all such allegations and asserted affirmative defenses.

GLASS HOUSE BRANDS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

19. COMMITMENTS AND CONTINGENCIES *(Continued)*

ATES Enterprises, LLC Lease Settlement

On November 2, 2023, GH Group entered into a settlement agreement and general release with respect to a lawsuit that was filed on August 16, 2023, against ATES Enterprises, LLC (“ATES”), a former subsidiary of the GH Group, concerning a breach of contract and breach of personal guaranty relating to a lease for certain real property located at 2040-2050 W. 16th Street in Long Beach, California. While GH Group was not a party to the lease and ATES was previously divested by GH Group, GH Group maintained certain indemnity obligations related to the lease. In the lawsuit, the landlords were claiming over \$750,000 in damages. GH Group ultimately agreed to pay the landlords \$400,000 to settle the case. During December 31, 2023, the Company accrued the \$400,000 settlement which has been paid in full as of December 31, 2023.

20. RELATED PARTY TRANSACTIONS

Leases

Neo Street Partners LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in October 2018, provides for an initial annual base rent payment of \$213,049 increasing to \$243,491 for years two to five. Rent expense for the years ended December 31, 2023 and 2022 were \$438,628 and \$243,491, respectively.

3645 Long Beach LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in December 2019, provides for an initial annual base rent payment of \$64,477 increasing to \$69,352 for year two and increasing five percent per annum thereafter. Rent expense for the years ended December 31, 2023 and 2022 were \$76,779 and \$73,412, respectively.

Isla Vista GHG LLC, a company partially owned by executives and board members of the Company, entered into a ten-year lease with a subsidiary of the Company. The lease, which commences on the first calendar day after the Company publicly announces the opening of the retail location at the leased property (the “Commencement Date”), provides for an initial monthly rent of \$5,000 starting April 19, 2022 until the Commencement Date. Effective on the Commencement Date, the initial annual base rent payment will be \$144,000 and increasing three percent per annum thereafter. Rent expense for the years ended December 31, 2023 and 2022 were \$269,000 and \$59,417, respectively.

In August 2022, the Kazan Trust dated December 10, 2004, a trust owned by an executive and board member of the Company, acquired partial ownership of a real estate entity that entered into a ten-year lease with a subsidiary of the Company. The lease, which commenced in July 2022, provides for an initial annual base rent payment of \$36,489, increasing three percent per annum thereafter. Rent expense for the years ended December 31, 2023 and 2022 were \$36,489 and \$12,163, respectively.

Consulting Agreement

Beach Front Property Management Inc., a company that is majority-owned by an executive and board member of the Company, entered into a consulting agreement with the Company dated September 28, 2020. The monthly consulting fee is \$10,860 for M&A advisory and assistance and real estate acquisition and financing services. The agreement may be terminated by either party for any/or no reason without penalty upon seven days written notice. Consulting fees for the years ended December 31, 2023 and 2022 were \$134,070 and \$130,320, respectively.

GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
21. SEGMENT INFORMATION

Previously, the Company had one reportable segment. However, during the year ended December 31, 2023, the Company determined there are now three reportable segments due to changes in the economic characteristics including projected changes in long-term gross profit and changes in its distribution model of its operating segments, accordingly, prior amounts have been reflected to conform with the current year presentation.

Operations by reportable segment for the year ending December 31, 2023 are as follows:

	Year Ended December 31, 2023				
	Retail	Wholesale Biomass	CPG	Corporate & Other	Total
Total Revenues	\$39,077,872	\$105,696,454	\$ 16,061,521	\$ —	\$ 160,835,847
Cost of Goods Sold	17,525,914	47,502,511	14,838,547	—	79,866,972
Gross Profit	21,551,958	58,193,943	1,222,974	—	80,968,875
General and Administrative	13,057,624	9,014,806	2,101,043	28,740,438	52,913,911
Sales and Marketing	1,719,852	358,850	65,501	693,561	2,837,764
Professional Fees	99,156	233,161	171,197	6,800,794	7,304,308
Depreciation and Amortization	1,311,455	11,114,259	742,951	1,458,461	14,627,126
Impairment Expense for Goodwill	—	—	—	37,911,601	37,911,601
Impairment Expense for Intangible Assets	—	—	—	14,902,928	14,902,928
Income (Loss) from Operations	5,363,871	37,472,867	(1,857,718)	(90,507,783)	(49,528,763)
Other Expense (Income):					
Interest Expense	96,477	24,856	12,549	9,684,851	9,818,733
Interest Income	—	—	(138)	(45,000)	(45,138)
Loss on Equity Method Investments	—	—	—	2,101,649	2,101,649
Loss on Change in Fair Value of Derivative Liabilities	—	—	—	28,289	28,289
Loss on Change in Fair Value of Contingent Liabilities and Shares Payable	—	—	—	24,399,013	24,399,013
Other Expense, Net	262,472	298,129	285,468	1,440,219	2,286,288
Total Other Expense	358,949	322,985	297,879	37,609,021	38,588,834
Income (Loss) Before Provision for Income Taxes	\$ 5,004,922	\$ 37,149,882	\$ (2,155,597)	\$(128,116,804)	\$ (88,117,597)
Total Assets	\$27,054,172	\$220,054,000	\$ 12,773,863	\$ 43,892,962	\$ 303,774,997

GLASS HOUSE BRANDS, INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts Expressed in United States Dollars Unless Otherwise Stated)
21. SEGMENT INFORMATION (Continued)

Operations by reportable segment for the year ending December 31, 2022 are as follows:

	Year Ended December 31, 2022				
	Retail	Wholesale Biomass	CPG	Corporate & Other	Total
Total Revenues	\$26,730,848	\$ 41,372,683	\$ 16,770,461	\$ —	\$ 84,873,992
Cost of Goods Sold	15,232,736	32,235,069	16,694,214	—	64,162,019
Gross Profit	\$11,498,112	\$ 9,137,614	\$ 76,247	\$ —	\$ 20,711,973
General and Administrative	7,154,722	6,070,793	2,117,117	30,231,733	45,574,365
Sales and Marketing	912,332	49,626	569,251	1,896,129	3,427,338
Professional Fees	239,961	478,599	210,126	9,022,796	9,951,482
Depreciation and Amortization	457,061	9,918,074	694,111	1,232,220	12,301,466
Impairment Expense for Goodwill	—	—	—	5,850,772	5,850,772
(Loss) from Operations	2,734,036	(7,379,478)	(3,514,358)	(48,233,650)	(56,393,450)
Other Income (Expense):					
Interest Expense	346	22,813	15,235	7,570,096	7,608,490
Interest Income	—	—	—	(56,468)	(56,468)
Loss on Equity Method Investments	—	—	—	2,006,639	2,006,639
Loss on Change in Fair Value of Derivative Liabilities	—	—	—	29,863	29,863
(Gain) on Change in Fair Value of Contingent Liabilities and Shares Payable	—	—	—	(28,868,949)	(28,868,949)
Loss on Extinguishment of Debt	—	—	—	489,647	489,647
Other (Income) Expense, Net	157,301	(544,125)	104,990	29,012	(252,822)
Total Other Expense (Income)	157,647	(521,312)	120,225	(18,800,160)	(19,043,600)
(Loss) Before Provision for Income Taxes	\$ 2,576,389	\$ (6,858,166)	\$ (3,634,583)	\$ (29,433,490)	\$ (37,349,850)
Total Assets	\$23,757,618	\$215,355,030	\$ 15,420,275	\$ 96,095,645	\$ 350,628,568

22. SUBSEQUENT EVENTS

On January 30, 2024, the Company announced that it has begun cultivation in its newly retrofitted Greenhouse 5 at the SoCal Facility.

On February 8, 2024, the Company announced that John Pérez has stepped down from the Board due to increasing commitments with his current employer.

On February 23, 2024, the Company entered into Amendment Number Five to Credit Agreement, Waiver, and Consent with the Senior Secured Lender to among other things approve of the Series C and D Offerings and to amend the Credit Agreement to change the Minimum EBITDA requirement to have an annualized EBITDA of \$20 million for the fiscal quarter period ending December 31, 2023, a LTM EBITDA of \$20 million for the fiscal quarter period ending March 31, 2024 and June 30, 2024, and a LTM EBITDA of \$22.5 million for each month ending on July 31, 2024 and for each month ending thereafter.

PRESS RELEASE

This press release is issued pursuant to National Instrument 62-104 – *Take-Over Bids and Issuer Bids* and National Instrument 62-103 – *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*.

Santa Monica, California – January 25, 2023 – On November 30, 2022, James B. Rosenwald III of 121 W Torrance Blvd, Suite 100, Redondo Beach, California USA 90277, disposed of an aggregate 128,263 multiple voting shares in the capital of Glass House Brands Inc. (the “**Issuer**”), over which he exercised control or direction, by way of a gift in a private transaction, which decreased Mr. Rosenwald’s securityholding percentage of multiple voting shares of the Issuer from approximately 19.93% to approximately 17.23%.

Immediately before the transaction that triggered the requirement to issue this release, Mr. Rosenwald owned and/or exercised control or direction over an aggregate 947,669 multiple voting shares in the capital of the Issuer (each multiple voting share having 50 votes per share for the election of Directors and all other matters), representing approximately 19.93% of the Issuer’s then issued and outstanding multiple voting shares; owned and/or exercised control or direction over an aggregate 2,855,585 subordinate, restricted and limited voting shares (together the “Equity Shares”) (each Equity Share having one vote per share for the election of Directors and all other matters) representing approximately 5.39% of the Issuer’s then issued and outstanding Equity Shares. Mr. Rosenwald also owned and/or exercised control or direction over warrants entitling the purchase of an aggregate 303,096 Equity Shares of the Issuer; or, assuming exercise of the warrants, Mr. Rosenwald owned and/or exercised control or direction over a total of 3,158,681 Equity Shares of the Issuer representing approximately 5.96% of the Equity Shares on a post-conversion beneficial ownership and/or direction or control basis.

Immediately after the transaction that triggered the requirement to issue this release, Mr. Rosenwald owned and/or exercised control or direction over an aggregate 819,406 multiple voting shares in the capital of the Issuer representing approximately 17.23% of the Issuer’s then issued and outstanding multiple voting shares and owned and/or exercised control or direction over an aggregate 2,735,085 Equity Shares representing approximately 5.16% of the Issuer’s then issued and outstanding Equity Shares. Mr. Rosenwald also owned and/or exercised control or direction over warrants entitling the purchase of an aggregate 303,097 Equity Shares of the Issuer; or, assuming exercise of the warrants, Mr. Rosenwald owned and/or exercised control or direction over a total of 3,038,182 Equity Shares of the Issuer representing approximately 5.73% of the Equity Shares on a post-conversion beneficial ownership and/or direction or control basis.

The investments in the Issuer will be evaluated and may be increased or decreased at Mr. Rosenwald’s discretion as circumstances warrant. As of the date of this release, Mr. Rosenwald has no future intention to acquire additional securities, or exercise of control or direction over additional securities of the Issuer or to dispose of securities of the Issuer that he owns or over which he exercises control or direction.

A report in this regard will be electronically filed with regulators in each jurisdiction where the Issuer is reporting and will be available for viewing through the internet at the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. To obtain a copy of the report, contact Mr. Rosenwald at (310) 318-9000.

(signed) "*James B. Rosenwald III*"

James B. Rosenwald III

SECTION

Japan EDINET Large-Shareholding Reports

【表紙】

【提出書類】 変更報告書No.5

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2025年8月26日

【提出日】 2025年9月2日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上増加したこと

第1【発行者に関する事項】

発行者の名称	明星工業株式会社
証券コード	1976
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	4,065,400		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O4,065,400	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		4,065,400
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年6月25日現在）	V55,117,218
上記提出者の株券等保有割合（％） （T/（U+V）×100）	7.38
直前の報告書に記載された 株券等保有割合（％）	7.15

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103250年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年6月30日	普通	1,800	0.00	市場内	取得	

2025年7月1日	普通	1,300	0.00	市場内	取得	
2025年7月2日	普通	1,600	0.00	市場内	取得	
2025年7月3日	普通	3,900	0.01	市場内	取得	
2025年7月4日	普通	1,100	0.00	市場内	取得	
2025年7月7日	普通	2,100	0.00	市場内	取得	
2025年7月8日	普通	3,000	0.01	市場内	取得	
2025年7月9日	普通	300	0.00	市場内	取得	
2025年7月10日	普通	300	0.00	市場内	取得	
2025年7月16日	普通	200	0.00	市場内	取得	
2025年7月17日	普通	300	0.00	市場内	取得	
2025年8月5日	普通	4,100	0.01	市場内	取得	
2025年8月7日	普通	1,200	0.00	市場内	取得	
2025年8月12日	普通	2,700	0.00	市場内	取得	
2025年8月13日	普通	500	0.00	市場内	取得	
2025年8月14日	普通	4,000	0.01	市場内	取得	
2025年8月15日	普通	3,300	0.01	市場内	取得	
2025年8月18日	普通	2,000	0.00	市場内	取得	
2025年8月19日	普通	2,700	0.00	市場内	取得	
2025年8月20日	普通	2,200	0.00	市場内	取得	
2025年8月21日	普通	2,300	0.00	市場内	取得	
2025年8月22日	普通	1,400	0.00	市場内	取得	
2025年8月25日	普通	1,500	0.00	市場内	取得	
2025年8月26日	普通	1,900	0.00	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	4,138,703
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	4,138,703

② 【借入金の内訳】

RW-EB051(支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

2【提出者（大量保有者）／2】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2021年4月26日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	提出者のマネージャーであるダルトン・インベストメンツ・インクのチーフ・インベストメント・オフィサー
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・エルエルシーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

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(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	1,271,300		
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 1,271,300	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T 1,271,300		
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年6月25日現在）	V 55,117,218
上記提出者の株券等保有割合（％） (T/ (U+V) ×100)	2.31
直前の報告書に記載された 株券等保有割合（％）	1.79

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年6月30日	普通	2,800	0.01	市場内	取得	
2025年7月1日	普通	2,200	0.00	市場内	取得	
2025年7月2日	普通	2,600	0.00	市場内	取得	
2025年7月3日	普通	6,400	0.01	市場内	取得	
RW-EB-03253 2025年7月4日	普通	1,900	0.00	市場内	取得	
2025年7月7日	普通	3,600	0.01	市場内	取得	

2025年7月8日	普通	5,000	0.01	市場内	取得	
2025年7月9日	普通	600	0.00	市場内	取得	
2025年7月10日	普通	400	0.00	市場内	取得	
2025年7月16日	普通	300	0.00	市場内	取得	
2025年7月17日	普通	400	0.00	市場内	取得	
2025年8月5日	普通	6,700	0.01	市場内	取得	
2025年8月7日	普通	8,000	0.01	市場内	取得	
2025年8月12日	普通	17,600	0.03	市場内	取得	
2025年8月13日	普通	3,700	0.01	市場内	取得	
2025年8月14日	普通	26,600	0.05	市場内	取得	
2025年8月15日	普通	21,900	0.04	市場内	取得	
2025年8月18日	普通	12,900	0.02	市場内	取得	
2025年8月19日	普通	18,300	0.03	市場内	取得	
2025年8月20日	普通	14,900	0.03	市場内	取得	
2025年8月21日	普通	15,400	0.03	市場内	取得	
2025年8月22日	普通	9,500	0.02	市場内	取得	
2025年8月25日	普通	10,000	0.02	市場内	取得	
2025年8月26日	普通	12,900	0.02	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	1,736,472
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	1,736,472

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

3【提出者（大量保有者）／3】

（１）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

（２）【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

（３）【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			371,000
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 371,000
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T 371,000		
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

② 【株券等保有割合】

発行済株式等総数（株・口） (2025年6月25日現在)	V 55,117,218
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)	0.67
直前の報告書に記載された 株券等保有割合（%）	0.42

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年6月30日	普通	2,100	0.00	市場内	取得	
2025年7月1日	普通	1,700	0.00	市場内	取得	
2025年7月2日	普通	2,300	0.00	市場内	取得	
2025年7月3日	普通	6,100	0.01	市場内	取得	
RW-EB-03256 2025年7月4日	普通	1,800	0.00	市場内	取得	
2025年7月7日	普通	3,600	0.01	市場内	取得	

2025年7月8日	普通	5,400	0.01	市場内	取得	
2025年7月9日	普通	600	0.00	市場内	取得	
2025年7月10日	普通	500	0.00	市場内	取得	
2025年7月16日	普通	400	0.00	市場内	取得	
2025年8月5日	普通	400	0.00	市場内	処分	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	516,065
上記 (Y) の内訳	顧客の資金
取得資金合計 (千円) (W+X+Y)	516,065

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

第3 【共同保有者に関する事項】

該当事項なし

第4 【提出者及び共同保有者に関する総括表】

1 【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
- (2) エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
- (3) ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)

2 【上記提出者及び共同保有者の保有株券等の内訳】

(1) 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)	5,336,700		371,000
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	B

新株予約権付社債券（株）	B	-	I			
対象有価証券カバードワラント	C		J			
株券預託証券						
株券関連預託証券	D		K			
株券信託受益証券						
株券関連信託受益証券	E		L			
対象有価証券償還社債	F		M			
他社株等転換株券	G		N			
合計（株・口）	O	5,336,700	P	Q	371,000	
信用取引により譲渡したことにより 控除する株券等の数	R					
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S					
保有株券等の数（総数） （O+P+Q-R-S）	T					5,707,700
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U					

（２）【株券等保有割合】

発行済株式等総数（株・口） （2025年6月25日現在）	V	55,117,218
上記提出者の株券等保有割合（％） （T/（U+V）×100）		10.36
直前の報告書に記載された 株券等保有割合（％）		9.35

（３）【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	4,065,400	7.38
エヌエーブイエフ・セレクト・エルエル シー（NAVF Select LLC）	1,271,300	2.31
ダルトン・インベストメンツ・インク （Dalton Investments, Inc.）	371,000	0.67
合計	5,707,700	10.36

【表紙】

【提出書類】 変更報告書No.5

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2025年8月15日

【提出日】 2025年8月22日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上増加したこと

第1【発行者に関する事項】

発行者の名称	江崎グリコ株式会社
証券コード	2206
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	405,500		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 405,500	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		405,500
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年8月7日現在）	V 68,468,569
上記提出者の株券等保有割合（％） （T/（U+V）×100）	0.59
直前の報告書に記載された 株券等保有割合（％）	0.11

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103261 年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年7月4日	普通	13,600	0.02	市場内	取得	

2025年7月7日	普通	11,600	0.02	市場内	取得	
2025年7月8日	普通	13,400	0.02	市場内	取得	
2025年7月9日	普通	15,900	0.02	市場内	取得	
2025年7月10日	普通	20,200	0.03	市場内	取得	
2025年7月11日	普通	16,900	0.02	市場内	取得	
2025年7月14日	普通	21,700	0.03	市場内	取得	
2025年7月15日	普通	22,300	0.03	市場内	取得	
2025年7月16日	普通	17,600	0.03	市場内	取得	
2025年7月17日	普通	15,100	0.02	市場内	取得	
2025年7月18日	普通	31,700	0.05	市場内	取得	
2025年7月22日	普通	21,900	0.03	市場内	取得	
2025年7月23日	普通	32,000	0.05	市場内	取得	
2025年7月25日	普通	600	0.00	市場内	取得	
2025年7月29日	普通	22,700	0.03	市場内	取得	
2025年7月30日	普通	1,700	0.00	市場内	取得	
2025年7月31日	普通	2,500	0.00	市場内	取得	
2025年8月5日	普通	11,600	0.02	市場内	取得	
2025年8月6日	普通	800	0.00	市場内	取得	
2025年8月7日	普通	39,300	0.06	市場内	取得	
2025年8月8日	普通	2,500	0.00	市場内	取得	
2025年8月12日	普通	17,900	0.03	市場内	取得	
2025年8月13日	普通	24,700	0.04	市場内	取得	
2025年8月14日	普通	15,300	0.02	市場内	取得	
2025年8月15日	普通	12,000	0.02	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	1,878,297
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	1,878,297

② 【借入金の内訳】

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名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

2【提出者（大量保有者）／2】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2021年4月26日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	提出者のマネージャーであるダルトン・インベストメンツ・インクのチーフ・インベストメント・オフィサー
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・エルエルシーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

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(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	405,500		
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 405,500	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T 405,500		
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年8月7日現在）	V 68,468,569
上記提出者の株券等保有割合（%） （T/（U+V）×100）	0.59
直前の報告書に記載された 株券等保有割合（%）	0.11

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年7月4日	普通	13,600	0.02	市場内	取得	
2025年7月7日	普通	11,600	0.02	市場内	取得	
2025年7月8日	普通	13,400	0.02	市場内	取得	
~~2025年7月9日~~	普通	15,900	0.02	市場内	取得	
2025年7月10日	普通	20,200	0.03	市場内	取得	

2025年7月11日	普通	16,900	0.02	市場内	取得	
2025年7月14日	普通	21,700	0.03	市場内	取得	
2025年7月15日	普通	22,300	0.03	市場内	取得	
2025年7月16日	普通	17,600	0.03	市場内	取得	
2025年7月17日	普通	15,100	0.02	市場内	取得	
2025年7月18日	普通	31,700	0.05	市場内	取得	
2025年7月22日	普通	22,000	0.03	市場内	取得	
2025年7月23日	普通	31,900	0.05	市場内	取得	
2025年7月25日	普通	700	0.00	市場内	取得	
2025年7月29日	普通	22,600	0.03	市場内	取得	
2025年7月30日	普通	1,800	0.00	市場内	取得	
2025年7月31日	普通	2,400	0.00	市場内	取得	
2025年8月5日	普通	11,700	0.02	市場内	取得	
2025年8月6日	普通	700	0.00	市場内	取得	
2025年8月7日	普通	39,400	0.06	市場内	取得	
2025年8月8日	普通	2,500	0.00	市場内	取得	
2025年8月12日	普通	17,900	0.03	市場内	取得	
2025年8月13日	普通	24,600	0.04	市場内	取得	
2025年8月14日	普通	15,300	0.02	市場内	取得	
2025年8月15日	普通	12,000	0.02	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (Ⅱ) (千円)	1,878,808
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (Ⅱ+X+Y)	1,878,808

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

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3【提出者（大量保有者）／3】

（1）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

（2）【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

（3）【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			6,219,100
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 6,219,100
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T 6,219,100		
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年8月7日現在）	V 68,468,569
上記提出者の株券等保有割合（％） (T/ (U+V) ×100)	9.08
直前の報告書に記載された 株券等保有割合（％）	9.02

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年6月30日	普通	50,300	0.07	市場内	取得	
2025年7月1日	普通	62,900	0.09	市場内	取得	
2025年7月2日	普通	6,300	0.01	市場内	取得	
2025年7月3日	普通	33,100	0.05	市場内	取得	
RW-EB-03267 2025年7月4日	普通	2,300	0.00	市場内	取得	
2025年7月7日	普通	2,000	0.00	市場内	取得	

2025年7月8日	普通	2,200	0.00	市場内	取得	
2025年7月9日	普通	2,700	0.00	市場内	取得	
2025年7月10日	普通	3,400	0.00	市場内	取得	
2025年7月11日	普通	2,800	0.00	市場内	取得	
2025年7月14日	普通	3,500	0.01	市場内	取得	
2025年7月14日	普通	5,900	0.01	市場内	処分	
2025年7月15日	普通	3,700	0.01	市場内	取得	
2025年7月16日	普通	2,900	0.00	市場内	取得	
2025年7月17日	普通	2,400	0.00	市場内	取得	
2025年7月18日	普通	5,200	0.01	市場内	取得	
2025年7月23日	普通	1,000	0.00	市場内	取得	
2025年7月24日	普通	4,500	0.01	市場内	取得	
2025年7月28日	普通	4,900	0.01	市場内	取得	
2025年7月29日	普通	5,400	0.01	市場内	取得	
2025年8月1日	普通	5,300	0.01	市場内	取得	
2025年8月5日	普通	2,000	0.00	市場内	処分	
2025年8月12日	普通	3,300	0.00	市場内	取得	
2025年8月13日	普通	4,400	0.01	市場内	取得	
2025年8月14日	普通	2,800	0.00	市場内	取得	
2025年8月15日	普通	2,200	0.00	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (Ⅱ) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	25,944,500
上記 (Y) の内訳	顧客の資金
取得資金合計 (千円) (Ⅱ+X+Y)	25,944,500

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

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第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

- 1【提出者及び共同保有者】
- (1)

ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2)

エヌエーブイエフ・セレクト・エルエルシー（NAVF Select LLC）
- (3)

ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

- 2【上記提出者及び共同保有者の保有株券等の内訳】
- (1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	811,000		6,219,100
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 811,000	P	Q 6,219,100
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T 7,030,100		
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

(2)【株券等保有割合】

発行済株式等総数（株・口） （2025年8月7日現在）	V 68,468,569
上記提出者の株券等保有割合（％） （T/（U+V）×100） ~~RW-EB-03269~~	10.27
直前の報告書に記載された 株券等保有割合（％）	9.23

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	405,500	0.59
エヌエーブイエフ・セレクト・エルエル シー（NAVF Select LLC）	405,500	0.59
ダルトン・インベストメンツ・インク （Dalton Investments, Inc.）	6,219,100	9.08
合計	7,030,100	10.27

【表紙】

【提出書類】 変更報告書No.6

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年4月1日

【提出日】 2026年4月8日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 提出者2の商号の変更

第1【発行者に関する事項】

発行者の名称	帝国繊維株式会社
証券コード	3302
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	1,674,700		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O1,674,700	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		1,674,700
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2026年3月17日現在）	V27,584,400
上記提出者の株券等保有割合（％） （T/（U+V）×100）	6.07
直前の報告書に記載された 株券等保有割合（％）	5.82

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103273年日月	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年2月6日	普通	100	0.00	市場内	取得	

2026年2月16日	普通	19,300	0.07	市場内	取得	
2026年2月17日	普通	11,700	0.04	市場内	取得	
2026年2月18日	普通	16,600	0.06	市場内	取得	
2026年2月19日	普通	8,200	0.03	市場内	取得	
2026年2月20日	普通	13,800	0.05	市場内	取得	
2026年2月24日	普通	5,500	0.02	市場内	取得	
2026年2月25日	普通	4,200	0.02	市場内	取得	
2026年2月26日	普通	10,000	0.04	市場内	取得	
2026年2月27日	普通	400	0.00	市場内	取得	
2026年3月2日	普通	6,900	0.03	市場内	取得	
2026年3月3日	普通	7,000	0.03	市場内	取得	
2026年3月4日	普通	20,500	0.07	市場内	取得	
2026年3月6日	普通	3,500	0.01	市場内	取得	
2026年3月9日	普通	8,900	0.03	市場内	取得	
2026年3月23日	普通	4,600	0.02	市場内	取得	
2026年3月24日	普通	4,800	0.02	市場内	取得	
2026年3月25日	普通	5,000	0.02	市場内	取得	
2026年3月26日	普通	3,800	0.01	市場内	取得	
2026年3月27日	普通	5,500	0.02	市場内	取得	
2026年3月30日	普通	5,500	0.02	市場内	取得	
2026年3月31日	普通	2,900	0.01	市場内	取得	
2026年4月1日	普通	4,400	0.02	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	3,519,603
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	3,519,603

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)
RW-EB-03274					

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

2【提出者（大量保有者）／2】

（1）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select (Master) Fund LP）
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー（NAVF Select LLC）
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ（Sarah Alfandari）
代表者役職	Dalton Investments, Inc. CEO兼社長（NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー）
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

（2）【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	577,000		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 577,000	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		577,000
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2026年3月17日現在）	V 27,584,400
上記提出者の株券等保有割合（％） （T/（U+V）×100）	2.09
直前の報告書に記載された 株券等保有割合（％）	1.96

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103276 年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年2月16日	普通	10,200	0.04	市場内	取得	

2026年2月17日	普通	6,300	0.02	市場内	取得	
2026年2月18日	普通	8,800	0.03	市場内	取得	
2026年2月19日	普通	4,400	0.02	市場内	取得	
2026年2月20日	普通	7,400	0.03	市場内	取得	
2026年2月24日	普通	2,900	0.01	市場内	取得	
2026年2月25日	普通	2,200	0.01	市場内	取得	
2026年2月26日	普通	5,300	0.02	市場内	取得	
2026年2月27日	普通	200	0.00	市場内	取得	
2026年3月2日	普通	3,600	0.01	市場内	取得	
2026年3月3日	普通	3,700	0.01	市場内	取得	
2026年3月4日	普通	10,900	0.04	市場内	取得	
2026年3月6日	普通	1,800	0.01	市場内	取得	
2026年3月9日	普通	4,700	0.02	市場内	取得	
2026年3月23日	普通	2,500	0.01	市場内	取得	
2026年3月24日	普通	2,500	0.01	市場内	取得	
2026年3月25日	普通	2,700	0.01	市場内	取得	
2026年3月26日	普通	2,000	0.01	市場内	取得	
2026年3月27日	普通	3,000	0.01	市場内	取得	
2026年3月30日	普通	3,000	0.01	市場内	取得	
2026年3月31日	普通	1,500	0.01	市場内	取得	
2026年4月1日	普通	2,400	0.01	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	1,235,811
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	1,235,811

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			642,100
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 642,100
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		642,100
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2026年3月17日現在）	V 27,584,400
上記提出者の株券等保有割合（％） （T/（U+V）×100）	2.33
直前の報告書に記載された 株券等保有割合（％）	2.33

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103279 年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年2月2日	普通	5,600	0.02	市場内	処分	

2026年2月3日	普通	9,100	0.03	市場内	処分	
2026年2月4日	普通	8,500	0.03	市場内	処分	
2026年2月5日	普通	8,600	0.03	市場内	処分	
2026年2月6日	普通	6,400	0.02	市場内	処分	
2026年2月9日	普通	54,400	0.20	市場内	処分	
2026年2月24日	普通	1,100	0.00	市場内	処分	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	1,600,051
上記 (Y) の内訳	顧客の資金
取得資金合計 (千円) (W+X+Y)	1,600,051

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

第3 【共同保有者に関する事項】

該当事項なし

第4 【提出者及び共同保有者に関する総括表】

1 【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
- (3) ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)

2 【上記提出者及び共同保有者の保有株券等の内訳】

(1) 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)	2,251,700		642,100

新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	H			
新株予約権付社債券(株)	B	-	I			
対象有価証券カバードワラント	C		J			
株券預託証券						
株券関連預託証券	D		K			
株券信託受益証券						
株券関連信託受益証券	E		L			
対象有価証券償還社債	F		M			
他社株等転換株券	G		N			
合計(株・口)	O	2,251,700	P	Q	642,100	
信用取引により譲渡したことにより 控除する株券等の数	R					
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S					
保有株券等の数(総数) (O+P+Q-R-S)	T					2,893,800
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U					

(2) 【株券等保有割合】

発行済株式等総数(株・口) (2026年3月17日現在)	V	27,584,400
上記提出者の株券等保有割合(%) (T/(U+V)×100)		10.49
直前の報告書に記載された 株券等保有割合(%)		10.10

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数(総数) (株・口)	株券等保有割合(%)
ニッポン・アクティブ・バリュ・ファン ド(NIPPON ACTIVE VALUE FUND PLC)	1,674,700	6.07
エヌエービーエフ・セレクト・マスター・ ファンド・エルピー(NAVF Select (Master) Fund LP)	577,000	2.09
ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)	642,100	2.33
合計	2,893,800	10.49

【表紙】

【提出書類】 変更報告書No.22

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームスストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2025年12月17日

【提出日】 2025年12月24日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等に関する担保契約等重要な契約の締結

第1【発行者に関する事項】

発行者の名称	株式会社ホギメディカル
証券コード	3593
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	1,933,200		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O1,933,200	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		1,933,200
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月12日現在）	V22,535,463
上記提出者の株券等保有割合（％） （T/（U+V）×100）	8.58
直前の報告書に記載された 株券等保有割合（％）	8.58

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103284	年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3(以下「提出者ら」という。)は共同して行うことを合意している。

提出者らは、2025年12月17日付で、TCG2509株式会社(以下「公開買付者」という。)との間で公開買付応募契約を締結し、提出者らが保有する対象会社の普通株式5,945,400株全てを、公開買付者が2025年12月18日から2026年2月5日までを公開買付期間として実施する公開買付に応募することについて公開買付者と合意した。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	7,748,620
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	7,748,620

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者 (大量保有者) / 2】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③ 【法人の場合】

RW-EB-03285 設立年月日	2021年4月26日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)

代表者役職	提出者のマネージャーであるダルトン・インベストメンツ・インクのチーフ・インベストメント・オフィサー
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・エルエルシーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	592,900		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 592,900	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S) RW-EB-03286	T		592,900
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月12日現在）	V	22,535,463
上記提出者の株券等保有割合（％） （T/（U+V）×100）		2.63
直前の報告書に記載された 株券等保有割合（％）		2.63

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3(以下「提出者ら」という。)は共同して行うことを合意している。 提出者らは、2025年12月17日付で、TCG2509株式会社(以下「公開買付者」という。)との間で公開買付応募契約を締結し、提出者らが保有する対象会社の普通株式5,945,400株全てを、公開買付者が2025年12月18日から2026年2月5日までを公開買付期間として実施する公開買付に応募することについて公開買付者と合意した。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（Ⅱ）（千円）	2,395,462
借入金額計（Ⅹ）（千円）	
その他金額計（Ⅲ）（千円）	
上記（Ⅲ）の内訳	ファンドの資金
取得資金合計（千円）（Ⅱ+Ⅹ+Ⅲ）	2,395,462

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

（１）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）
RW-EB-03287 住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)

旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			3,419,300
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
RW-EB-03288 対象有価証券カバードワラント	C		J
株券預託証券			

株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 3,419,300
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T		3,419,300
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月12日現在）	V	22,535,463
上記提出者の株券等保有割合（％） (T/ (U+V) ×100)		15.17
直前の報告書に記載された 株券等保有割合（％）		15.17

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3(以下「提出者ら」という。)は共同して行うことを合意している。 提出者らは、2025年12月17日付で、TCG2509株式会社(以下「公開買付者」という。)との間で公開買付応募契約を締結し、提出者らが保有する対象会社の普通株式5,945,400株全てを、公開買付者が2025年12月18日から2026年2月5日までを公開買付期間として実施する公開買付に応募することについて公開買付者と合意した。

(7) 【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	13,234,601
上記 (Y) の内訳	顧客の資金
取得資金合計 (千円) (W+X+Y)	13,234,601

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②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・エルエルシー（NAVF Select LLC）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	2,526,100		3,419,300
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O2,526,100	P	Q3,419,300
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T5,945,400		
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

(2) 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月12日現在）	V	22,535,463
上記提出者の株券等保有割合（％） （T/（U+V）×100）		26.38
直前の報告書に記載された 株券等保有割合（％）		26.38

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	1,933,200	8.58
エヌエーブイエフ・セレクト・エルエル シー（NAVF Select LLC）	592,900	2.63
ダルトン・インベストメンツ・インク （Dalton Investments, Inc.）	3,419,300	15.17
合計	5,945,400	26.38

【表紙】

【提出書類】 変更報告書No.4

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年6月2日

【提出日】 2026年6月9日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上増加したこと
共同保有者が1名増加したこと

第1【発行者に関する事項】

発行者の名称	ザ・パック株式会社
証券コード	3950
上場・店頭の間	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記(2)保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	2,766,900			
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V 2,766,900	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数（総数） (V+W+X+Y-Z-AA)	AB			2,766,900
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数 RW-EB-03294	AC			

保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

②【株券等保有割合】

発行済株式等総数（株・口） （2026年3月25日現在）	AD	59,700,000
提出者及び共同保有者の保有潜在株券等の数	AE	
保有潜在株券等のうち共同保有者間で引渡請求権等の権利が存在するものとして控除する潜在株券等の数	AF	
上記提出者の株券等保有割合（%） (AB/ (AD+AE-AF) ×100)		4.63
直前の報告書に記載された株券等保有割合（%）		4.03

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年4月6日	普通	500	0.00	市場内	取得	
2026年4月13日	普通	7,900	0.01	市場内	取得	
2026年4月14日	普通	6,600	0.01	市場内	取得	
2026年4月16日	普通	100	0.00	市場内	取得	
2026年4月17日	普通	1,400	0.00	市場内	取得	
2026年4月20日	普通	12,200	0.02	市場内	取得	
2026年4月21日	普通	11,400	0.02	市場内	取得	
2026年4月22日	普通	15,700	0.03	市場内	取得	
2026年4月23日	普通	19,200	0.03	市場内	取得	
2026年4月24日	普通	14,900	0.02	市場内	取得	
2026年4月27日	普通	13,400	0.02	市場内	取得	
2026年4月28日	普通	19,200	0.03	市場内	取得	
2026年4月30日	普通	20,100	0.03	市場内	取得	
2026年5月1日	普通	8,700	0.01	市場内	取得	
2026年5月7日	普通	8,400	0.01	市場内	取得	
2026年5月8日	普通	9,300	0.02	市場内	取得	
2026年5月11日	普通	11,600	0.02	市場内	取得	
2026年5月12日	普通	3,400	0.01	市場内	取得	
2026年5月14日	普通	13,900	0.02	市場内	取得	
2026年5月15日	普通	10,500	0.02	市場内	取得	
2026年5月18日	普通	18,600	0.03	市場内	取得	

2026年5月19日	普通	5,800	0.01	市場内	取得	
2026年5月20日	普通	15,700	0.03	市場内	取得	
2026年5月21日	普通	13,900	0.02	市場内	取得	
2026年5月22日	普通	7,000	0.01	市場内	取得	
2026年5月25日	普通	23,000	0.04	市場内	取得	
2026年5月26日	普通	9,600	0.02	市場内	取得	
2026年5月27日	普通	11,800	0.02	市場内	取得	
2026年5月28日	普通	11,800	0.02	市場内	取得	
2026年5月29日	普通	5,600	0.01	市場内	取得	
2026年6月1日	普通	11,300	0.02	市場内	取得	
2026年6月2日	普通	9,000	0.02	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	3,422,847
上記 (AI) の内訳	ファンドの資金 2025年7月1日付株式分割 (1:3) により1800株取得
取得資金合計 (千円) (AG+AH+AI)	3,422,847

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者 (大量保有者) / 2】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
RW-FB-03296 住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA) Binder 4・Page 538 of 945

旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)
代表者役職	Dalton Investments, Inc. CEO兼社長 (NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー)
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。 提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピノフを含むすべての経営 戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記(2)保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口) RW-EB-03297	2,568,700			
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	0

新株予約権付社債券（株）	B	-	I	P	
対象有価証券カバードワラント	C		J	Q	
株券預託証券					
株券関連預託証券	D		K	R	
株券信託受益証券					
株券関連信託受益証券	E		L	S	
対象有価証券償還社債	F		M	T	
他社株等転換株券	G		N	U	
合計（株・口）	V	2,568,700	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z				
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA				
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB2,568,700				
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC				
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）					

②【株券等保有割合】

発行済株式等総数（株・口） （2026年3月25日現在）	AD	59,700,000
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		4.30
直前の報告書に記載された 株券等保有割合（％）		4.03

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年4月6日	普通	500	0.00	市場内	取得	
2026年4月13日	普通	1,100	0.00	市場内	取得	
2026年4月14日	普通	900	0.00	市場内	取得	

2026年4月17日	普通	200	0.00	市場内	取得	
2026年4月20日	普通	1,800	0.00	市場内	取得	
2026年4月21日	普通	1,600	0.00	市場内	取得	
2026年4月22日	普通	2,300	0.00	市場内	取得	
2026年4月23日	普通	2,800	0.00	市場内	取得	
2026年4月24日	普通	2,100	0.00	市場内	取得	
2026年4月27日	普通	1,900	0.00	市場内	取得	
2026年4月28日	普通	2,800	0.00	市場内	取得	
2026年4月30日	普通	2,900	0.00	市場内	取得	
2026年5月1日	普通	1,300	0.00	市場内	取得	
2026年5月7日	普通	6,100	0.01	市場内	取得	
2026年5月8日	普通	6,700	0.01	市場内	取得	
2026年5月11日	普通	8,400	0.01	市場内	取得	
2026年5月12日	普通	2,400	0.00	市場内	取得	
2026年5月14日	普通	10,100	0.02	市場内	取得	
2026年5月15日	普通	7,500	0.01	市場内	取得	
2026年5月18日	普通	13,400	0.02	市場内	取得	
2026年5月19日	普通	4,200	0.01	市場内	取得	
2026年5月20日	普通	11,300	0.02	市場内	取得	
2026年5月21日	普通	10,100	0.02	市場内	取得	
2026年5月22日	普通	5,000	0.01	市場内	取得	
2026年5月26日	普通	7,400	0.01	市場内	取得	
2026年5月27日	普通	9,200	0.02	市場内	取得	
2026年5月28日	普通	9,200	0.02	市場内	取得	
2026年5月29日	普通	4,400	0.01	市場内	取得	
2026年6月1日	普通	8,700	0.01	市場内	取得	
2026年6月2日	普通	7,000	0.01	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	3,162,699
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	
RW-EB-03299 上記 (AI) の内訳	ファンドの資金 2025年7月1日付株式分割 (1:3) により1800株取得

取得資金合計（千円）（AG+AH+AI）	3,162,699

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 （9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA）
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世（James B. Rosenwald III）
代表者役職	チーフ・インベストメント・オフィサー（Chief Investment Officer）
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピノフを含むすべての経営 戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記(2)保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）			73,200	
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V	W	X 73,200	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数（総数） RW-EB-08301AA)	AB			73,200

株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

②【株券等保有割合】

発行済株式等総数（株・口） （2026年3月25日現在）	AD	59,700,000
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） (AB/ (AD+AE-AF) ×100)		0.12
直前の報告書に記載された 株券等保有割合（％）		

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年5月7日	普通	7,100	0.01	市場内	取得	
2026年5月8日	普通	17,300	0.03	市場内	取得	
2026年5月11日	普通	22,300	0.04	市場内	取得	
2026年5月12日	普通	15,600	0.03	市場内	取得	
2026年5月13日	普通	10,900	0.02	市場内	取得	

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（AG）（千円）	
借入金額計（AH）（千円）	
その他金額計（AI）（千円）	98,376
上記（AI）の内訳	顧客の資金
取得資金合計（千円）（AG+AH+AI）	98,376

②【借入金の内訳】

RW-EB-03302 名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select（Master）Fund LP）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	5,335,600		73,200	
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V5,335,600	W	X73,200	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB5,408,800			
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC			

保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

(2) 【株券等保有割合】

発行済株式等総数 (株・口) (2026年3月25日現在)	AD	59,700,000
提出者及び共同保有者の保有潜在株券等の数	AE	
保有潜在株券等のうち共同保有者間で引渡請求権等の権利が存在するものとして控除する潜在株券等の数	AF	
上記提出者の株券等保有割合 (%) (AB / (AD+AE-AF) ×100)		9.06
直前の報告書に記載された株券等保有割合 (%)		8.05

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数 (総数) (株・口)	株券等保有割合 (%)
ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)	2,766,900	4.63
エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)	2,568,700	4.30
ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)	73,200	0.12
合計	5,408,800	9.06

【表紙】

【提出書類】 変更報告書No.26

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年6月4日

【提出日】 2026年6月11日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上減少したこと

第1【発行者に関する事項】

発行者の名称	ステラケミファ株式会社
証券コード	4109
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームスストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

提出者は、2026年4月14日付で、同年6月開催予定の発行者の定時株主総会に向け、定時株主総会の基準日に関する定款変更の件、の1議案から成る株主提案を行った。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営 戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記（2）保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	523,200			
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V 523,200	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB			523,200

株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月14日現在）	AD	12,973,248
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） (AB/ (AD+AE-AF) ×100)		4.03
直前の報告書に記載された 株券等保有割合（％）		4.24

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年5月26日	普通	12,200	0.09	市場内	処分	
2026年5月27日	普通	5,500	0.04	市場内	処分	
2026年5月28日	普通	2,200	0.02	市場内	処分	
2026年5月29日	普通	600	0.00	市場内	処分	
2026年6月3日	普通	2,700	0.02	市場内	処分	
2026年6月4日	普通	4,300	0.03	市場内	処分	

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（AG）（千円）	
借入金額計（AH）（千円）	
その他金額計（AI）（千円）	1,452,747
上記（AI）の内訳	ファンドの資金
取得資金合計（千円）（AG+AH+AI）	1,452,747

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

2【提出者（大量保有者）／2】

（1）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select (Master) Fund LP）
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ（Sarah Alfandari）
代表者役職	Dalton Investments, Inc. CEO兼社長（NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー）
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエービーエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営 戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記(2)保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等(株・口)	209,800			
新株予約権証券又は新投資口 予約権証券等(株・口)	A	-	H	O
新株予約権付社債券(株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計(株・口)	V 209,800	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数(総数) (V+W+X+Y-Z-AA)	AB			209,800
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC			

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保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月14日現在）	AD	12,973,248
提出者及び共同保有者の保有潜在株券等の数	AE	
保有潜在株券等のうち共同保有者間で引渡請求権等の権利が存在するものとして控除する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） (AB/ (AD+AE-AF) ×100)		1.62
直前の報告書に記載された株券等保有割合（％）		1.70

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年5月26日	普通	4,900	0.04	市場内	処分	
2026年5月27日	普通	2,200	0.02	市場内	処分	
2026年5月28日	普通	900	0.01	市場内	処分	
2026年5月29日	普通	300	0.00	市場内	処分	
2026年6月3日	普通	1,000	0.01	市場内	処分	
2026年6月4日	普通	1,700	0.01	市場内	処分	

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（AG）（千円）	598,198
借入金額計（AH）（千円）	
その他金額計（AI）（千円）	
上記（AI）の内訳	ファンドの資金
取得資金合計（千円）（AG+AH+AI）	598,198

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入目的	金額（千円）
RW-FB-03311					

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピノフを含むすべての経営 戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記(2) 保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)			2,067,100	
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	O
新株予約権付社債券 (株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計 (株・口)	V	W	X 2,067,100	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数 (総数) RW-EB-08343AA)	AB			2,067,100

株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月14日現在）	AD	12,973,248
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） (AB/ (AD+AE-AF) ×100)		15.93
直前の報告書に記載された 株券等保有割合（％）		16.79

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年5月26日	普通	48,100	0.37	市場内	処分	
2026年5月27日	普通	22,100	0.17	市場内	処分	
2026年5月28日	普通	8,700	0.07	市場内	処分	
2026年5月29日	普通	2,500	0.02	市場内	処分	
2026年6月1日	普通	2,400	0.02	市場内	処分	
2026年6月3日	普通	10,600	0.08	市場内	処分	
2026年6月4日	普通	16,900	0.13	市場内	処分	

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（AG）（千円）	
借入金額計（AH）（千円）	
その他金額計（AI）（千円）	7,027,748
上記（AI）の内訳	顧客の資金
取得資金合計（千円）（AG+AH+AI）	7,027,748

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select（Master）Fund LP）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	733,000		2,067,100	
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V733,000	W	X2,067,100	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数（総数） RW-EB-03315 (V+W+X+Y-Z-AA)	AB			

株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

(2) 【株券等保有割合】

発行済株式等総数 (株・口) (2025年11月14日現在)	AD	12,973,248
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合 (%) (AB/ (AD+AE-AF) ×100)		21.58
直前の報告書に記載された 株券等保有割合 (%)		22.74

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数 (総数) (株・口)	株券等保有割合 (%)
ニッポン・アクティブ・バリュー・ファン ド (NIPPON ACTIVE VALUE FUND PLC)	523,200	4.03
エヌエーブイエフ・セレクト・マスター・ ファンド・エルピー (NAVF Select (Master) Fund LP)	209,800	1.62
ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)	2,067,100	15.93
合計	2,800,100	21.58

【表紙】

【提出書類】 変更報告書No.4

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年5月27日

【提出日】 2026年6月3日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上増加したこと

第1【発行者に関する事項】

発行者の名称	積水樹脂株式会社
証券コード	4212
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームスストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。提出者は、2026年4月14日付で、同年6月開催予定の発行者の定時株主総会に向け、①自己株式取得の件、②取締役及び社外取締役の員数に関する定款変更の件、③譲渡制限株式報酬制度に関する報酬額承認の件、④定時株主総会の基準日に関する定款変更の件、の4議案から成る株主提案を行った。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com] [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記(2)保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	1,892,100			
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V 1,892,100	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数（総数） (V+W+X+Y-Z-AA)	AB			1,892,100

株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月14日現在）	AD	31,813,598
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） (AB/ (AD+AE-AF) ×100)		5.95
直前の報告書に記載された 株券等保有割合（％）		5.34

(５) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年3月31日	普通	12,100	0.04	市場内	取得	
2026年4月1日	普通	5,100	0.02	市場内	取得	
2026年4月2日	普通	4,300	0.01	市場内	取得	
2026年4月3日	普通	100	0.00	市場内	取得	
2026年4月7日	普通	4,800	0.02	市場内	取得	
2026年4月8日	普通	6,800	0.02	市場内	取得	
2026年4月9日	普通	10,000	0.03	市場内	取得	
2026年4月10日	普通	8,300	0.03	市場内	取得	
2026年4月13日	普通	5,900	0.02	市場内	取得	
2026年4月14日	普通	5,300	0.02	市場内	取得	
2026年4月15日	普通	8,300	0.03	市場内	取得	
2026年4月16日	普通	8,300	0.03	市場内	取得	
2026年4月17日	普通	7,400	0.02	市場内	取得	
2026年4月20日	普通	10,600	0.03	市場内	取得	
2026年4月21日	普通	8,300	0.03	市場内	取得	
2026年4月22日	普通	11,200	0.04	市場内	取得	
RW-EB-03320 2026年4月23日	普通	22,400	0.07	市場内	取得	
2026年4月24日	普通	10,600	0.03	市場内	取得	

2026年4月27日	普通	5,900	0.02	市場内	取得	
2026年4月28日	普通	5,900	0.02	市場内	取得	
2026年4月30日	普通	14,800	0.05	市場内	取得	
2026年5月1日	普通	5,300	0.02	市場内	取得	
2026年5月7日	普通	8,300	0.03	市場内	取得	
2026年5月8日	普通	8,800	0.03	市場内	取得	
2026年5月11日	普通	9,400	0.03	市場内	取得	
2026年5月12日	普通	11,200	0.04	市場内	取得	
2026年5月13日	普通	7,400	0.02	市場内	取得	
2026年5月14日	普通	20,700	0.07	市場内	取得	
2026年5月15日	普通	23,600	0.07	市場内	取得	
2026年5月18日	普通	15,300	0.05	市場内	取得	
2026年5月19日	普通	8,400	0.03	市場内	取得	
2026年5月20日	普通	9,800	0.03	市場内	取得	
2026年5月21日	普通	5,900	0.02	市場内	取得	
2026年5月22日	普通	5,600	0.02	市場内	取得	
2026年5月25日	普通	18,000	0.06	市場内	取得	
2026年5月26日	普通	20,000	0.06	市場内	取得	
2026年5月27日	普通	38,000	0.12	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	4,633,273
上記 (AI) の内訳	ファンドの資金
取得資金合計 (千円) (AG+AH+AI)	4,633,273

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地
RW-EB-03321		

2【提出者（大量保有者）／2】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエービーエフ・セレクト・マスター・ファンド・エルピー（NAVF Select (Master) Fund LP）
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ（Sarah Alfandari）
代表者役職	Dalton Investments, Inc. CEO兼社長（NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー）
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエービーエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した（https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com] [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com]）。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

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(3) 【重要提案行為等】

上記(2)保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	656,700			
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V656,700	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB			656,700
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC			
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）				

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月14日現在）	AD31,813,598
提出者及び共同保有者の保有潜在株券等の 数	AE
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF

上記提出者の株券等保有割合 (%) (AB/ (AD+AE-AF) ×100)	2.06
直前の報告書に記載された 株券等保有割合 (%)	1.70

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年3月31日	普通	4,900	0.02	市場内	取得	
2026年4月1日	普通	2,000	0.01	市場内	取得	
2026年4月2日	普通	1,700	0.01	市場内	取得	
2026年4月7日	普通	7,200	0.02	市場内	取得	
2026年4月8日	普通	10,200	0.03	市場内	取得	
2026年4月9日	普通	7,000	0.02	市場内	取得	
2026年4月10日	普通	5,700	0.02	市場内	取得	
2026年4月13日	普通	4,100	0.01	市場内	取得	
2026年4月14日	普通	3,700	0.01	市場内	取得	
2026年4月15日	普通	5,700	0.02	市場内	取得	
2026年4月16日	普通	5,700	0.02	市場内	取得	
2026年4月17日	普通	5,100	0.02	市場内	取得	
2026年4月20日	普通	7,400	0.02	市場内	取得	
2026年4月21日	普通	5,700	0.02	市場内	取得	
2026年4月22日	普通	7,800	0.02	市場内	取得	
2026年4月23日	普通	15,500	0.05	市場内	取得	
2026年4月24日	普通	7,400	0.02	市場内	取得	
2026年4月27日	普通	4,100	0.01	市場内	取得	
2026年4月28日	普通	4,100	0.01	市場内	取得	
2026年4月30日	普通	10,200	0.03	市場内	取得	
2026年5月1日	普通	3,600	0.01	市場内	取得	
2026年5月7日	普通	5,700	0.02	市場内	取得	
2026年5月8日	普通	6,200	0.02	市場内	取得	
2026年5月11日	普通	6,600	0.02	市場内	取得	
2026年5月12日	普通	7,800	0.02	市場内	取得	
2026年5月13日	普通	5,100	0.02	市場内	取得	
2026年5月14日	普通	14,300	0.04	市場内	取得	
2026年5月15日	普通	16,400	0.05	市場内	取得	
2026年5月18日 RW-EB-03324	普通	10,700	0.03	市場内	取得	
2026年5月19日	普通	15,600	0.05	市場内	取得	

2026年5月20日	普通	18,200	0.06	市場内	取得	
2026年5月21日	普通	10,900	0.03	市場内	取得	
2026年5月22日	普通	10,400	0.03	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	1,543,539
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	
上記 (AI) の内訳	ファンドの資金
取得資金合計 (千円) (AG+AH+AI)	1,543,539

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

3 【提出者 (大量保有者) / 3】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

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③ 【法人の場合】

設立年月日	2019年12月3日

代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピノフを含むすべての経営戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com] [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3)【重要提案行為等】

上記(2)保有目的に記載のとおり。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)			51,600	
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	0
新株予約権付社債券 (株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計 (株・口)	V	W	X 51,600	Y

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信用取引により譲渡したことにより控除する株券等の数	Z	
共同保有者間で引渡請求権等の権利が存在するものとして控除する株券等の数	AA	
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB	51,600
株券、株券預託証券及び株券信託受益証券のうち保有潜在株券等の数に加算すべきものの数	AC	
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）		

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月14日現在）	AD	31,813,598
提出者及び共同保有者の保有潜在株券等の数	AE	
保有潜在株券等のうち共同保有者間で引渡請求権等の権利が存在するものとして控除する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		0.16
直前の報告書に記載された株券等保有割合（％）		0.05

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年5月7日	普通	100	0.00	市場内	取得	
2026年5月8日	普通	15,200	0.05	市場内	取得	
2026年5月11日	普通	17,800	0.06	市場内	取得	
2026年5月12日	普通	18,500	0.06	市場内	取得	

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（AG）（千円）	
借入金額計（AH）（千円） RW-EB-03327	
その他金額計（AI）（千円）	115,194

上記（AI）の内訳	顧客の資金
取得資金合計（千円）（AG+AH+AI）	115,194

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select (Master) Fund LP）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	2,548,800		51,600	
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V2,548,800	W	X51,600	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			

保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB	2,600,400
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC	
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）		

（２）【株券等保有割合】

発行済株式等総数（株・口） （2025年11月14日現在）	AD	31,813,598
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		8.17
直前の報告書に記載された 株券等保有割合（％）		7.09

（３）【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	1,892,100	5.95
エヌエーブイエフ・セレクト・マスター・ ファンド・エルピー（NAVF Select （Master） Fund LP）	656,700	2.06
ダルトン・インベストメンツ・インク （Dalton Investments, Inc.）	51,600	0.16
合計	2,600,400	8.17

【表紙】	
【提出書類】	変更報告書No.12
【根拠条文】	法第27条の25第1項及び第2項
【提出先】	関東財務局長
【氏名又は名称】	日比谷中田法律事務所 弁護士 春山莉沙
【住所又は本店所在地】	東京都千代田内幸町2-2-2 富国生命ビル22階
【報告義務発生日】	2023年9月13日
【提出日】	2023年9月21日
【提出者及び共同保有者の総数（名）】	4
【提出形態】	連名
【変更報告書提出事由】	株券保有割合が1%以上減少したこと 提出者1単体での株券等保有割合が1%以上減少したこと 提出者2単体での株券等保有割合が1%以上減少したこと 提出者4単体での株券等保有割合が1%以上減少したこと

第1【発行者に関する事項】

発行者の名称	株式会社インテージホールディングス
証券コード	4326
上場・店頭の別	上場
上場金融商品取引所	東証プライム

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ロンドンウォール125番地6階 (6th Floor, 125 London Wall, London, England)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

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(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	335,300		
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 335,300	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T 335,300		
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

② 【株券等保有割合】

発行済株式等総数（株・口） (2023年5月9日現在)	V 40,426,000
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)	0.83
直前の報告書に記載された 株券等保有割合（%）	3.90

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況(短期大量譲渡に該当する場合)】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	譲渡の相手方	単価
2023年9月8日	普通	333,800	0.83	市場内	処分	市場内取引のため不明	
2023年9月11日	普通	140,500	0.35	市場内	処分	市場内取引のため不明	
2023年9月11日 RW-EB-03332	普通	20,400	0.05	市場外	処分	BNIC, LLC	2,200

2023年9月12日	普通	109,600	0.27	市場内	処分	市場内取引のため不明	
2023年9月12日	普通	20,500	0.05	市場外	処分	BTIG, LLC	2,200
2023年9月13日	普通	146,400	0.36	市場内	処分	市場内取引のため不明	
2023年9月13日	普通	1,093,500	2.70	市場外	処分	BTIG, LLC	2,185

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1及び提出者2、提出者1及び提出者3並びに提出者1及び提出者4は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	532,497
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	532,497

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者（大量保有者）／2】

(1) 【提出者の概要】

① 【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	アール・ワン・サウザンド・ナイン・ハンドレッド・トゥエンティ・セブン・エルエルシー (Earle 1927 LLC)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

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② 【個人の場合】

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生年月日	

職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2020年6月29日
代表者氏名	クリストファー・ハー
代表者役職	提出者2のマネージャーであるローゼンワルド・キャピタル・マネージメント・インクのチーフ・コンプライアンス・オフィサー
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

該当なし

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	166,300		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 166,300	P	Q
信用状により譲渡したことにより 控除する株券等の数	R	Binder 4・Page 576 of 945	

共同保有者間で引渡請求権等の権利が存在するものとして控除する株券等の数	S	
保有株券等の数（総数） (0+P+Q-R-S)	T	166,300
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U	

②【株券等保有割合】

発行済株式等総数（株・口） (2023年5月9日現在)	V	40,426,000
上記提出者の株券等保有割合（%） (T/（U+V）×100)		0.41
直前の報告書に記載された株券等保有割合（%）		1.93

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況(短期大量譲渡に該当する場合)】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	譲渡の相手方	単価
2023年9月8日	普通	165,600	0.41	市場内	処分	市場内取引のため不明	
2023年9月11日	普通	69,600	0.17	市場内	処分	市場内取引のため不明	
2023年9月11日	普通	10,200	0.03	市場外	処分	BTIG, LLC	2,200
2023年9月12日	普通	54,400	0.13	市場内	処分	市場内取引のため不明	
2023年9月12日	普通	10,100	0.02	市場外	処分	BTIG, LLC	2,200
2023年9月13日	普通	72,500	0.18	市場内	処分	市場内取引のため不明	
2023年9月13日	普通	542,200	1.34	市場外	処分	BTIG, LLC	2,185

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者１及び提出者２は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	251,460
借入金額計（X）（千円）	
その他金額計（Y）（千円）	
上記（Y）の内訳	ファンドの資金
取得資金合計（千円）（W+X+Y）	251,460

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入目的	金額（千円）

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③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	マイケル・ワン・サウザンド・ナイン・ハンドレッド・トゥエンティ・ファイブ・エルエルシー (Michael 1925 LLC)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2021年4月26日
代表者氏名	クリストファー・ハー
代表者役職	提出者3のマネージャーであるローゼンワルド・キャピタル・マネージメント・インクのチーフ・コンプライアンス・オフィサー
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

該当なし
RW-EB-03336

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	105,000		
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 105,000	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T 105,000		
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

② 【株券等保有割合】

発行済株式等総数（株・口） (2023年5月9日現在)	V 40,426,000
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)	0.26
直前の報告書に記載された 株券等保有割合（%）	1.22

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況(短期大量譲渡に該当する場合)】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	譲渡の相手方	単価
2023年7月12日	普通	100	0.00	市場内	取得		
2023年7月13日	普通	100	0.00	市場内	取得		
2023年7月25日	普通	100	0.00	市場内	取得		
2023年8月8日	普通	100	0.00	市場内	取得		
RW-EB-03337 2023年8月16日	普通	200	0.00	市場内	取得		
2023年8月17日	普通	100	0.00	市場内	取得		

2023年8月18日	普通	100	0.00	市場内	取得		
2023年9月6日	普通	100	0.00	市場内	取得		
2023年9月8日	普通	104,400	0.26	市場内	処分	市場内取引のため不明	
2023年9月11日	普通	43,900	0.11	市場内	処分	市場内取引のため不明	
2023年9月11日	普通	6,400	0.02	市場外	処分	BTIG, LLC	2,200
2023年9月12日	普通	34,300	0.08	市場内	処分	市場内取引のため不明	
2023年9月12日	普通	6,400	0.02	市場外	処分	BTIG, LLC	2,200
2023年9月13日	普通	45,700	0.11	市場内	処分	市場内取引のため不明	
2023年9月13日	普通	342,000	0.85	市場外	処分	BTIG, LLC	2,185

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者１及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	163,914
借入金額計（X）（千円）	
その他金額計（Y）（千円）	
上記（Y）の内訳	ファンドの資金
取得資金合計（千円）（W+X+Y）	163,914

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

４【提出者（大量保有者）／４】

（１）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・エルエルシー (Dalton Investments LLC)
住所又は本店所在地 RW-EB-03338	米国カリフォルニア州90404、サンタモニカ市、クロバーフィールド・ブル ヴァード1601、スイート5050N Binder 4・Page 580 of 945 (1601 Cloverfield Blvd., Suite 5050N, Santa Monica, CA 90404 USA)
旧氏名又は名称	

旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	1999年3月5日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー、アジア・ストラテジーズ (Chief Investment Officer, Asia Strategies)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			212,700
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			

株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 212,700
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T		212,700
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2023年5月9日現在）	V	40,426,000
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)		0.53
直前の報告書に記載された 株券等保有割合（%）		2.47

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況(短期大量譲渡に該当する場合)】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	譲渡の相手方	単価
2023年7月11日	普通	6,200	0.02	市場内	取得		
2023年7月12日	普通	8,400	0.02	市場内	取得		
2023年7月13日	普通	4,500	0.01	市場内	取得		
2023年7月14日	普通	1,200	0.00	市場内	取得		
2023年7月18日	普通	300	0.00	市場内	取得		
2023年7月20日	普通	100	0.00	市場内	取得		
2023年7月21日	普通	3,000	0.01	市場内	取得		
2023年7月25日	普通	13,200	0.03	市場内	取得		
2023年7月26日	普通	1,400	0.00	市場内	取得		
2023年7月27日	普通	200	0.00	市場内	取得		
2023年7月28日	普通	1,600	0.00	市場内	取得		
2023年8月3日	普通	1,000	0.00	市場内	取得		
2023年8月4日 RW-EB-03340	普通	900	0.00	市場内	取得		
2023年8月7日	普通	500	0.00	市場内	取得		

2023年8月8日	普通	8,200	0.02	市場内	取得		
2023年8月9日	普通	3,100	0.01	市場内	取得		
2023年8月16日	普通	16,300	0.04	市場内	取得		
2023年8月17日	普通	12,200	0.03	市場内	取得		
2023年8月18日	普通	13,000	0.03	市場内	取得		
2023年9月4日	普通	1,000	0.00	市場内	取得		
2023年9月5日	普通	1,000	0.00	市場内	取得		
2023年9月6日	普通	5,500	0.01	市場内	取得		
2023年9月8日	普通	211,900	0.52	市場内	処分	市場内取引のため不明	
2023年9月11日	普通	89,000	0.22	市場内	処分	市場内取引のため不明	
2023年9月11日	普通	13,000	0.03	市場外	処分	BTIG, LLC	2,200
2023年9月12日	普通	69,600	0.17	市場内	処分	市場内取引のため不明	
2023年9月12日	普通	13,000	0.03	市場外	処分	BTIG, LLC	2,200
2023年9月13日	普通	93,000	0.23	市場内	処分	市場内取引のため不明	
2023年9月13日	普通	694,000	1.72	市場外	処分	BTIG, LLC	2,185

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者１及び提出者４は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	291,193
上記（Y）の内訳	顧客の資金
取得資金合計（千円）（W+X+Y）	291,193

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入目的	金額（千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) アール・ワン・サウザンド・ナイン・ハンドレッド・トゥエンティ・セブン・エルエルシー（Earle 1927 LLC）
- (3) マイケル・ワン・サウザンド・ナイン・ハンドレッド・トゥエンティ・ファイブ・エルエルシー（Michael 1925 LLC）
- (4) ダルトン・インベストメンツ・エルエルシー（Dalton Investments LLC）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	606,600		212,700
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 606,600	P	Q 212,700
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T 819,300		
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

(2)【株券等保有割合】

発行済株式等総数（株・口） （2023年5月9日現在）	V 40,426,000
上記提出者の株券等保有割合（%） （T/（U+V）×100）	2.03
直前の報告書に記載された 株券等保有割合（%）	Binder 4・Page 584 of 945 9.52

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	335,300	0.83
アール・ワン・サウザンド・ナイン・ハン ドレッド・トゥエンティ・セブン・エルエ ルシー（Earle 1927 LLC）	166,300	0.41
マイケル・ワン・サウザンド・ナイン・ハ ンドレッド・トゥエンティ・ファイブ・エ ルエルシー（Michael 1925 LLC）	105,000	0.26
ダルトン・インベストメンツ・エルエル シー（Dalton Investments LLC）	212,700	0.53
合計	819,300	2.03

【表紙】

【提出書類】 変更報告書No.1

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2025年11月7日

【提出日】 2025年11月14日

【提出者及び共同保有者の総 2
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上減少したこと
提出者1単体の株式等保有割合が1%以上減少したこと

第1【発行者に関する事項】

発行者の名称	日本精化株式会社
証券コード	4362
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	689,300		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 689,300	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		689,300
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年10月31日現在）	V 25,372,447
上記提出者の株券等保有割合（％） （T/（U+V）×100）	2.72
直前の報告書に記載された 株券等保有割合（％）	3.94

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103346 年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年9月9日	普通	800	0.00	市場内	処分	

2025年9月10日	普通	100	0.00	市場内	処分	
2025年9月11日	普通	200	0.00	市場内	処分	
2025年9月17日	普通	400	0.00	市場内	処分	
2025年9月18日	普通	7,700	0.03	市場内	処分	
2025年9月19日	普通	15,400	0.06	市場内	処分	
2025年9月22日	普通	6,700	0.03	市場内	処分	
2025年9月24日	普通	6,200	0.02	市場内	処分	
2025年9月25日	普通	5,000	0.02	市場内	処分	
2025年9月26日	普通	9,900	0.04	市場内	処分	
2025年9月29日	普通	600	0.00	市場内	処分	
2025年9月30日	普通	800	0.00	市場内	処分	
2025年10月7日	普通	1,200	0.00	市場内	処分	
2025年10月8日	普通	1,200	0.00	市場内	処分	
2025年10月21日	普通	4,500	0.02	市場内	処分	
2025年10月23日	普通	100	0.00	市場内	処分	
2025年10月24日	普通	4,500	0.02	市場内	処分	
2025年10月27日	普通	11,000	0.04	市場内	処分	
2025年10月28日	普通	3,900	0.02	市場内	処分	
2025年11月4日	普通	50,800	0.20	市場内	処分	
2025年11月5日	普通	34,100	0.13	市場内	処分	
2025年11月6日	普通	39,300	0.15	市場内	処分	
2025年11月7日	普通	86,700	0.34	市場内	処分	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1及び提出者2は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	964,481
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	964,481

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)
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③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

2【提出者（大量保有者）／2】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー（NAVF Select LLC）
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2021年4月26日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世（James B. Rosenwald III）
代表者役職	提出者のマネージャーであるダルトン・インベストメンツ・インクのチーフ・インベストメント・オフィサー
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 早川 大樹
電話番号	03-5532-3111

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・エルエルシーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

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(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	276,900		
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 276,900	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T 276,900		
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年10月31日現在）	V 25,372,447
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)	1.09
直前の報告書に記載された 株券等保有割合（%）	1.07

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年9月9日	普通	200	0.00	市場内	処分	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1及び提出者2は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	544,255
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	544,255

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

第3 【共同保有者に関する事項】

該当事項なし

第4 【提出者及び共同保有者に関する総括表】

1 【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
- (2) エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)

2 【上記提出者及び共同保有者の保有株券等の内訳】

(1) 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)	966,200		
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	H
新株予約権付社債券 (株)	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計 (株・口)	0 966,200	P	Q

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信用取引により譲渡したことにより 控除する株券等の数	R	
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S	
保有株券等の数（総数） (0+P+Q-R-S)	T	966,200
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U	

（２）【株券等保有割合】

発行済株式等総数（株・口） (2025年10月31日現在)	V	25,372,447
上記提出者の株券等保有割合（％） (T/ (U+V) ×100)		3.81
直前の報告書に記載された 株券等保有割合（％）		5.01

（３）【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	689,300	2.72
エヌエービーエフ・セレクト・エルエル シー（NAVF Select LLC）	276,900	1.09
合計	966,200	3.81

【表紙】

【提出書類】 変更報告書No.7

【根拠条文】 法第27条の25第1項及び第2項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年2月5日

【提出日】 2026年2月13日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上減少したこと
提出者3単体での株券等保有割合が1%以上減少したこと

第1【発行者に関する事項】

発行者の名称	株式会社フジ・メディア・ホールディングス
証券コード	4676
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	532,000		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 532,000	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		532,000
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月13日現在）	V 234,194,500
上記提出者の株券等保有割合（％） （T/（U+V）×100）	0.23
直前の報告書に記載された 株券等保有割合（％）	1.07

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況(短期大量譲渡に該当する場合)】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	譲渡の相手方	単価
2026年2月4日	普通	3,400	0.00	市場内	処分		

2026年2月5日	普通	1,666,100	0.71	市場外	処分	株式会社フジ・メディア・ホールディングス	3839

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（Ⅱ）（千円）	
借入金額計（Ⅹ）（千円）	
その他金額計（Ⅲ）（千円）	774,916
上記（Ⅲ）の内訳	ファンドの資金
取得資金合計（千円）（Ⅱ+Ⅹ+Ⅲ）	774,916

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入目的	金額（千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

２【提出者（大量保有者）／２】

（１）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー（NAVF Select LLC）
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

RW-EB-03355

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③【法人の場合】

設立年月日	2021年4月26日

代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	提出者のマネージャーであるダルトン・インベストメンツ・インクのチーフ・インベストメント・オフィサー
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・エルエルシーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	148,900		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 148,900	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （0+P+Q-R-S）	T		

保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U

②【株券等保有割合】

発行済株式等総数（株・口） (2025年11月13日現在)	V	234,194,500
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)		0.06
直前の報告書に記載された 株券等保有割合（%）		0.30

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況(短期大量譲渡に該当する場合)】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	譲渡の相手方	単価
2026年2月4日	普通	900	0.00	市場内	処分		
2026年2月5日	普通	466,600	0.20	市場外	処分	株式会社フジ・メディア・ホールディングス	3839

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	218,371
借入金額計（X）（千円）	
その他金額計（Y）（千円）	
上記（Y）の内訳	ファンドの資金
取得資金合計（千円）（W+X+Y）	218,371

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入目的	金額（千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

(1) 【提出者の概要】

①【提出者（大量保有者）】

個人別 氏名又は名称	法人 ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)	Binder 4・Page 599 of 945

住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			3,081,400
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	Binder 4・Page 600 of 945 H

新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 3,081,400
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		3,081,400
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月13日現在）	V	234,194,500
上記提出者の株券等保有割合（%） （T/（U+V）×100）		1.32
直前の報告書に記載された 株券等保有割合（%）		6.14

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況(短期大量譲渡に該当する場合)】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	譲渡の相手方	単価
2025年12月18日	普通	3,900	0.00	市場内	取得		
2025年12月30日	普通	2,200	0.00	市場内	取得		
2026年1月6日	普通	9,300	0.00	市場内	取得		
2026年1月16日	普通	4,000	0.00	市場内	取得		
2026年1月22日	普通	5,100	0.00	市場内	取得		
2026年1月23日	普通	55,200	0.02	市場内	取得		
2026年1月29日	普通	4,400	0.00	市場内	取得		

2026年2月4日	普通	19,500	0.01	市場内	処分		
2026年2月5日	普通	9,652,100	4.12	市場外	処分	株式会社フジ・メディア・ホールディングス	3839

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	4,181,067
上記（Y）の内訳	顧客の資金
取得資金合計（千円）（W+X+Y）	4,181,067

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入目的	金額（千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第３【共同保有者に関する事項】

該当事項なし

第４【提出者及び共同保有者に関する総括表】

１【提出者及び共同保有者】

- （１） ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- （２） エヌエーブイエフ・セレクト・エルエルシー（NAVF Select LLC）
- （３） ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

２【上記提出者及び共同保有者の保有株券等の内訳】

（１）【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	680,900		3,081,400
新株予約権証券又は新投資口予約権証券等 （株・口） RW-EB-03360	A	-	H Binder 4・Page 602 of 945
新株予約権付社債券（株）	B	-	I

【表紙】

【提出書類】 変更報告書No.16

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年4月1日

【提出日】 2026年4月8日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 提出者2の商号の変更

第1【発行者に関する事項】

発行者の名称	あすか製薬ホールディングス株式会社
証券コード	4886
上場・店頭の間	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	2,399,100		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O2,399,100	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		2,399,100
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月7日現在）	V28,763,199
上記提出者の株券等保有割合（％） （T/（U+V）×100）	8.34
直前の報告書に記載された 株券等保有割合（％）	8.34

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103364	年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (Ⅱ) (千円)	
借入金額計 (Ⅹ) (千円)	
その他金額計 (Ⅲ) (千円)	4,495,764
上記 (Ⅲ) の内訳	ファンドの資金
取得資金合計 (千円) (Ⅱ+Ⅹ+Ⅲ)	4,495,764

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者 (大量保有者) / 2】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③ 【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)

代表者役職	Dalton Investments, Inc. CEO兼社長 (NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー)
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	848,400		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 848,400	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
RW-EB-03366 保有株券等の数（総数） （O+P+Q-R-S）	T		848,400

保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U

②【株券等保有割合】

発行済株式等総数（株・口） (2025年11月7日現在)	V	28,763,199
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)		2.95
直前の報告書に記載された 株券等保有割合（%）		2.85

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	1,571,966
借入金額計（X）（千円）	
その他金額計（Y）（千円）	
上記（Y）の内訳	ファンドの資金
取得資金合計（千円）（W+X+Y）	1,571,966

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

(1) 【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）
住所又は本店所在地 RW-EB-03367	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	

旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)			2,884,600
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	H
新株予約権付社債券 (株)	B	-	I
対象有価証券カバードワラント RW-EB-03368	C		J
株券預託証券			Binder 4 - Page 610 of 945
株券関連預託証券	D		K

株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 2,884,600
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		2,884,600
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月7日現在）	V	28,763,199
上記提出者の株券等保有割合（%） （T/（U+V）×100）		10.03
直前の報告書に記載された 株券等保有割合（%）		9.30

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	6,165,844
上記（Y）の内訳	顧客の資金
取得資金合計（千円）（W+X+Y）	6,165,844

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）
RW-EB-03369					

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select (Master) Fund LP）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	3,247,500		2,884,600
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O3,247,500	P	Q2,884,600
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		6,132,100
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

(2)【株券等保有割合】

発行済株式等総数（株・口） RW-EB-03370 （2025年11月7日現在）	V	Binder 4・Page 28 of 195

上記提出者の株券等保有割合 (%) ($T / (U+V) \times 100$)	21.32
直前の報告書に記載された 株券等保有割合 (%)	20.49

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数 (総数) (株・口)	株券等保有割合 (%)
ニッポン・アクティブ・バリュー・ファン ド (NIPPON ACTIVE VALUE FUND PLC)	2,399,100	8.34
エヌエーブイエフ・セレクト・マスター・ ファンド・エルピー (NAVF Select (Master) Fund LP)	848,400	2.95
ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)	2,884,600	10.03
合計	6,132,100	21.32

【表紙】

【提出書類】 変更報告書No.7

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年6月3日

【提出日】 2026年6月11日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上増加したこと

第1【発行者に関する事項】

発行者の名称	那須電機鉄工株式会社
証券コード	5922
上場・店頭の間	上場
上場金融商品取引所	東京証券取引所スタンダード市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。提出者は、2026年4月15日付で、同年6月開催予定の発行者の定時株主総会に向け、①当社株式の大規模買付行為への対応方針（買収への対応方針）廃止の件、②自己株式取得の件、③社外取締役の員数に関する定款変更の件、④譲渡制限付株式報酬制度に関する報酬額承認の件、⑤定時株主総会の基準日に関する定款変更の件、の5議案から成る株主提案を行った。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記 (2) 保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	94,100			
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	0
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V 94,100	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数（総数） (V+W+X+Y-Z-AA)	AB			94,100

株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

②【株券等保有割合】

発行済株式等総数（株・口） （2026年3月31日現在）	AD	1,200,000
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） (AB/ (AD+AE-AF) ×100)		7.84
直前の報告書に記載された 株券等保有割合（％）		7.25

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年4月7日	普通	400	0.03	市場内	取得	
2026年4月22日	普通	100	0.01	市場内	取得	
2026年4月23日	普通	100	0.01	市場内	取得	
2026年5月8日	普通	100	0.01	市場内	取得	
2026年5月14日	普通	200	0.02	市場内	取得	
2026年5月15日	普通	200	0.02	市場内	取得	
2026年5月18日	普通	300	0.03	市場内	取得	
2026年5月19日	普通	200	0.02	市場内	取得	
2026年5月20日	普通	100	0.01	市場内	取得	
2026年5月21日	普通	100	0.01	市場内	取得	
2026年5月22日	普通	200	0.02	市場内	取得	
2026年5月25日	普通	1,200	0.10	市場内	取得	
2026年5月26日	普通	100	0.01	市場内	取得	
2026年5月27日	普通	500	0.04	市場内	取得	
2026年5月28日	普通	400	0.03	市場内	取得	
2026年5月29日	普通	400	0.03	市場内	取得	
RW-EB-03375 2026年6月1日	普通	1,300	0.11	市場内	取得	
2026年6月2日	普通	800	0.07	市場内	取得	

2026年6月3日	普通	400	0.03	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	985,768
上記 (AI) の内訳	ファンドの資金
取得資金合計 (千円) (AG+AH+AI)	985,768

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者 (大量保有者) ／ 2】

(1) 【提出者の概要】

① 【提出者 (大量保有者) 】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③ 【法人の場合】

設立年月日	2026年4月1日	Binder 4・Page 618 of 945
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)	

代表者役職	Dalton Investments, Inc. CEO兼社長（NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー）
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。 提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した（https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com]）。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記（2）保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	45,300			
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V 45,300	W	X	Y
~~RW-EB-03377~~ 信用取引により譲渡したこと により控除する株券等の数	Z			

共同保有者間で引渡請求権等の権利が存在するものとして控除する株券等の数	AA	
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB	45,300
株券、株券預託証券及び株券信託受益証券のうち保有潜在株券等の数に加算すべきものの数	AC	
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）		

②【株券等保有割合】

発行済株式等総数（株・口） （2026年3月31日現在）	AD	1,200,000
提出者及び共同保有者の保有潜在株券等の数	AE	
保有潜在株券等のうち共同保有者間で引渡請求権等の権利が存在するものとして控除する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		3.78
直前の報告書に記載された株券等保有割合（％）		3.43

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年4月7日	普通	400	0.03	市場内	取得	
2026年4月14日	普通	100	0.01	市場内	取得	
2026年4月17日	普通	100	0.01	市場内	取得	
2026年4月22日	普通	300	0.03	市場内	取得	
2026年4月23日	普通	400	0.03	市場内	取得	
2026年4月24日	普通	100	0.01	市場内	取得	
2026年5月8日	普通	100	0.01	市場内	取得	
2026年5月12日	普通	100	0.01	市場内	取得	
2026年5月14日	普通	500	0.04	市場内	取得	
2026年5月15日	普通	400	0.03	市場内	取得	
2026年5月18日	普通	700	0.06	市場内	取得	
2026年5月19日	普通	400	0.03	市場内	取得	
~~RW-EB-03378~~ 2026年5月20日	普通	100	0.01	市場内	取得	
2026年5月21日	普通	100	0.01	市場内	取得	

2026年5月22日	普通	300	0.03	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	574,090
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	
上記 (AI) の内訳	ファンドの資金
取得資金合計 (千円) (AG+AH+AI)	574,090

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

3 【提出者 (大量保有者) / 3】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③ 【法人の場合】

設立年月日	2019年12月3日
RW-EB-03379 代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)

事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。 提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記 (2) 保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)			800	
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	0
新株予約権付社債券 (株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計 (株・口)	V	W	X 800	Y
信用取引等により譲渡したこと により控除する株券等の数	Z	Binder 4・Page 622 of 945		

共同保有者間で引渡請求権等の権利が存在するものとして控除する株券等の数	AA	
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB	800
株券、株券預託証券及び株券信託受益証券のうち保有潜在株券等の数に加算すべきものの数	AC	
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）		

②【株券等保有割合】

発行済株式等総数（株・口） （2026年3月31日現在）	AD	1,200,000
提出者及び共同保有者の保有潜在株券等の数	AE	
保有潜在株券等のうち共同保有者間で引渡請求権等の権利が存在するものとして控除する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		0.07
直前の報告書に記載された株券等保有割合（％）		0.00

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年5月25日	普通	200	0.02	市場内	取得	
2026年5月27日	普通	100	0.01	市場内	取得	
2026年5月29日	普通	100	0.01	市場内	取得	
2026年6月1日	普通	200	0.02	市場内	取得	
2026年6月2日	普通	100	0.01	市場内	取得	
2026年6月3日	普通	100	0.01	市場内	取得	

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（AG）（千円）	
借入金額計（AH）（千円）	
その他金額計（AI）（千円）	14,484

上記（AI）の内訳	顧客の資金
取得資金合計（千円）（AG+AH+AI）	14,484

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select (Master) Fund LP）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	139,400		800	
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V139,400	W	X800	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			

保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB	140,200
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC	
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）		

（２）【株券等保有割合】

発行済株式等総数（株・口） （2026年3月31日現在）	AD	1,200,000
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		11.68
直前の報告書に記載された 株券等保有割合（％）		10.68

（３）【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	94,100	7.84
エヌエーブイエフ・セレクト・マスター・ ファンド・エルピー（NAVF Select （Master） Fund LP）	45,300	3.78
ダルトン・インベストメンツ・インク （Dalton Investments, Inc.）	800	0.07
合計	140,200	11.68

【表紙】

【提出書類】 変更報告書No.15

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年4月1日

【提出日】 2026年4月8日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 提出者2の商号の変更

第1【発行者に関する事項】

発行者の名称	文化シャッター株式会社
証券コード	5930
上場・店頭の間	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	2,500,000		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O2,500,000	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		2,500,000
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月5日現在）	V72,196,487
上記提出者の株券等保有割合（％） （T/（U+V）×100）	3.46
直前の報告書に記載された 株券等保有割合（％）	3.46

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB03386	年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (Ⅱ) (千円)	
借入金額計 (Ⅹ) (千円)	
その他金額計 (Ⅲ) (千円)	2,605,196
上記 (Ⅲ) の内訳	ファンドの資金
取得資金合計 (千円) (Ⅱ+Ⅹ+Ⅲ)	2,605,196

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者 (大量保有者) / 2】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③ 【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)

代表者役職	Dalton Investments, Inc. CEO兼社長 (NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー)
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	1,159,200		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 1,159,200	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
RW-EB-03388 保有株券等の数（総数） （O+P+Q-R-S）	T		1,159,200

保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U

②【株券等保有割合】

発行済株式等総数（株・口） (2025年11月5日現在)	V	72,196,487
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)		1.61
直前の報告書に記載された 株券等保有割合（%）		1.41

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	1,535,651
借入金額計（X）（千円）	
その他金額計（Y）（千円）	
上記（Y）の内訳	ファンドの資金
取得資金合計（千円）（W+X+Y）	1,535,651

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

(1) 【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地 RW-EB-03389	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	

旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めていく可能性がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)			11,179,600
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	H
新株予約権付社債券 (株)	B	-	I
対象有価証券カバードワラント RW-EB-03390	C		J
株券預託証券			Binder 4 - Page 632 of 945
株券関連預託証券	D		K

株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 11,179,600
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T 11,179,600		
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

②【株券等保有割合】		
発行済株式等総数（株・口） （2025年11月5日現在）	V	72,196,487
上記提出者の株券等保有割合（％） （T/（U+V）×100）		15.48
直前の報告書に記載された 株券等保有割合（％）		14.81

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】						
年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

（６）【当該株券等に関する担保契約等重要な契約】	
発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。	

（７）【保有株券等の取得資金】	
①【取得資金の内訳】	
自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	19,001,217
上記（Y）の内訳	顧客の資金
取得資金合計（千円）（W+X+Y）	19,001,217

②【借入金の内訳】					
名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）
RW-EB-03391					

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select (Master) Fund LP）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	3,659,200		11,179,600
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O3,659,200	P	Q11,179,600
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		14,838,800
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

(2)【株券等保有割合】

発行済株式等総数（株・口） RW-EB-03392 (2025年11月5日現在)	V	Binder 4・Page 196 of 485 72,196,485

上記提出者の株券等保有割合 (%) ($T / (U+V) \times 100$)	20.55
直前の報告書に記載された 株券等保有割合 (%)	19.69

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数 (総数) (株・口)	株券等保有割合 (%)
ニッポン・アクティブ・バリュー・ファン ド (NIPPON ACTIVE VALUE FUND PLC)	2,500,000	3.46
エヌエーブイエフ・セレクト・マスター・ ファンド・エルピー (NAVF Select (Master) Fund LP)	1,159,200	1.61
ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)	11,179,600	15.48
合計	14,838,800	20.55

【表紙】

【提出書類】 変更報告書No.5

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年5月20日

【提出日】 2026年5月27日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上増加したこと

第1【発行者に関する事項】

発行者の名称	株式会社ノーリツ
証券コード	5943
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームスストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

提出者は、2026年1月21日付で、2026年3月開催の発行者の定時株主総会に向け、①譲渡制限付株式報酬制度に係る報酬額改定の件、②自己株式取得の件、③社外取締役の員数に関する定款変更の件、の3議案から成る株主提案を行った。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記 (2) 保有目的に記載のとおり

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)	1,931,600			
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	O
新株予約権付社債券 (株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計 (株・口)	V 1,931,600	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数 (総数) (V+W+X+Y-Z-AA)	AB			1,931,600

株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

②【株券等保有割合】

発行済株式等総数（株・口） （2026年3月26日現在）	AD	48,554,930
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） (AB/ (AD+AE-AF) ×100)		3.98
直前の報告書に記載された 株券等保有割合（％）		3.35

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年3月23日	普通	6,500	0.01	市場内	取得	
2026年3月24日	普通	7,100	0.01	市場内	取得	
2026年3月25日	普通	200	0.00	市場内	取得	
2026年3月26日	普通	700	0.00	市場内	取得	
2026年3月27日	普通	1,200	0.00	市場内	取得	
2026年3月30日	普通	10,000	0.02	市場内	取得	
2026年3月31日	普通	6,500	0.01	市場内	取得	
2026年4月1日	普通	1,300	0.00	市場内	取得	
2026年4月2日	普通	2,500	0.01	市場内	取得	
2026年4月3日	普通	3,100	0.01	市場内	取得	
2026年4月7日	普通	22,000	0.05	市場内	取得	
2026年4月8日	普通	500	0.00	市場内	取得	
2026年4月10日	普通	10,100	0.02	市場内	取得	
2026年4月13日	普通	22,800	0.05	市場内	取得	
2026年4月14日	普通	13,800	0.03	市場内	取得	
2026年4月15日	普通	12,300	0.03	市場内	取得	
RW-EB-03397 2026年4月16日	普通	8,000	0.02	市場内	取得	
2026年4月17日	普通	11,100	0.02	市場内	取得	

2026年4月20日	普通	12,000	0.02	市場内	取得	
2026年4月21日	普通	19,400	0.04	市場内	取得	
2026年4月22日	普通	14,800	0.03	市場内	取得	
2026年4月23日	普通	12,400	0.03	市場内	取得	
2026年4月24日	普通	12,200	0.03	市場内	取得	
2026年4月27日	普通	8,000	0.02	市場内	取得	
2026年4月28日	普通	10,600	0.02	市場内	取得	
2026年4月30日	普通	10,000	0.02	市場内	取得	
2026年5月1日	普通	11,100	0.02	市場内	取得	
2026年5月7日	普通	9,000	0.02	市場内	取得	
2026年5月8日	普通	15,300	0.03	市場内	取得	
2026年5月11日	普通	7,000	0.01	市場内	取得	
2026年5月13日	普通	10,400	0.02	市場内	取得	
2026年5月14日	普通	9,900	0.02	市場内	取得	
2026年5月15日	普通	1,100	0.00	市場内	取得	
2026年5月18日	普通	14,300	0.03	市場内	取得	
2026年5月20日	普通	19,500	0.04	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	3,575,872
上記 (AI) の内訳	ファンドの資金
取得資金合計 (千円) (AG+AH+AI)	3,575,872

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2【提出者（大量保有者）／2】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエービーエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)
代表者役職	Dalton Investments, Inc. CEO兼社長 (NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー)
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエービーエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合があります。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営 戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記 (2) 保有目的に記載のとおり

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)	1,255,800			
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	O
新株予約権付社債券 (株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計 (株・口)	V 1,255,800	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数 (総数) (V+W+X+Y-Z-AA)	AB			1,255,800
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC			
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)				

② 【株券等保有割合】

発行済株式等総数 (株・口) (2026年3月26日現在)	AD 48,554,930
提出者及び共同保有者の保有潜在株券等の 数	AE
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF

上記提出者の株券等保有割合 (%) (AB/ (AD+AE-AF) ×100)	2.59
直前の報告書に記載された 株券等保有割合 (%)	2.32

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年3月23日	普通	6,400	0.01	市場内	取得	
2026年3月24日	普通	7,100	0.01	市場内	取得	
2026年3月25日	普通	200	0.00	市場内	取得	
2026年3月26日	普通	700	0.00	市場内	取得	
2026年3月27日	普通	1,300	0.00	市場内	取得	
2026年3月30日	普通	9,900	0.02	市場内	取得	
2026年3月31日	普通	6,500	0.01	市場内	取得	
2026年4月1日	普通	1,400	0.00	市場内	取得	
2026年4月2日	普通	2,400	0.00	市場内	取得	
2026年4月3日	普通	3,200	0.01	市場内	取得	
2026年4月7日	普通	3,000	0.01	市場内	取得	
2026年4月8日	普通	100	0.00	市場内	取得	
2026年4月10日	普通	4,400	0.01	市場内	取得	
2026年4月13日	普通	9,800	0.02	市場内	取得	
2026年4月14日	普通	6,000	0.01	市場内	取得	
2026年4月15日	普通	5,300	0.01	市場内	取得	
2026年4月16日	普通	3,400	0.01	市場内	取得	
2026年4月17日	普通	4,800	0.01	市場内	取得	
2026年4月20日	普通	5,200	0.01	市場内	取得	
2026年4月21日	普通	8,300	0.02	市場内	取得	
2026年4月22日	普通	6,400	0.01	市場内	取得	
2026年4月23日	普通	5,400	0.01	市場内	取得	
2026年4月24日	普通	5,300	0.01	市場内	取得	
2026年4月27日	普通	3,500	0.01	市場内	取得	
2026年4月28日	普通	4,500	0.01	市場内	取得	
2026年4月30日	普通	4,300	0.01	市場内	取得	
2026年5月1日	普通	4,800	0.01	市場内	取得	
2026年5月7日	普通	3,800	0.01	市場内	取得	
2026年5月8日 RW-EB-03401	普通	6,600	0.01	市場内	取得	
2026年5月11日	普通	3,000	0.01	市場内	取得	

2026年5月13日	普通	4,500	0.01	市場内	取得	
2026年5月14日	普通	4,200	0.01	市場内	取得	
2026年5月15日	普通	500	0.00	市場内	取得	
2026年5月18日	普通	6,200	0.01	市場内	取得	
2026年5月20日	普通	8,400	0.02	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	2,462,065
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	
上記 (AI) の内訳	ファンドの資金
取得資金合計 (千円) (AG+AH+AI)	2,462,065

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

3 【提出者 (大量保有者) / 3】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピノフを含むすべての経営 戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記 (2) 保有目的に記載のとおり

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)			1,472,900	
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	O
新株予約権付社債券 (株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券 RW-EB-03403				
株券関連信託受益証券	E		L	S

対象有価証券償還社債	F		M	T	
他社株等転換株券	G		N	U	
合計（株・口）	V	W	X	1,472,900	Y
信用取引により譲渡したこと により控除する株券等の数	Z				
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA				
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB				1,472,900
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC				
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）					

②【株券等保有割合】

発行済株式等総数（株・口） （2026年3月26日現在）	AD	48,554,930
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		3.03
直前の報告書に記載された 株券等保有割合（％）		2.90

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年5月7日	普通	3,100	0.01	市場内	取得	
2026年5月8日	普通	20,100	0.04	市場内	取得	
2026年5月11日	普通	17,300	0.04	市場内	取得	
2026年5月12日	普通	16,600	0.03	市場内	取得	
2026年5月13日	普通	8,600	0.02	市場内	取得	

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。 RW-EB-03404	Binder 4 - Page 646 of 945

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額（AG）（千円）	
借入金額計（AH）（千円）	
その他金額計（AI）（千円）	2,706,935
上記（AI）の内訳	顧客の資金
取得資金合計（千円）（AG+AH+AI）	2,706,935

② 【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③ 【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3 【共同保有者に関する事項】

該当事項なし

第4 【提出者及び共同保有者に関する総括表】

1 【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select（Master）Fund LP）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2 【上記提出者及び共同保有者の保有株券等の内訳】

(1) 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等（株・口）	3,187,400		1,472,900	
新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	O
新株予約権付社債券（株）	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
~~RW-EB-03405~~ 他社株等転換株券	G		N	U
合計（株・口）	V 3,187,400	W	X 1,472,900	Y

信用取引により譲渡したことにより控除する株券等の数	Z	
共同保有者間で引渡請求権等の権利が存在するものとして控除する株券等の数	AA	
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB	4,660,300
株券、株券預託証券及び株券信託受益証券のうち保有潜在株券等の数に加算すべきものの数	AC	
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）		

（２）【株券等保有割合】

発行済株式等総数（株・口） （2026年3月26日現在）	AD	48,554,930
提出者及び共同保有者の保有潜在株券等の数	AE	
保有潜在株券等のうち共同保有者間で引渡請求権等の権利が存在するものとして控除する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		9.60
直前の報告書に記載された株券等保有割合（％）		8.58

（３）【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）	1,931,600	3.98
エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select (Master) Fund LP）	1,255,800	2.59
ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）	1,472,900	3.03
合計	4,660,300	9.60

【表紙】

【提出書類】 変更報告書 No.6

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2025年1月2日

【提出日】 2025年1月10日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 提出者1の所在地変更

第1【発行者に関する事項】

発行者の名称	荏原実業株式会社
証券コード	6328
上場・店頭の間	上場
上場金融商品取引所	東証プライム

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の間	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	イギリス連合王国ロンドン市ロンドンウォール125番地6階 (6th Floor, 125 London Wall, London, England)

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	913,100		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 913,100	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		913,100
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2024年8月9日現在）	V 12,930,000
上記提出者の株券等保有割合（％） （T/（U+V）×100）	7.06
直前の報告書に記載された 株券等保有割合（％）	7.06

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB-03469	年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	1,262,420
上記 (Y) の内訳	ファンドの資金 令和3年7月1日付株式分割 (1:2) により391,800株取得
取得資金合計 (千円) (W+X+Y)	1,262,420

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者 (大量保有者) / 2】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③ 【法人の場合】

設立年月日	2021年4月26日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
RW-EB-03410 代表者役職	提出者のマネージャーであるダルトン・インベストメンツ・インクのチーフ・インベストメント・オフィサー

事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・エルエルシーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	50,000		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 50,000	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T		50,000
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N) RW-EB-03411	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2024年8月9日現在）	V 12,930,000
上記提出者の株券等保有割合（％） （T/（U+V）×100）	0.39
直前の報告書に記載された 株券等保有割合（％）	0.39

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（Ⅱ）（千円）	123,696
借入金額計（Ⅹ）（千円）	
その他金額計（Ⅲ）（千円）	
上記（Ⅲ）の内訳	ファンドの資金
取得資金合計（千円）（Ⅱ+Ⅹ+Ⅲ）	123,696

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

（１）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 （9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA）
旧氏名又は名称	
旧住所又は本店所在地	

RW-EB-03412

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2)【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			282,600
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			

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株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q282,600
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T282,600		
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2024年8月9日現在）	V12,930,000
上記提出者の株券等保有割合（%） （T/（U+V）×100）	2.19
直前の報告書に記載された 株券等保有割合（%）	1.43

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2024年11月5日	普通	700	0.01	市場内	取得	
2024年11月6日	普通	2,100	0.02	市場内	取得	
2024年11月7日	普通	1,900	0.01	市場内	取得	
2024年11月8日	普通	2,500	0.02	市場内	取得	
2024年11月11日	普通	2,000	0.02	市場内	取得	
2024年11月12日	普通	2,300	0.02	市場内	取得	
2024年11月13日	普通	2,700	0.02	市場内	取得	
2024年11月14日	普通	2,400	0.02	市場内	取得	
2024年11月15日	普通	1,400	0.01	市場内	取得	
2024年11月18日	普通	1,700	0.01	市場内	取得	
2024年11月19日	普通	2,500	0.02	市場内	取得	
2024年11月20日	普通	2,800	0.02	市場内	取得	
2024年11月21日	普通	2,100	0.02	市場内	取得	
2024年11月22日	普通	2,200	0.02	市場内	取得	
2024年11月25日 RW-EB-03414	普通	2,300	0.02	市場内	取得	
2024年11月26日	普通	2,600	0.02	市場内	取得	

2024年11月27日	普通	6,400	0.05	市場内	取得	
2024年11月28日	普通	4,000	0.03	市場内	取得	
2024年11月29日	普通	5,300	0.04	市場内	取得	
2024年12月11日	普通	800	0.01	市場内	取得	
2024年12月12日	普通	3,000	0.02	市場内	取得	
2024年12月13日	普通	1,300	0.01	市場内	取得	
2024年12月23日	普通	200	0.00	市場内	取得	
2024年12月30日	普通	300	0.00	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	1,111,808
上記 (Y) の内訳	顧客の資金
取得資金合計 (千円) (W+X+Y)	1,111,808

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

第3 【共同保有者に関する事項】

該当事項なし

第4 【提出者及び共同保有者に関する総括表】

1 【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
- (2) エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
- (3) ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)

2 【上記提出者及び共同保有者の保有株券等の内訳】

(1) 【保有株券等の数】

RW-EB-03415	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号

株券又は投資証券等（株・口）	963,100		282,600
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 963,100	P	Q 282,600
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T		1,245,700
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

(2) 【株券等保有割合】

発行済株式等総数（株・口） （2024年8月9日現在）	V 12,930,000
上記提出者の株券等保有割合（％） (T/ (U+V) ×100)	9.63
直前の報告書に記載された 株券等保有割合（％）	8.88

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	913,100	7.06
エヌエービーエフ・セレクト・エルエル シー（NAVF Select LLC）	50,000	0.39
ダルトン・インベストメンツ・インク （Dalton Investments, Inc.）	282,600	2.19
合計	1,245,700	9.63

【表紙】

【提出書類】 変更報告書No.5

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年4月1日

【提出日】 2026年4月8日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 提出者2の商号の変更

第1【発行者に関する事項】

発行者の名称	帝国通信工業株式会社
証券コード	6763
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	495,600		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 495,600	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		495,600
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月12日現在）	V 9,856,107
上記提出者の株券等保有割合（％） （T/（U+V）×100）	5.03
直前の報告書に記載された 株券等保有割合（％）	5.03

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103419	年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (Ⅱ) (千円)	
借入金額計 (Ⅹ) (千円)	
その他金額計 (Ⅲ) (千円)	893,692
上記 (Ⅲ) の内訳	ファンドの資金
取得資金合計 (千円) (Ⅱ+Ⅹ+Ⅲ)	893,692

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者 (大量保有者) / 2】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③ 【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)

代表者役職	Dalton Investments, Inc. CEO兼社長 (NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー)
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	146,200		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 146,200	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
RW-EB-03421 保有株券等の数（総数） （O+P+Q-R-S）	T		146,200

保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U

②【株券等保有割合】

発行済株式等総数（株・口） (2025年11月12日現在)	V	9,856,107
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)		1.48
直前の報告書に記載された 株券等保有割合（%）		1.48

(５) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(６) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者１、提出者２及び提出者３は共同して行うことを合意している。

(７) 【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）		251,767
借入金額計（X）（千円）		
その他金額計（Y）（千円）		
上記（Y）の内訳	ファンドの資金	
取得資金合計（千円）（W+X+Y）		251,767

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

(１) 【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地 RW-EB-03422	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	

旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めていく可能性がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)			212,000
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	H
新株予約権付社債券 (株)	B	-	I
対象有価証券カバードワラント RW-EB-03423	C		J
株券預託証券			Binder 4 - Page 665 of 945
株券関連預託証券	D		K

株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 212,000
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		212,000
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月12日現在）	V	9,856,107
上記提出者の株券等保有割合（%） $(T / (U+V)) \times 100$		2.15
直前の報告書に記載された 株券等保有割合（%）		2.15

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者１、提出者２及び提出者３は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	563,092
上記（Y）の内訳	顧客の資金
取得資金合計（千円）（W+X+Y）	563,092

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）
RW-EB-03424					

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select (Master) Fund LP）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	641,800		212,000
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 641,800	P	Q 212,000
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T 853,800		
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

(2)【株券等保有割合】

発行済株式等総数（株・口） RW-EB-03425 （2025年11月12日現在）	V	Binder 4・Page 9,856 of 1075

上記提出者の株券等保有割合 (%) ($T / (U+V) \times 100$)	8.66
直前の報告書に記載された 株券等保有割合 (%)	8.66

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数 (総数) (株・口)	株券等保有割合 (%)
ニッポン・アクティブ・バリュー・ファン ド (NIPPON ACTIVE VALUE FUND PLC)	495,600	5.03
エヌエーブイエフ・セレクト・マスター・ ファンド・エルピー (NAVF Select (Master) Fund LP)	146,200	1.48
ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)	212,000	2.15
合計	853,800	8.66

【表紙】

【提出書類】 変更報告書No.19

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年4月1日

【提出日】 2026年4月8日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 提出者2の商号の変更

第1【発行者に関する事項】

発行者の名称	ヘリオス テクノ ホールディング株式会社
証券コード	6927
上場・店頭の間	上場
上場金融商品取引所	東京証券取引所スタンダード市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	2,219,200		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O2,219,200	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		2,219,200
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月7日現在）	V22,806,900
上記提出者の株券等保有割合（％） （T/（U+V）×100）	9.73
直前の報告書に記載された 株券等保有割合（％）	9.73

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103429年11月7日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。
提出者1の関係者であるRising Sun Management Ltd.は、発行者との間で2025年5月14日付で業務提携契約書（以下「本業務提携契約書」という。）を締結しており、本業務提携契約書において、提出者1は、一定の条件のもと、2025年6月開催の発行者の定時株主総会の開催日から本業務提携契約書が効力を失う日までの間、発行者の事前の書面による承諾がない限り、発行者の株式の取得を行ってはならないものとされており、またその保有する全ての発行者の株式について処分を行ってはならないものとされている。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	1,966,616
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	1,966,616

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者（大量保有者）／2】

(1) 【提出者の概要】

① 【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー (NAVF Select LLC)
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)
代表者役職	Dalton Investments, Inc. CEO兼社長 (NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー)
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)	1,380,900		
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	H
新株予約権付社債券 (株)	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計 (株・口)	O 1,380,900	P	Q
信用取引により譲渡したことにより 控除する株券等の数 RW-EB-03431	R	Binder 4・Page 673 of 945	

共同保有者間で引渡請求権等の権利が存在するものとして控除する株券等の数	S	
保有株券等の数（総数） (0+P+Q-R-S)	T	1,380,900
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U	

②【株券等保有割合】

発行済株式等総数（株・口） (2025年11月7日現在)	V	22,806,900
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)		6.05
直前の報告書に記載された株券等保有割合（%）		5.75

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。 提出者２の関係者であるRising Sun Management Ltd.は、発行者との間で2025年5月14日付で業務提携契約書（以下「本業務提携契約書」という。）を締結しており、本業務提携契約書において、提出者２は、一定の条件のもと、2025年6月開催の発行者の定時株主総会の開催日から本業務提携契約書が効力を失う日までの間、発行者の事前の書面による承諾がない限り、発行者の株式の取得を行ってはならないものとされており、またその保有する全ての発行者の株式について処分を行ってはならないものとされている。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	1,231,504
借入金額計（X）（千円）	
その他金額計（Y）（千円）	
上記（Y）の内訳	ファンドの資金
取得資金合計（千円）（W+X+Y）	1,231,504

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地
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3【提出者（大量保有者）／3】

（１）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

（２）【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

（３）【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			2,954,300
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 2,954,300
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T 2,954,300		
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月7日現在）	V 22,806,900
上記提出者の株券等保有割合（％） （T/（U+V）×100）	12.95
直前の報告書に記載された 株券等保有割合（％）	12.95

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。
提出者3の関係者であるRising Sun Management Ltd.は、発行者との間で2025年5月14日付で業務提携契約書（以下「本業務提携契約書」という。）を締結しており、本業務提携契約書において、提出者3は、一定の条件のもと、2025年6月開催の発行者の定時株主総会の開催日から本業務提携契約書が効力を失う日までの間、発行者の事前の書面による承諾がない限り、発行者の株式の取得を行ってはならないものとされており、またその保有する全ての発行者の株式について処分を行ってはならないものとされている。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	2,595,593
上記 (Y) の内訳	顧客の資金
取得資金合計 (千円) (W+X+Y)	2,595,593

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

第3 【共同保有者に関する事項】

該当事項なし

第4 【提出者及び共同保有者に関する総括表】

1 【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
- (3) ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)

2 【上記提出者及び共同保有者の保有株券等の内訳】

(1) 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)	3,600,100		2,954,300
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	H
新株予約権付社債券 (株)	B	-	I
RW-FB-03435 対象有価証券カバードワラント	C		Binder 4・Page 677 of 945 J
株券預託証券			

株券関連預託証券	D		K			
株券信託受益証券						
株券関連信託受益証券	E		L			
対象有価証券償還社債	F		M			
他社株等転換株券	G		N			
合計（株・口）	0	3,600,100	P	Q	2,954,300	
信用取引により譲渡したことにより 控除する株券等の数	R					
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S					
保有株券等の数（総数） （0+P+Q-R-S）	T					6,554,400
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U					

（２）【株券等保有割合】

発行済株式等総数（株・口） （2025年11月7日現在）	V	22,806,900
上記提出者の株券等保有割合（％） （T/（U+V）×100）		28.74
直前の報告書に記載された 株券等保有割合（％）		28.43

（３）【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	2,219,200	9.73
エヌエービーエフ・セレクト・マスター・ ファンド・エルピー（NAVF Select （Master） Fund LP）	1,380,900	6.05
ダルトン・インベストメンツ・インク （Dalton Investments, Inc.）	2,954,300	12.95
合計	6,554,400	28.74

【表紙】

【提出書類】 変更報告書No.3

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年4月1日

【提出日】 2026年4月8日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 提出者2の商号の変更

第1【発行者に関する事項】

発行者の名称	株式会社村上開明堂
証券コード	7292
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所スタンダード市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	718,600		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 718,600	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		718,600
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月11日現在）	V 12,100,000
上記提出者の株券等保有割合（％） （T/（U+V）×100）	5.94
直前の報告書に記載された 株券等保有割合（％）	5.81

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103439年 年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年3月4日	普通	3,700	0.03	市場内	取得	

2026年3月5日	普通	500	0.00	市場内	取得	
2026年3月6日	普通	600	0.00	市場内	取得	
2026年3月9日	普通	1,500	0.01	市場内	取得	
2026年3月10日	普通	300	0.00	市場内	取得	
2026年3月11日	普通	700	0.01	市場内	取得	
2026年3月12日	普通	500	0.00	市場内	取得	
2026年3月13日	普通	600	0.00	市場内	取得	
2026年3月16日	普通	400	0.00	市場内	取得	
2026年3月17日	普通	300	0.00	市場内	取得	
2026年3月18日	普通	600	0.00	市場内	取得	
2026年3月19日	普通	700	0.01	市場内	取得	
2026年3月23日	普通	700	0.01	市場内	取得	
2026年3月24日	普通	500	0.00	市場内	取得	
2026年3月25日	普通	900	0.01	市場内	取得	
2026年3月26日	普通	300	0.00	市場内	取得	
2026年3月27日	普通	1,500	0.01	市場内	取得	
2026年3月30日	普通	600	0.00	市場内	取得	
2026年3月31日	普通	700	0.01	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	2,571,379
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	2,571,379

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2【提出者（大量保有者）／2】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエービーエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	エヌエービーエフ・セレクト・エルエルシー (NAVF Select LLC)
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)
代表者役職	Dalton Investments, Inc. CEO兼社長 (NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー)
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエービーエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	172,300		
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 172,300	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T 172,300		
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月11日現在）	V 12,100,000
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)	1.42
直前の報告書に記載された 株券等保有割合（%）	1.05

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年3月4日	普通	3,600	0.03	市場内	取得	
2026年3月5日	普通	400	0.00	市場内	取得	
2026年3月6日	普通	500	0.00	市場内	取得	
2026年3月9日	普通	1,400	0.01	市場内	取得	
RW-EB-03442 2026年3月10日	普通	200	0.00	市場内	取得	
2026年3月11日	普通	700	0.01	市場内	取得	

2026年3月12日	普通	400	0.00	市場内	取得	
2026年3月13日	普通	600	0.00	市場内	取得	
2026年3月16日	普通	400	0.00	市場内	取得	
2026年3月17日	普通	300	0.00	市場内	取得	
2026年3月18日	普通	600	0.00	市場内	取得	
2026年3月19日	普通	600	0.00	市場内	取得	
2026年3月23日	普通	600	0.00	市場内	取得	
2026年3月24日	普通	500	0.00	市場内	取得	
2026年3月25日	普通	900	0.01	市場内	取得	
2026年3月26日	普通	200	0.00	市場内	取得	
2026年3月27日	普通	1,500	0.01	市場内	取得	
2026年3月30日	普通	600	0.00	市場内	取得	
2026年3月31日	普通	700	0.01	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	717,611
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	717,611

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

3 【提出者 (大量保有者) / 3】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)

住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)			89,700
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	Binder 4・Page 686 of 945 H

新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q89,700
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		89,700
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月11日現在）	V	12,100,000
上記提出者の株券等保有割合（％） （T/（U+V）×100）		0.74
直前の報告書に記載された 株券等保有割合（％）		0.75

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年2月2日	普通	200	0.00	市場内	処分	
2026年2月3日	普通	200	0.00	市場内	処分	
2026年2月4日	普通	1,100	0.01	市場内	処分	
2026年2月5日	普通	4,100	0.03	市場内	処分	
2026年2月6日	普通	1,500	0.01	市場内	処分	
2026年2月9日	普通	400	0.00	市場内	処分	
2026年2月10日	普通	3,500	0.03	市場内	処分	
2026年2月12日	普通	1,000	0.01	市場内	処分	
2026年2月13日	普通	600	0.00	市場内	処分	
2026年2月16日 RW-EB-03445	普通	2,000	0.02	市場内	処分	
2026年2月17日	普通	3,600	0.03	市場内	処分	

2026年2月18日	普通	500	0.00	市場内	処分	
2026年2月19日	普通	2,300	0.02	市場内	処分	
2026年2月20日	普通	100	0.00	市場内	処分	
2026年2月24日	普通	300	0.00	市場内	処分	
2026年2月25日	普通	2,400	0.02	市場内	処分	
2026年2月26日	普通	2,300	0.02	市場内	処分	
2026年2月27日	普通	5,100	0.04	市場内	処分	
2026年3月2日	普通	3,500	0.03	市場内	処分	
2026年3月3日	普通	500	0.00	市場内	処分	
2026年3月4日	普通	2,500	0.02	市場内	処分	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	416,155
上記 (Y) の内訳	顧客の資金
取得資金合計 (千円) (W+X+Y)	416,155

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

第3 【共同保有者に関する事項】

該当事項なし

第4 【提出者及び共同保有者に関する総括表】

1 【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
- (3) ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	890,900		89,700
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 890,900	P	Q 89,700
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） (O+P+Q-R-S)	T 980,600		
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L+M+N)	U		

(2)【株券等保有割合】

発行済株式等総数（株・口） （2025年11月11日現在）	V 12,100,000
上記提出者の株券等保有割合（%） (T/ (U+V) ×100)	8.10
直前の報告書に記載された 株券等保有割合（%）	7.61

(3)【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（%）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	718,600	5.94
エヌエービーエフ・セレクト・マスター・ ファンド・エルピー（NAVF Select Master Fund LP）	172,300	1.42

ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)	89,700	0.74
合計	980,600	8.10

【表紙】

【提出書類】 変更報告書No.6

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年5月11日

【提出日】 2026年5月18日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等保有割合が1%以上増加したこと

第1【発行者に関する事項】

発行者の名称	日産東京販売ホールディングス株式会社
証券コード	8291
上場・店頭の別	上場
上場金融商品取引所	東京証券取引所スタンダード市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームスストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。提出者は、2026年4月17日付で、同年6月開催予定の発行者の定時株主総会に向け、①自己株式取得の件、②社外取締役の員数に関する定款変更の件、③譲渡制限株式報酬制度に関する報酬額承認の件、④定時株主総会の基準日に関する定款変更の件、の4議案から成る株主提案を行った。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営 戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記 (2) 保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)	2,858,500			
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	O
新株予約権付社債券 (株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計 (株・口)	V 2,858,500	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数 (総数) (V+W+X+Y-Z-AA)	AB			2,858,500

株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)	

②【株券等保有割合】

発行済株式等総数（株・口） （2026年2月13日現在）	AD	59,578,916
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） (AB/ (AD+AE-AF) ×100)		4.80
直前の報告書に記載された 株券等保有割合（％）		4.17

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年3月13日	普通	15,800	0.03	市場内	取得	
2026年3月16日	普通	7,700	0.01	市場内	取得	
2026年3月17日	普通	9,400	0.02	市場内	取得	
2026年3月18日	普通	2,300	0.00	市場内	取得	
2026年3月19日	普通	3,800	0.01	市場内	取得	
2026年3月23日	普通	13,400	0.02	市場内	取得	
2026年3月24日	普通	6,600	0.01	市場内	取得	
2026年3月25日	普通	4,400	0.01	市場内	取得	
2026年3月26日	普通	4,500	0.01	市場内	取得	
2026年3月27日	普通	12,100	0.02	市場内	取得	
2026年3月30日	普通	5,600	0.01	市場内	取得	
2026年3月31日	普通	5,800	0.01	市場内	取得	
2026年4月1日	普通	3,800	0.01	市場内	取得	
2026年4月2日	普通	2,500	0.00	市場内	取得	
2026年4月3日	普通	1,200	0.00	市場内	取得	
2026年4月6日	普通	1,700	0.00	市場内	取得	
RW-EB-03452 2026年4月7日	普通	7,500	0.01	市場内	取得	
2026年4月8日	普通	23,100	0.04	市場内	取得	

2026年4月9日	普通	11,400	0.02	市場内	取得	
2026年4月10日	普通	14,000	0.02	市場内	取得	
2026年4月13日	普通	14,200	0.02	市場内	取得	
2026年4月14日	普通	18,000	0.03	市場内	取得	
2026年4月15日	普通	12,500	0.02	市場内	取得	
2026年4月16日	普通	35,100	0.06	市場内	取得	
2026年4月17日	普通	16,800	0.03	市場内	取得	
2026年4月20日	普通	23,700	0.04	市場内	取得	
2026年4月21日	普通	8,900	0.01	市場内	取得	
2026年4月22日	普通	7,400	0.01	市場内	取得	
2026年4月23日	普通	8,500	0.01	市場内	取得	
2026年4月24日	普通	19,900	0.03	市場内	取得	
2026年4月27日	普通	18,800	0.03	市場内	取得	
2026年4月28日	普通	14,700	0.02	市場内	取得	
2026年4月30日	普通	13,000	0.02	市場内	取得	
2026年5月1日	普通	6,200	0.01	市場内	取得	
2026年5月7日	普通	27,300	0.05	市場内	取得	
2026年5月8日	普通	42,900	0.07	市場内	取得	
2026年5月11日	普通	23,600	0.04	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	1,457,778
上記 (AI) の内訳	ファンドの資金
取得資金合計 (千円) (AG+AH+AI)	1,457,778

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地
RW-EB-03453		

2【提出者（大量保有者）／2】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)
代表者役職	Dalton Investments, Inc. CEO兼社長 (NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー)
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営 戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

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(3) 【重要提案行為等】

上記 (2) 保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)	1,592,900			
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	O
新株予約権付社債券 (株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券				
株券関連預託証券	D		K	R
株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計 (株・口)	V 1,592,900	W	X	Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数 (総数) (V+W+X+Y-Z-AA)	AB			1,592,900
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC			
保有潜在株券等の数 (A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC)				

② 【株券等保有割合】

発行済株式等総数 (株・口) (2026年2月13日現在)	AD 59,578,916
提出者及び共同保有者の保有潜在株券等の 数	AE
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF

上記提出者の株券等保有割合 (%) (AB/ (AD+AE-AF) ×100)	2.67
直前の報告書に記載された 株券等保有割合 (%)	2.41

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年3月13日	普通	66,500	0.11	市場内	取得	
2026年3月16日	普通	32,400	0.05	市場内	取得	
2026年3月17日	普通	39,900	0.07	市場内	取得	
2026年3月18日	普通	9,600	0.02	市場内	取得	
2026年3月19日	普通	15,900	0.03	市場内	取得	
2026年3月23日	普通	56,600	0.10	市場内	取得	
2026年3月24日	普通	27,800	0.05	市場内	取得	
2026年3月25日	普通	18,500	0.03	市場内	取得	
2026年3月26日	普通	19,300	0.03	市場内	取得	
2026年3月27日	普通	51,000	0.09	市場内	取得	
2026年3月30日	普通	23,600	0.04	市場内	取得	
2026年3月31日	普通	24,800	0.04	市場内	取得	
2026年4月1日	普通	16,000	0.03	市場内	取得	
2026年4月2日	普通	10,400	0.02	市場内	取得	
2026年4月3日	普通	4,900	0.01	市場内	取得	
2026年4月6日	普通	7,500	0.01	市場内	取得	
2026年4月7日	普通	2,700	0.00	市場内	取得	
2026年4月8日	普通	8,300	0.01	市場内	取得	
2026年4月9日	普通	4,000	0.01	市場内	取得	
2026年4月10日	普通	5,000	0.01	市場内	取得	
2026年4月13日	普通	5,100	0.01	市場内	取得	
2026年4月14日	普通	6,400	0.01	市場内	取得	
2026年4月15日	普通	4,400	0.01	市場内	取得	
2026年4月16日	普通	12,500	0.02	市場内	取得	
2026年4月17日	普通	6,000	0.01	市場内	取得	
2026年4月20日	普通	8,500	0.01	市場内	取得	
2026年4月21日	普通	3,200	0.01	市場内	取得	
2026年4月22日	普通	2,700	0.00	市場内	取得	
2026年4月23日 RW-EB-03456	普通	3,100	0.01	市場内	取得	
2026年4月24日	普通	7,100	0.01	市場内	取得	

2026年4月27日	普通	6,700	0.01	市場内	取得	
2026年4月28日	普通	5,200	0.01	市場内	取得	
2026年4月30日	普通	4,700	0.01	市場内	取得	
2026年5月1日	普通	2,200	0.00	市場内	取得	
2026年5月7日	普通	9,800	0.02	市場内	取得	
2026年5月8日	普通	15,300	0.03	市場内	取得	
2026年5月11日	普通	8,400	0.01	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	827,913
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	
上記 (AI) の内訳	ファンドの資金
取得資金合計 (千円) (AG+AH+AI)	827,913

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

3 【提出者（大量保有者）／3】

(1) 【提出者の概要】

① 【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

② 【個人の場合】

生年月日	Binder 4・Page 699 of 945
職業	

勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

提出者は、2025年12月に発行者を含むすべての投資先に対して書簡を送付し、資本コストや株価を意識した経営の高度な実践、譲渡制限付株式報酬の実施と株式保有ガイドラインの整備の推奨、取締役会の独立性確保といった事項に加え、企業価値と株主共通の利益の観点から、非公開化やスピンオフを含むすべての経営戦略オプションを予断なく検証することを提案し、書簡の内容をウェブサイト上で公表した (https://0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com/ugd/5612ae_aa96dbd8c986429eaf45884b299f09d7.pdf [0f150b20-1256-4ec7-bae7-55db80a2a0d7.usrfiles.com])。今後も当書簡の趣旨に沿って発行者との対話を進めていく予定であり、対話の状況によっては、これらの事項についてさらなる提案を行う可能性がある。

(3) 【重要提案行為等】

上記 (2) 保有目的に記載のとおり。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)			109,000	
新株予約権証券又は新投資口 予約権証券等 (株・口)	A	-	H	O
新株予約権付社債券 (株)	B	-	I	P
対象有価証券カバードワラント	C		J	Q
株券預託証券 RW-EB-03458				
株券関連預託証券	D		K	R

株券信託受益証券				
株券関連信託受益証券	E		L	S
対象有価証券償還社債	F		M	T
他社株等転換株券	G		N	U
合計（株・口）	V	W	X	109,000 Y
信用取引により譲渡したこと により控除する株券等の数	Z			
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA			
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB			
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC			
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）				

②【株券等保有割合】

発行済株式等総数（株・口） （2026年2月13日現在）	AD	59,578,916
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		0.18
直前の報告書に記載された 株券等保有割合（％）		0.00

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年3月13日	普通	84,000	0.14	市場内	処分	
2026年3月16日	普通	53,500	0.09	市場内	処分	
2026年3月17日	普通	77,900	0.13	市場内	処分	
2026年3月18日	普通	33,900	0.06	市場内	処分	
2026年3月19日	普通	27,600	0.05	市場内	処分	
2026年3月23日	普通	50,000	0.08	市場内	処分	
2026年3月24日	普通	38,100	0.06	市場内	処分	

2026年3月25日	普通	26,300	0.04	市場内	処分	
2026年3月26日	普通	10,600	0.02	市場内	処分	
2026年3月27日	普通	80,600	0.14	市場内	処分	
2026年3月30日	普通	8,400	0.01	市場内	処分	
2026年5月7日	普通	48,400	0.08	市場内	取得	
2026年5月8日	普通	28,900	0.05	市場内	取得	
2026年5月11日	普通	31,700	0.05	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (AG) (千円)	
借入金額計 (AH) (千円)	
その他金額計 (AI) (千円)	58,062
上記 (AI) の内訳	顧客の資金
取得資金合計 (千円) (AG+AH+AI)	58,062

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

第3 【共同保有者に関する事項】

該当事項なし

第4 【提出者及び共同保有者に関する総括表】

1 【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
- (3) ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)

2 【上記提出者及び共同保有者の保有株券等の内訳】

(1) 【保有株券等の数】

RW-EB-03460	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号	法第27条の23 第3項第3号
株券又は投資証券等 (株・口)	4,451,400		109,000	

新株予約権証券又は新投資口 予約権証券等（株・口）	A	-	H	0		
新株予約権付社債券（株）	B	-	I	P		
対象有価証券カバードワラント	C		J	Q		
株券預託証券						
株券関連預託証券	D		K	R		
株券信託受益証券						
株券関連信託受益証券	E		L	S		
対象有価証券償還社債	F		M	T		
他社株等転換株券	G		N	U		
合計（株・口）	V	4,451,400	W	X	109,000	Y
信用取引により譲渡したこと により控除する株券等の数	Z					
共同保有者間で引渡請求権等 の権利が存在するものとして 控除する株券等の数	AA					
保有株券等の数（総数） （V+W+X+Y-Z-AA）	AB					4,560,400
株券、株券預託証券及び株券 信託受益証券のうち保有潜在 株券等の数に加算すべきもの の数	AC					
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L +M+N+O+P+Q+R+S+T+U+AC）						

（２）【株券等保有割合】

発行済株式等総数（株・口） （2026年2月13日現在）	AD	59,578,916
提出者及び共同保有者の保有潜在株券等の 数	AE	
保有潜在株券等のうち共同保有者間で引渡 請求権等の権利が存在するものとして控除 する潜在株券等の数	AF	
上記提出者の株券等保有割合（％） （AB/（AD+AE-AF）×100）		7.65
直前の報告書に記載された 株券等保有割合（％）		6.59

（３）【共同保有における株券等保有割合の内訳】

RW-EB-03461 提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）

ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)	2,858,500	4.80
エヌエービーエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)	1,592,900	2.67
ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)	109,000	0.18
合計	4,560,400	7.65

【表紙】

【提出書類】 変更報告書No.2

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2026年4月1日

【提出日】 2026年4月8日

【提出者及び共同保有者の総 2
数（名）】

【提出形態】 連名

【変更報告書提出事由】 提出者2の商号の変更

第1【発行者に関する事項】

発行者の名称	名港海運株式会社
証券コード	9357
上場・店頭の別	上場
上場金融商品取引所	名古屋証券取引所メイン市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	1,341,700		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O1,341,700	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		1,341,700
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年11月13日現在）	V33,006,204
上記提出者の株券等保有割合（％） （T/（U+V）×100）	4.06
直前の報告書に記載された 株券等保有割合（％）	3.91

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103465年 年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年2月17日	普通	300	0.00	市場内	取得	

2026年2月18日	普通	600	0.00	市場内	取得	
2026年2月19日	普通	11,100	0.03	市場内	取得	
2026年2月20日	普通	3,000	0.01	市場内	取得	
2026年2月24日	普通	2,100	0.01	市場内	取得	
2026年2月25日	普通	1,800	0.01	市場内	取得	
2026年2月26日	普通	500	0.00	市場内	取得	
2026年3月3日	普通	1,000	0.00	市場内	取得	
2026年3月4日	普通	2,200	0.01	市場内	取得	
2026年3月9日	普通	600	0.00	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者1及び提出者2は共同して行うことを合意している。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	1,641,178
上記 (Y) の内訳	ファンドの資金
取得資金合計 (千円) (W+X+Y)	1,641,178

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

2 【提出者 (大量保有者) / 2】

(1) 【提出者の概要】

① 【提出者 (大量保有者)】

個人・法人の別	法人
氏名又は名称	エヌエービーエフ・セレクト・マスター・ファンド・エルピー (NAVF Select (Master) Fund LP)
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	エヌエービーエフ・セレクト・エルエルシー (NAVF Select LLC)
旧住所又は本店所在地	

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②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2026年4月1日
代表者氏名	サラ・アルファンダリ (Sarah Alfandari)
代表者役職	Dalton Investments, Inc. CEO兼社長 (NAVF Select (Master) Fund LPのジェネラル・パートナーであるNAVF Select GP LLCのマネージング・メンバー)
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 水落 一隆
電話番号	03-5532-3109

(2) 【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・マスター・ファンド・エルピーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)	458,700		
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	H
新株予約権付社債券 (株)	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			Binder 4・Page 709 of 945
株券関連信託受益証券	E		L

対象有価証券償還社債	F		M	
他社株等転換株券	G		N	
合計（株・口）	O	458,700	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R			
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S			
保有株券等の数（総数） （O+P+Q-R-S）	T			458,700
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U			

②【株券等保有割合】

発行済株式等総数（株・口） （2025年11月13日現在）	V	33,006,204
上記提出者の株券等保有割合（%） （T/（U+V）×100）		1.39
直前の報告書に記載された 株券等保有割合（%）		1.27

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2026年2月17日	普通	100	0.00	市場内	取得	
2026年2月18日	普通	200	0.00	市場内	取得	
2026年2月19日	普通	5,000	0.02	市場内	取得	
2026年2月20日	普通	1,300	0.00	市場内	取得	
2026年2月24日	普通	1,000	0.00	市場内	取得	
2026年2月25日	普通	800	0.00	市場内	取得	
2026年2月26日	普通	200	0.00	市場内	取得	
2026年3月3日	普通	800	0.00	市場内	取得	
2026年3月4日	普通	1,900	0.01	市場内	取得	
2026年3月9日	普通	500	0.00	市場内	取得	

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について、提出者１及び提出者２は共同して行うことを合意している。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	593,225
借入金額計（X）（千円）	
その他金額計（Y）（千円）	

上記（Y）の内訳	ファンドの資金
取得資金合計（千円）（W+X+Y）	593,225

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・マスター・ファンド・エルピー（NAVF Select（Master）Fund LP）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	1,800,400		
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O1,800,400	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		

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保有株券等の数（総数） （0+P+Q-R-S）	T	1,800,400
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U	

（２）【株券等保有割合】

発行済株式等総数（株・口） （2025年11月13日現在）	V	33,006,204
上記提出者の株券等保有割合（％） （T/（U+V）×100）		5.45
直前の報告書に記載された 株券等保有割合（％）		5.18

（３）【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	1,341,700	4.06
エヌエービーエフ・セレクト・マスター・ ファンド・エルピー（NAVF Select （Master） Fund LP）	458,700	1.39
合計	1,800,400	5.45

【表紙】	
【提出書類】	変更報告書No.1
【根拠条文】	法第27条の25第1項
【提出先】	関東財務局長
【氏名又は名称】	敬和綜合法律事務所 弁護士 森 祐輔
【住所又は本店所在地】	東京都港区赤坂2丁目11番7号 ATT EAST11階
【報告義務発生日】	2025年9月11日
【提出日】	2025年9月19日
【提出者及び共同保有者の総数（名）】	1
【提出形態】	その他
【変更報告書提出事由】	株券等保有割合が1%以上増加したこと

第1【発行者に関する事項】

発行者の名称	あいホールディングス株式会社
証券コード	3076
上場・店頭の別	上場
上場金融商品取引所	東証プライム

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

（1）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人（外国会社）
氏名又は名称	ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 （9440 West Sahara Avenue, Suite 215 Las Vegas, Nevada 89117, USA）
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世（James B. Rosenwald III）
代表者役職	チーフ・インベストメント・オフィサー（Chief Investment Officer）
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	東京都港区赤坂2丁目11番7号 ATT EAST11階 敬和綜合法律事務所 弁護士 森 祐輔
電話番号	03-3560-5051

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			3,416,800
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 3,416,800
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		3,416,800
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年9月11日現在）	V	Binder 4・Page 715 of 945 56,590,410

上記提出者の株券等保有割合（％） (T/ (U+V) ×100)	6.04
直前の報告書に記載された 株券等保有割合（％）	5.02

(５) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年7月15日	普通株式	12,600	0.02	市場内	取得	
2025年7月23日	普通株式	10,600	0.02	市場内	取得	
2025年7月25日	普通株式	9,400	0.02	市場内	取得	
2025年7月29日	普通株式	10,400	0.02	市場内	取得	
2025年8月1日	普通株式	10,300	0.02	市場内	取得	
2025年8月5日	普通株式	7,000	0.01	市場内	処分	
2025年8月18日	普通株式	11,800	0.02	市場内	取得	
2025年8月25日	普通株式	11,600	0.02	市場内	取得	
2025年8月27日	普通株式	11,800	0.02	市場内	取得	
2025年9月1日	普通株式	11,600	0.02	市場内	取得	
2025年9月3日	普通株式	19,300	0.03	市場内	取得	
2025年9月5日	普通株式	11,400	0.02	市場内	取得	
2025年9月8日	普通株式	18,900	0.03	市場内	取得	
2025年9月11日	普通株式	18,700	0.03	市場内	取得	

(６) 【当該株券等に関する担保契約等重要な契約】

該当なし

(７) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	7,061,833
上記（Y）の内訳	顧客の資金
取得資金合計（千円）（W+X+Y）	7,061,833

② 【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③ 【借入先の名称等】

RW-EB-03474 名称（支店名）	代表者氏名	Binder 4 - Page 716 of 945 所在地

【表紙】
【提出書類】 大量保有報告書
【根拠条文】 法第27条の23第1項
【提出先】 関東財務局長
【氏名又は名称】 敬和綜合法律事務所
弁護士 森 祐輔
【住所又は本店所在地】 東京都港区赤坂2丁目11番7号 ATT EAST11階
【報告義務発生日】 2025年6月26日
【提出日】 2025年7月3日
【提出者及び共同保有者の総数（名）】 1
【提出形態】 その他
【変更報告書提出事由】

第1【発行者に関する事項】

発行者の名称	アニコム ホールディングス株式会社
証券コード	8715
上場・店頭の別	上場
上場金融商品取引所	東証プライム

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人（外国会社）
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215 Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	東京都港区赤坂2丁目11番7号 ATT EAST11階 敬和綜合法律事務所 弁護士 森 祐輔
電話番号	03-3560-5051

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			3,810,400
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 3,810,400
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		3,810,400
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年6月26日現在）	V	Binder 4・Page 719 of 945 74,939,160

上記提出者の株券等保有割合（％） (T/ (U+V) ×100)	5.08
直前の報告書に記載された 株券等保有割合（％）	

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年4月28日	普通株式	210,500	0.28	市場内	取得	
2025年4月30日	普通株式	32,400	0.04	市場内	取得	
2025年5月1日	普通株式	89,700	0.12	市場内	取得	
2025年5月7日	普通株式	155,800	0.21	市場内	取得	
2025年5月8日	普通株式	160,000	0.21	市場内	取得	
2025年5月9日	普通株式	153,200	0.20	市場内	取得	
2025年5月12日	普通株式	579,000	0.77	市場外	取得	661.69
2025年5月12日	普通株式	208,000	0.28	市場内	取得	
2025年5月13日	普通株式	146,400	0.20	市場内	取得	
2025年5月14日	普通株式	122,500	0.16	市場内	取得	
2025年5月15日	普通株式	172,400	0.23	市場内	取得	
2025年5月16日	普通株式	93,700	0.13	市場内	取得	
2025年5月19日	普通株式	20,700	0.03	市場内	取得	
2025年5月20日	普通株式	24,700	0.03	市場内	取得	
2025年5月21日	普通株式	19,100	0.03	市場内	取得	
2025年5月22日	普通株式	34,300	0.05	市場内	取得	
2025年5月23日	普通株式	22,500	0.03	市場内	取得	
2025年5月26日	普通株式	13,600	0.02	市場内	取得	
2025年5月27日	普通株式	20,000	0.03	市場内	取得	
2025年5月29日	普通株式	56,100	0.07	市場内	取得	
2025年5月30日	普通株式	12,300	0.02	市場内	取得	
2025年6月2日	普通株式	61,000	0.08	市場内	取得	
2025年6月3日	普通株式	29,300	0.04	市場内	取得	
2025年6月4日	普通株式	70,900	0.09	市場内	取得	
2025年6月5日	普通株式	85,700	0.11	市場内	取得	
2025年6月6日	普通株式	61,900	0.08	市場内	取得	
2025年6月11日	普通株式	41,700	0.06	市場内	取得	
2025年6月12日	普通株式	21,200	0.03	市場内	取得	
2025年6月13日 RW-EB-03478	普通株式	38,600	0.05	市場内	取得	
2025年6月16日	普通株式	30,000	0.04	市場外	取得	699.00

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2025年6月16日	普通株式	34,400	0.05	市場内	取得	
2025年6月17日	普通株式	74,500	0.10	市場内	取得	
2025年6月18日	普通株式	50,500	0.07	市場内	取得	
2025年6月19日	普通株式	38,300	0.05	市場内	取得	
2025年6月20日	普通株式	100,000	0.13	市場内	取得	
2025年6月23日	普通株式	154,100	0.21	市場内	取得	
2025年6月24日	普通株式	30,000	0.04	市場外	取得	697.75
2025年6月24日	普通株式	62,600	0.08	市場内	取得	
2025年6月25日	普通株式	92,500	0.12	市場内	取得	
2025年6月26日	普通株式	105,700	0.14	市場内	取得	

(6) 【当該株券等に関する担保契約等重要な契約】

該当なし

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 (W) (千円)	
借入金額計 (X) (千円)	
その他金額計 (Y) (千円)	2,500,615
上記 (Y) の内訳	顧客の資金
取得資金合計 (千円) (W+X+Y)	2,500,615

② 【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③ 【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

【表紙】

【提出書類】 変更報告書No.5

【根拠条文】 法第27条の25第1項

【提出先】 関東財務局長

【氏名又は名称】 ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
取締役会会長 ローズマリー・モーガン（Rosemary Morgan）

【住所又は本店所在地】 イギリス連合王国ロンドン市ジェームズストリート46-48 4階（4th floor, 46 -
48 James Street, London, U.K.）

【報告義務発生日】 2025年6月12日

【提出日】 2025年6月19日

【提出者及び共同保有者の総 3
数（名）】

【提出形態】 連名

【変更報告書提出事由】 株券等に関する担保契約等重要な契約の締結

第1【発行者に関する事項】

発行者の名称	株式会社フジ・メディア・ホールディングス
証券コード	4676
上場・店頭の間	上場
上場金融商品取引所	東京証券取引所プライム市場

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ニッポン・アクティブ・バリュー・ファンド (NIPPON ACTIVE VALUE FUND PLC)
住所又は本店所在地	イギリス連合王国ロンドン市ジェームズストリート46-48 4階 (4th floor, 46 - 48 James Street, London, U.K.)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年10月22日
代表者氏名	ローズマリー・モーガン
代表者役職	取締役会会長
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、ニッポン・アクティブ・バリュー・ファンドは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法を話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	2,500,000		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O2,500,000	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		2,500,000
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2024年11月12日現在）	V234,194,500
上記提出者の株券等保有割合（％） （T/（U+V）×100）	1.07
直前の報告書に記載された 株券等保有割合（％）	1.07

(5) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

RW-EB103482	年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

(6) 【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者1、提出者2及び提出者3は共同して行うことを合意している。
提出者1は、発行者が2025年6月25日に開催を予定している定時株主総会（以下「本株主総会」という。）において、提出者1が指名した提出者2及び提出者3の関係者を発行者の取締役候補者とする取締役選任議案（以下「本議案」という。）を提出している。提出者らはいずれも本株主総会において本議案等に対して賛成の議決権を行使することが想定されるため、提出者らの間では、本株主総会において本議案等に対し賛成の議決権を行使することが黙示的に合意されている。

(7) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	3,853,502
上記（Y）の内訳	ファンドの資金
取得資金合計（千円）（W+X+Y）	3,853,502

② 【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③ 【借入先の名称等】

名称（支店名）	代表者氏名	所在地

2 【提出者（大量保有者）／2】

(1) 【提出者の概要】

① 【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	エヌエーブイエフ・セレクト・エルエルシー（NAVF Select LLC）
住所又は本店所在地	アメリカ合衆国デラウェア州ニューキャッスル・カウンティ、ウィルミントン、リトルフォールドライブ251 (251 Little Falls Drive, Wilmington, New Castle County, Delaware USA)
旧氏名又は名称	
旧住所又は本店所在地	

② 【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③ 【法人の場合】

RW-EB-03483 設立年月日	2021年4月26日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世（James B. Rosenwald III）

代表者役職	提出者のマネージャーであるダルトン・インベストメンツ・インクのチーフ・インベストメント・オフィサー
事業内容	金融商品投資業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2)【保有目的】

投資及び経営陣に対する経営の助言並びに状況に応じて重要提案行為等を行うこと。特に、エヌエーブイエフ・セレクト・エルエルシーは、発行会社の財務的健全性及び市場での地位が株価に反映されていないと考えており、全ての株主のために株式価値を高めるための方法話し合うことを目的とし、発行会社の経営陣に対して対話を要求する場合がある。

(3)【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4)【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	700,000		
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 700,000	P	Q
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） $(O+P+Q-R-S)$ RW-EB-03484	T 700,000		
保有潜在株券等の数 $(A+B+C+D+E+F+G+H+I+J+K+L+M+N)$	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2024年11月12日現在）	V	234,194,500
上記提出者の株券等保有割合（％） （T/（U+V）×100）		0.30
直前の報告書に記載された 株券等保有割合（％）		0.30

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。 提出者1は、発行者が2025年6月25日に開催を予定している定時株主総会（以下「本株主総会」という。）において、提出者１が指名した提出者2及び提出者3の関係者を発行者の取締役候補者とする取締役選任議案（以下「本議案」という。）を提出している。提出者らはいずれも本株主総会において本議案等に対して賛成の議決権を行使することが想定されるため、提出者らの間では、本株主総会において本議案等に対し賛成の議決権を行使することが黙示的に合意されている。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（Ⅱ）（千円）	1,070,700
借入金額計（Ⅹ）（千円）	
その他金額計（Ⅲ）（千円）	
上記（Ⅲ）の内訳	ファンドの資金
取得資金合計（千円）（Ⅱ+Ⅹ+Ⅲ）	1,070,700

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

3【提出者（大量保有者）／3】

（１）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人
氏名又は名称	ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）
RW-EB-03485 住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA)

旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	日比谷中田法律事務所 弁護士 春山 莉沙
電話番号	03-5532-0006

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

①【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等 (株・口)			14,386,800
新株予約権証券又は新投資口予約権証券等 (株・口)	A	-	H
新株予約権付社債券 (株)	B	-	I
RW-EB-03486 対象有価証券カバードワラント	C		Binder 4 - Page 728 of 945 J
株券預託証券			

株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 14,386,800
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		14,386,800
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

②【株券等保有割合】

発行済株式等総数（株・口） （2024年11月12日現在）	V 234,194,500
上記提出者の株券等保有割合（％） （T/（U+V）×100）	6.14
直前の報告書に記載された 株券等保有割合（％）	5.83

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年4月15日	普通	376,800	0.16	市場内	処分	

（６）【当該株券等に関する担保契約等重要な契約】

発行会社の普通株式の取得について提出者１、提出者２及び提出者３は共同して行うことを合意している。 提出者1は、発行者が2025年6月25日に開催を予定している定時株主総会（以下「本株主総会」という。）において、提出者１が指名した提出者2及び提出者3の関係者を発行者の取締役候補者とする取締役選任議案（以下「本議案」という。）を提出している。提出者らはいずれも本株主総会において本議案等に対して賛成の議決権を行使することが想定されるため、提出者らの間では、本株主総会において本議案等に対し賛成の議決権を行使することが黙示的に合意されている。

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	22,682,218
上記（Y）の内訳	顧客の資金
取得資金合計（千円）（W+X+Y）	22,682,218

RW-EB-65487

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

第3【共同保有者に関する事項】

該当事項なし

第4【提出者及び共同保有者に関する総括表】

1【提出者及び共同保有者】

- (1) ニッポン・アクティブ・バリュー・ファンド（NIPPON ACTIVE VALUE FUND PLC）
- (2) エヌエーブイエフ・セレクト・エルエルシー（NAVF Select LLC）
- (3) ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）

2【上記提出者及び共同保有者の保有株券等の内訳】

(1)【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）	3,200,000		14,386,800
新株予約権証券又は新投資口予約権証券等 （株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O 3,200,000	P	Q 14,386,800
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S） ~~RW-EB-03488~~	T 17,586,800		
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

(2) 【株券等保有割合】

発行済株式等総数（株・口） （2024年11月12日現在）	V	234,194,500
上記提出者の株券等保有割合（％） （T/（U+V）×100）		7.51
直前の報告書に記載された 株券等保有割合（％）		7.19

(3) 【共同保有における株券等保有割合の内訳】

提出者及び共同保有者名	保有株券等の数（総数） （株・口）	株券等保有割合（％）
ニッポン・アクティブ・バリュー・ファン ド（NIPPON ACTIVE VALUE FUND PLC）	2,500,000	1.07
エヌエーブイエフ・セレクト・エルエル シー（NAVF Select LLC）	700,000	0.30
ダルトン・インベストメンツ・インク （Dalton Investments, Inc.）	14,386,800	6.14
合計	17,586,800	7.51

【表紙】
【提出書類】 大量保有報告書
【根拠条文】 法第27条の23第1項
【提出先】 関東財務局長
【氏名又は名称】 敬和綜合法律事務所
弁護士 丸藤瞭介
【住所又は本店所在地】 東京都港区赤坂2丁目11番7号 ATT新館11階
【報告義務発生日】 2023年11月9日
【提出日】 2023年11月16日
【提出者及び共同保有者の総数（名）】 1
【提出形態】 その他
【変更報告書提出事由】

第1【発行者に関する事項】

発行者の名称	株式会社イワキ
証券コード	6237
上場・店頭の別	上場
上場金融商品取引所	東証プライム

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

（1）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人（外国会社）
氏名又は名称	ダルトン・インベストメンツ・エルエルシー (Dalton Investments LLC)
住所又は本店所在地	米国カリフォルニア州90404、サンタモニカ市、クロバーフィールド・ブル ヴァード1601、スイート5050N (1601 Cloverfield Blvd., Suite 5050N, Santa Monica, CA 90404, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	1999年3月5日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー、アジア・ストラテジーズ (Chief Investment Officer, Asia Strategies)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	東京都港区赤坂2丁目11番7号 ATT新館11階 敬和綜合法律事務所 弁護士 丸藤瞭介
電話番号	03-3560-5051

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			1,129,500
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 1,129,500
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		1,129,500
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2023年11月9日現在）	V	Binder 4・Page 734 of 945 22,490,910

上記提出者の株券等保有割合（％） (T/ (U+V) ×100)	5.02
直前の報告書に記載された 株券等保有割合（％）	

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2023年10月2日	普通株式	4,800	0.02	市場内	取得	
2023年10月3日	普通株式	15,400	0.07	市場内	取得	
2023年10月4日	普通株式	16,000	0.07	市場内	取得	
2023年10月5日	普通株式	1,000	0.00	市場内	取得	
2023年10月6日	普通株式	1,200	0.01	市場内	取得	
2023年10月10日	普通株式	8,000	0.04	市場内	取得	
2023年10月11日	普通株式	7,700	0.03	市場内	取得	
2023年10月12日	普通株式	6,600	0.03	市場内	取得	
2023年10月13日	普通株式	7,400	0.03	市場内	取得	
2023年10月16日	普通株式	15,700	0.07	市場内	取得	
2023年10月17日	普通株式	3,500	0.02	市場内	取得	
2023年10月18日	普通株式	11,000	0.05	市場内	取得	
2023年10月19日	普通株式	11,000	0.05	市場内	取得	
2023年10月20日	普通株式	15,100	0.07	市場内	取得	
2023年11月2日	普通株式	12,800	0.06	市場内	取得	
2023年11月6日	普通株式	1,300	0.01	市場内	取得	
2023年11月7日	普通株式	15,800	0.07	市場内	取得	
2023年11月8日	普通株式	1,800	0.01	市場内	取得	
2023年11月8日	普通株式	44,600	0.20	市場内	取得	
2023年11月9日	普通株式	6,200	0.03	市場内	取得	

（６）【当該株券等に関する担保契約等重要な契約】

該当なし

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（ⅳ）（千円）	
借入金額計（Ⅹ）（千円）	
その他金額計（ⅲ）（千円）	1,537,738
上記（ⅲ）の内訳	顧客の資金
取得資金合計（千円）（ⅲ+Ⅹ+ⅳ）	

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

【表紙】
【提出書類】 大量保有報告書
【根拠条文】 法第27条の23第1項
【提出先】 関東財務局長
【氏名又は名称】 敬和綜合法律事務所
弁護士 森 祐輔
【住所又は本店所在地】 東京都港区赤坂2丁目11番7号 ATT EAST11階
【報告義務発生日】 2025年3月3日
【提出日】 2025年3月10日
【提出者及び共同保有者の総数（名）】 1
【提出形態】 その他
【変更報告書提出事由】

第1【発行者に関する事項】

発行者の名称	マクニカホールディングス株式会社
証券コード	3132
上場・店頭の別	上場
上場金融商品取引所	東証プライム

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人（外国会社）
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215 Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	東京都港区赤坂2丁目11番7号 ATT EAST11階 敬和綜合法律事務所 弁護士 森 祐輔
電話番号	03-3560-5051

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			8,970,900
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 8,970,900
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		8,970,900
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年3月3日現在）	V	Binder 4 · Page 739 of 945 179,072,146

上記提出者の株券等保有割合（％） （T/（U+V）×100）	5.01
直前の報告書に記載された 株券等保有割合（％）	

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年1月7日	普通株式	18,000	0.01	市場内	処分	
2025年2月5日	普通株式	17,800	0.01	市場内	処分	
2025年2月7日	普通株式	51,700	0.03	市場内	取得	
2025年2月10日	普通株式	153,400	0.09	市場内	取得	
2025年2月12日	普通株式	189,300	0.11	市場内	取得	
2025年2月12日	普通株式	13,800	0.01	市場内	処分	
2025年2月17日	普通株式	27,600	0.02	市場内	取得	
2025年2月18日	普通株式	48,100	0.03	市場内	取得	
2025年2月19日	普通株式	54,900	0.03	市場内	取得	
2025年2月20日	普通株式	25,700	0.01	市場内	取得	
2025年2月21日	普通株式	161,600	0.09	市場内	取得	
2025年2月25日	普通株式	55,100	0.03	市場内	取得	
2025年2月26日	普通株式	30,000	0.02	市場内	取得	
2025年2月27日	普通株式	41,100	0.02	市場内	取得	
2025年2月28日	普通株式	32,900	0.02	市場内	取得	
2025年2月28日	普通株式	1,400	0.00	市場内	処分	
2025年3月3日	普通株式	22,900	0.01	市場内	取得	

（６）【当該株券等に関する担保契約等重要な契約】

該当なし

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	10,240,398
上記（Y）の内訳	顧客の資金
取得資金合計（千円）（W+X+Y）	10,240,398

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）
RW-EB-03498					

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

【表紙】	
【提出書類】	変更報告書No.2
【根拠条文】	法第27条の25第1項
【提出先】	関東財務局長
【氏名又は名称】	敬和綜合法律事務所 弁護士 森 祐輔
【住所又は本店所在地】	東京都港区赤坂2丁目11番7号 ATT新館11階
【報告義務発生日】	2024年2月1日
【提出日】	2024年2月8日
【提出者及び共同保有者の総数（名）】	1
【提出形態】	その他
【変更報告書提出事由】	住所の変更

第1【発行者に関する事項】

発行者の名称	三和ホールディングス株式会社
証券コード	5929
上場・店頭の別	上場
上場金融商品取引所	東証プライム

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

（1）【提出者の概要】

①【提出者（大量保有者）】

個人・法人の別	法人（外国会社）
氏名又は名称	ダルトン・インベストメンツ・インク (Dalton Investments, Inc.)
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215 Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	米国ネバダ州89119、ラスベガス市、メリーランドパークウェイ4220 S スイート205A (4220 S. Maryland Pkwy, Suite 205A Las Vegas, NV 89119, USA)

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世 (James B. Rosenwald III)
代表者役職	チーフ・インベストメント・オフィサー (Chief Investment Officer)
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	東京都港区赤坂2丁目11番7号 ATT新館11階 敬和綜合法律事務所 弁護士 森 祐輔
電話番号	03-3560-5051

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			12,920,500
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 12,920,500
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		12,920,500
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2024年2月1日現在）	V	Binder 4 · Page 744 of 945 231,000,000

上記提出者の株券等保有割合（％） (T/ (U+V) ×100)	5.59
直前の報告書に記載された 株券等保有割合（％）	5.60

(５) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2023年12月31日	普通株式	12,928,600	5.60	市場外	取得	顧客資産の運用受託
2024年1月19日	普通株式	8,100	0.00	市場内	処分	

(６) 【当該株券等に関する担保契約等重要な契約】

該当なし

(７) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額（ⅳ）（千円）	
借入金額計（Ⅹ）（千円）	
その他金額計（ⅲ）（千円）	18,139,740
上記（ⅲ）の内訳	顧客の資金
取得資金合計（千円）（ⅳ+Ⅹ+ⅲ）	18,139,740

② 【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③ 【借入先の名称等】

名称（支店名）	代表者氏名	所在地

【表紙】
【提出書類】 大量保有報告書
【根拠条文】 法第27条の23第1項
【提出先】 関東財務局長
【氏名又は名称】 敬和綜合法律事務所
弁護士 森 祐輔
【住所又は本店所在地】 東京都港区赤坂2丁目11番7号 ATT EAST11階
【報告義務発生日】 2025年5月28日
【提出日】 2025年6月4日
【提出者及び共同保有者の総数（名）】 1
【提出形態】 その他
【変更報告書提出事由】

第1【発行者に関する事項】

発行者の名称	センコーグループホールディングス株式会社
証券コード	9069
上場・店頭の別	上場
上場金融商品取引所	東証プライム

第2【提出者に関する事項】**1【提出者（大量保有者）／1】****（1）【提出者の概要】****①【提出者（大量保有者）】**

個人・法人の別	法人（外国会社）
氏名又は名称	ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215 Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世（James B. Rosenwald III）
代表者役職	チーフ・インベストメント・オフィサー（Chief Investment Officer）
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	東京都港区赤坂2丁目11番7号 ATT EAST11階 敬和綜合法律事務所 弁護士 森 祐輔
電話番号	03-3560-5051

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			8,793,900
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 8,793,900
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		8,793,900
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年5月28日現在）	V	Binder 4 · Page 748 of 945 175,692,457

上記提出者の株券等保有割合（％） (T/ (U+V) ×100)	5.01
直前の報告書に記載された 株券等保有割合（％）	

（５）【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年3月31日	普通株式	13,300	0.01	市場内	取得	
2025年4月1日	普通株式	13,500	0.01	市場内	取得	
2025年4月3日	普通株式	21,800	0.01	市場内	取得	
2025年4月7日	普通株式	10,400	0.01	市場内	取得	
2025年4月11日	普通株式	29,500	0.02	市場内	取得	
2025年4月14日	普通株式	6,500	0.00	市場外	取得	1478.86
2025年4月14日	普通株式	21,300	0.01	市場内	取得	
2025年4月15日	普通株式	27,200	0.02	市場内	取得	
2025年4月16日	普通株式	17,400	0.01	市場内	取得	
2025年4月17日	普通株式	86,200	0.05	市場内	取得	
2025年4月18日	普通株式	56,600	0.03	市場内	取得	
2025年4月21日	普通株式	67,500	0.04	市場内	取得	
2025年4月22日	普通株式	84,700	0.05	市場内	取得	
2025年4月24日	普通株式	7,400	0.00	市場内	取得	
2025年4月25日	普通株式	129,100	0.07	市場内	取得	
2025年4月28日	普通株式	99,400	0.06	市場内	取得	
2025年5月1日	普通株式	37,800	0.02	市場内	取得	
2025年5月7日	普通株式	11,200	0.01	市場内	取得	
2025年5月12日	普通株式	5,800	0.00	市場内	取得	
2025年5月14日	普通株式	5,600	0.00	市場内	取得	
2025年5月15日	普通株式	11,800	0.01	市場内	取得	
2025年5月19日	普通株式	57,400	0.03	市場内	取得	
2025年5月20日	普通株式	211,500	0.12	市場内	取得	
2025年5月21日	普通株式	116,100	0.07	市場内	取得	
2025年5月22日	普通株式	115,600	0.07	市場内	取得	
2025年5月23日	普通株式	600,000	0.34	市場外	取得	1780.44
2025年5月23日	普通株式	199,500	0.11	市場内	取得	
2025年5月26日	普通株式	187,000	0.11	市場外	取得	1820.10
2025年5月26日 RW-EB-03507	普通株式	39,100	0.02	市場内	取得	
2025年5月27日	普通株式	107,100	0.06	市場内	取得	

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2025年5月28日	普通株式	1,350,000	0.77	市場外	取得	1779.95
2025年5月28日	普通株式	26,300	0.01	市場内	取得	

（６）【当該株券等に関する担保契約等重要な契約】

該当なし

（７）【保有株券等の取得資金】

①【取得資金の内訳】

自己資金額（W）（千円）	
借入金額計（X）（千円）	
その他金額計（Y）（千円）	13,684,104
上記（Y）の内訳	顧客の資金
取得資金合計（千円）（W+X+Y）	13,684,104

②【借入金の内訳】

名称（支店名）	業種	代表者氏名	所在地	借入 目的	金額 （千円）

③【借入先の名称等】

名称（支店名）	代表者氏名	所在地

【表紙】	
【提出書類】	大量保有報告書
【根拠条文】	法第27条の23第1項
【提出先】	関東財務局長
【氏名又は名称】	敬和綜合法律事務所 弁護士 森 祐輔
【住所又は本店所在地】	東京都港区赤坂2丁目11番7号 ATT EAST11階
【報告義務発生日】	2025年5月29日
【提出日】	2025年6月5日
【提出者及び共同保有者の総数（名）】	1
【提出形態】	その他
【変更報告書提出事由】	

第1【発行者に関する事項】

発行者の名称	トーセイ株式会社
証券コード	8923
上場・店頭の間	上場
上場金融商品取引所	東証プライム

第2【提出者に関する事項】

1【提出者（大量保有者）／1】

(1)【提出者の概要】

①【提出者（大量保有者）】

個人・法人の間	法人（外国会社）
氏名又は名称	ダルトン・インベストメンツ・インク（Dalton Investments, Inc.）
住所又は本店所在地	米国ネバダ州89117、ラスベガス市、ウエストサハラアベニュー9440 スイート215 (9440 West Sahara Avenue, Suite 215 Las Vegas, Nevada 89117, USA)
旧氏名又は名称	
旧住所又は本店所在地	

②【個人の場合】

生年月日	
職業	
勤務先名称	
勤務先住所	

③【法人の場合】

設立年月日	2019年12月3日
代表者氏名	ジェームズ・ビー・ローゼンワルド三世（James B. Rosenwald III）
代表者役職	チーフ・インベストメント・オフィサー（Chief Investment Officer）
事業内容	投資顧問業

④【事務上の連絡先】

事務上の連絡先及び担当者名	東京都港区赤坂2丁目11番7号 ATT EAST11階 敬和総合法律事務所 弁護士 森 祐輔
電話番号	03-3560-5051

(2) 【保有目的】

提出者は、発行者の株価が過小評価されており魅力的な投資機会であると考えて、発行者の株式を取得し長期的に保有する。提出者は、発行者の財務状況、戦略的決定、取締役会の決定、株価水準、他の投資機会、投資ポートフォリオの集中と分散に関する内部ガイドライン、株式市場の状況、全般的な経済・産業動向などの様々な状況に応じて、発行者の株式や関連金融商品の追加取得、若しくはその全部または一部の売却、その他提出者が適切と考えるあらゆる措置を採る可能性がある。更に提出者は、過小評価されていると提出者が考える発行者の株価および株主価値の向上のため、発行者、その役員・取締役、他の株主等との間で、発行者のコーポレートガバナンス、取締役会の構成、経営、事業、財務状況及び戦略に関して、建設的な対話を行うことを求めている可能性がある。

(3) 【重要提案行為等】

状況に応じ、①潜在的な利益相反回避のため、より一層透明性の高い管理体制を求め、一般の少数株主等の意見を尊重する独立取締役の選任を求めるなどの役員構成の変更、②株式価値向上のための増配など配当方針の変更、自社株買いなど資本政策への変更、③その他提出者が発行者の株主価値向上につながると考えるあらゆる合理的な措置、に関する重要提案行為等を行う可能性がある。

(4) 【上記提出者の保有株券等の内訳】

① 【保有株券等の数】

	法第27条の23 第3項本文	法第27条の23 第3項第1号	法第27条の23 第3項第2号
株券又は投資証券等（株・口）			2,434,800
新株予約権証券又は新投資口予約権証券等（株・口）	A	-	H
新株予約権付社債券（株）	B	-	I
対象有価証券カバードワラント	C		J
株券預託証券			
株券関連預託証券	D		K
株券信託受益証券			
株券関連信託受益証券	E		L
対象有価証券償還社債	F		M
他社株等転換株券	G		N
合計（株・口）	O	P	Q 2,434,800
信用取引により譲渡したことにより 控除する株券等の数	R		
共同保有者間で引渡請求権等の権利が 存在するものとして控除する株券等の数	S		
保有株券等の数（総数） （O+P+Q-R-S）	T		2,434,800
保有潜在株券等の数 （A+B+C+D+E+F+G+H+I+J+K+L+M+N）	U		

② 【株券等保有割合】

発行済株式等総数（株・口） （2025年5月29日現在）	V	Binder 4・Page 752 of 945 48,683,800

上記提出者の株券等保有割合（％） (T/ (U+V) ×100)	5.00
直前の報告書に記載された 株券等保有割合（％）	

(５) 【当該株券等の発行者の発行する株券等に関する最近60日間の取得又は処分の状況】

年月日	株券等の種類	数量	割合	市場内外取引の別	取得又は処分の別	単価
2025年3月31日	普通株式	6,900	0.01	市場内	取得	
2025年4月1日	普通株式	7,100	0.01	市場内	取得	
2025年4月3日	普通株式	11,700	0.02	市場内	取得	
2025年4月7日	普通株式	6,800	0.01	市場内	取得	
2025年4月18日	普通株式	6,500	0.01	市場内	取得	
2025年4月22日	普通株式	7,200	0.01	市場内	取得	
2025年4月24日	普通株式	5,000	0.01	市場内	取得	
2025年4月28日	普通株式	10,200	0.02	市場内	取得	
2025年5月1日	普通株式	32,400	0.07	市場内	取得	
2025年5月2日	普通株式	33,400	0.07	市場内	取得	
2025年5月7日	普通株式	31,900	0.07	市場内	取得	
2025年5月8日	普通株式	23,600	0.05	市場内	取得	
2025年5月9日	普通株式	18,700	0.04	市場内	取得	
2025年5月12日	普通株式	13,100	0.03	市場内	取得	
2025年5月14日	普通株式	3,700	0.01	市場内	取得	
2025年5月15日	普通株式	7,700	0.02	市場内	取得	
2025年5月19日	普通株式	3,800	0.01	市場内	取得	
2025年5月20日	普通株式	4,400	0.01	市場内	取得	
2025年5月21日	普通株式	3,400	0.01	市場内	取得	
2025年5月22日	普通株式	6,000	0.01	市場内	取得	
2025年5月23日	普通株式	4,000	0.01	市場内	取得	
2025年5月26日	普通株式	5,600	0.01	市場内	取得	
2025年5月27日	普通株式	3,700	0.01	市場内	取得	
2025年5月29日	普通株式	6,600	0.01	市場内	取得	

(６) 【当該株券等に関する担保契約等重要な契約】

該当なし

(７) 【保有株券等の取得資金】

① 【取得資金の内訳】

自己資金額 ^(ⅳ) （千円）	Binder 4・Page 754 of 945
借入金額計（X）（千円）	

その他金額計 (Y) (千円)	4,266,809
上記 (Y) の内訳	顧客の資金
取得資金合計 (千円) (W+X+Y)	4,266,809

②【借入金の内訳】

名称 (支店名)	業種	代表者氏名	所在地	借入 目的	金額 (千円)

③【借入先の名称等】

名称 (支店名)	代表者氏名	所在地

SECTION

Nippon Active Value Fund plc Prospectus

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser who specialises in advising on shares or other securities and who is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") or, if you are not resident in the UK, from another appropriately authorised independent financial adviser in your own jurisdiction.

This document comprises a prospectus (the "Prospectus") relating to Nippon Active Value Fund plc (the "Company") and the Prospectus has been approved by the Financial Conduct Authority ("FCA") as competent authority under Regulation (EU) 2017/1129 (the "Prospectus Regulation"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Company that is the subject of this Prospectus and of the quality of the Shares that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Shares.

Potential investors are recommended to seek advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under FSMA if you are in the United Kingdom or, if not, from another appropriately authorised independent adviser before investing in the Company. Potential investors should read the entire Prospectus and, in particular, consider the risk factors relating to the Company set out on pages 11 to 21 of this Prospectus.

NIPPON ACTIVE VALUE FUND PLC

(Incorporated and registered in England and Wales with registered number 12275668 and registered as an investment company under section 833 of the Companies Act 2006 (as amended))

Initial Placing, Offer for Subscription and Intermediaries Offer of up to 200 million Ordinary Shares at an Issue Price of 100 pence per Ordinary Share¹

and

Placing Programme of up to 400 million Ordinary Shares and/or C Shares (inclusive of any Ordinary Shares issued under the Initial Placing, Offer for Subscription and Intermediaries Offer)

and

Admission to trading on the Specialist Fund Segment

Investment Adviser

Rising Sun Management Ltd

Financial Adviser and Sole Bookrunner

Shore Capital

The Company, whose registered office appears on pages 4 and 36 of this Prospectus, and the Directors, whose names appear on pages 5 and 36 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in this Prospectus is in accordance with the facts and the Prospectus contains no omissions likely to affect the import of such information.

Application will be made to the London Stock Exchange for any Ordinary Shares and C Shares issued pursuant to this Prospectus to be admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange. It is expected that First Admission will occur, and that unconditional dealings in Ordinary Shares issued pursuant to the Initial Placing, Offer for Subscription and Intermediaries Offer will commence, at 8:00 a.m. on or around 5 February 2020. The International Security Identification Number ("**ISIN**") for the Ordinary Shares to be admitted to trading is: GB00BKLGLS10. The ISIN for the C Shares to be admitted to trading is: GB00BKLGLT27.

Neither the Ordinary Shares nor the C Shares are dealt in on any other Recognised Investment Exchange and no other such applications have been made or are currently expected.

The Specialist Fund Segment securities are not admitted to the Official List of the Financial Conduct Authority. Therefore the Company has not been required to satisfy the eligibility criteria for admission to listing on the Official List and is not required to comply with the Financial Conduct Authority's Listing Rules. The London Stock Exchange has not examined or approved the contents of this document.

The Specialist Fund Segment is intended for institutional, professional, professionally advised and knowledgeable investors who understand, or who have been advised of, the potential risk of investing in companies admitted to the Specialist Fund Segment. Further, the Shares are only suitable for investors: (i) who understand and are willing to assume the potential risks of capital loss; (ii) for whom an investment in the Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such investment. It should be remembered that the price of the Shares can go down as well as up and that investors may not receive, on the sale or cancellation of the Shares, the amount that they invested. If you are in any doubt about the contents of this Prospectus, you should consult your accountant, legal or professional adviser or financial adviser.

Shore Capital, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and for no one else in relation to First Admission, the Initial Placing, the Offer for Subscription, each Programme Admission and the Placing Programme and the other arrangements referred to in this Prospectus. Shore Capital will not regard any other person (whether or not a recipient of this Prospectus) as its client in relation to First Admission, the Initial Placing, the Offer for Subscription, the Intermediaries Offer, each Programme Admission and the Placing Programme and the other arrangements referred to in this Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing any advice in relation to First Admission, the Initial Placing, the Offer for Subscription, each Programme Admission and the Placing Programme the contents of this Prospectus or any transaction or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on Shore Capital by the FSMA or the regulatory regime established thereunder, Shore Capital does not make any representation express or implied in relation to, nor accepts any responsibility whatsoever for, the contents of the Prospectus or any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares and C Shares (together, the “Shares”), the First Admission, the Initial Placing, the Offer for Subscription, the Intermediaries Offer, each Programme Admission and the Placing Programme. Shore Capital (and its affiliates) accordingly, to the fullest extent permissible by law, disclaims all and any responsibility or liability (save for any statutory liability) whether arising in tort, contract or otherwise which it might have in respect of the contents of the Prospectus or any other statement made or purported to be made by it or on its behalf in connection with the Company, the Shares, First Admission, the Initial Placing, the Offer for Subscription, the Intermediaries Offer, each Programme Admission and the Placing Programme.

Intermediaries Offer

The Company consents to the use of this Prospectus in connection with any subsequent resale or final placement of securities by Intermediaries in the United Kingdom on the following terms: (i) in respect of Intermediaries who are appointed by the Company prior to the date of this Prospectus, from the date of this Prospectus; and (ii) in respect of Intermediaries who are appointed by the Company after the date of this Prospectus, from the date on which they are appointed to participate in the Intermediaries Offer and agree to adhere to and be bound by the Intermediaries Terms and Conditions, in each case until the closing of the Intermediaries Offer. The offer period within which any subsequent resale or final placement of securities by Intermediaries can be made and for which consent to use this Prospectus is given commences on 8 January 2020 and closes at 5:00 p.m. on 28 January 2020, unless closed prior to that date (any such prior closure to be announced via a Regulatory Information Service). The Company and the Directors accept responsibility for the information contained in this Prospectus with respect to any purchaser of Ordinary Shares pursuant to the Intermediaries Offer. **Any Intermediary that uses this Prospectus must state on its website that it uses this Prospectus in accordance with the Company’s consent and the conditions attached thereto. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer at the time of such offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. Any application made by investors to any Intermediary is also subject to the terms and conditions imposed by such Intermediary.**

Overseas Shareholders

The distribution of this Prospectus in certain jurisdictions may be restricted by law. No action has been taken by the Company or Shore Capital that would permit an offer of the Shares or possession or distribution of this Prospectus or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Shares described in this Prospectus have not been, and will not be, registered under the relevant securities laws of any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Australia, the Republic of South Africa or Japan or their respective territories or possessions. Accordingly, the Shares may not (unless an exemption from such legislation or such laws is available) be offered, sold or delivered, directly or indirectly, in or into any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Australia, the Republic of South Africa or Japan or their respective territories or possessions.

The Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Ordinary Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons. There will be no public offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold solely (i) outside the United States to persons who are not U.S. Persons in “offshore transactions” as defined in and pursuant to Regulation S under the Securities Act (“**Regulation S**”); and (ii) within the United States to, or to U.S. Persons that are, both “qualified institutional buyers” (“**QIBs**”) as defined in Rule 144A under the Securities Act and “qualified purchasers” (“**QPs**”) as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”) pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Company will not be registered under the Investment Company Act and investors will not be entitled to the benefits of such legislation. Persons resident in territories other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to apply for, acquire, hold or dispose of the Shares.

In particular, the attention of persons resident in the United States, any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Australia, the Republic of South Africa or Japan is drawn to paragraph 12 of Part 2 (Important Information) of this Prospectus. This Prospectus does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Shares in any jurisdiction in which such offer or solicitation is unlawful.

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PROSPECTUS REGULATION SUMMARY

INTRODUCTION AND WARNINGS

Name of the issuer:	Nippon Active Value Fund plc
Legal entity identifier of the issuer:	213800JOPEGZJYS21P75
Contact details:	Mermaid House, 2 Puddle Dock, London EC4V 3DB
Name and ISIN of securities:	The ISIN of the Ordinary Shares is GB00BKLGLS10 The ISIN of the C Shares is GB00BKLGLT27
Offeror:	The Shares are being offered by the Company
Competent authority approving this prospectus:	FCA Head Office, 12 Endeavour Square, London E20 1JN United Kingdom
Date of approval of this prospectus:	7 January 2020

The summary should be read as an introduction to the Prospectus. Any decision to invest in the Ordinary Shares should be based on a consideration of the Prospectus as a whole by the investor. An investor could lose all or part of the capital invested. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

Subsequent resale of securities or final placement securities through financial intermediaries

The Company consents to the use of this Prospectus by financial intermediaries in connection with the subsequent resale or final placement of securities by financial intermediaries in the United Kingdom. The offer period within which any subsequent resale or final placement of securities by the Intermediaries can be made and for which consent to use this Prospectus is given commences on 28 January 2020 and closes at 12 noon on 28 January 2020, unless closed prior to that date. Prospective investors interested in participating in the Intermediaries Offer should apply for Ordinary Shares through the Intermediaries by following their relevant application procedures by no later than 12 noon on 28 January 2020.

Any Intermediary that uses this Prospectus must state on its website that it uses this Prospectus in accordance with the Company's consent and the conditions attached thereto. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer at the time of such offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. Any application made by investors to any Intermediary is also subject to the terms and conditions imposed by such Intermediary.

KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?

The issuer is Nippon Active Value Fund plc, a public company limited by shares incorporated under the laws of and domiciled in England and Wales. The LEI of the Company is 213800JOPEGZJYS21P75. The principal legislation under which the Company operates is the Act and regulations thereunder. The Company does not have a fixed winding-up date.

The Company's principal activity will be to invest in a highly concentrated portfolio of quoted companies which have the majority of their operations in, or revenue derived from, Japan, with market capitalisations of up to US\$1 billion (although there will be no restriction placed on the market capitalisations of investee companies), which the Company deems most attractive and undervalued and in relation to which it believes its activist strategies will deliver increased shareholder returns in those companies.

The intention is to take large minority positions in investee companies to enable the Company to effectively implement activist strategies. In order to be able to take such positions, the Company expects that there

will be a focus on small-cap companies although, as the Company grows, the Company expects to be able to take meaningful positions in companies with larger market capitalisations. The Company intends to invest in businesses which are run by professional directors and not owner operator businesses. The Company, following advice from the Investment Adviser, is of the opinion that companies run by professional directors tend to have a broader ownership base and are likely to be less hostile to activist strategies.

The Board will not set any limits on sector weightings or stock selection within the portfolio. The Board will apply the following restrictions on the size of its investments:

- not more than 30 per cent. of the Gross Asset Value at the time of investment will be invested in the securities of a single issuer (such restriction does not, however, apply to investment of cash held for working capital purposes and pending investment or distribution in near cash equivalent instruments including securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD Member State or by any supranational authority of which one or more EU or OECD Member States are members); and
- the value of the four largest investments at the time of investment will not constitute more than 75 per cent. of the Gross Asset Value.

The Company intends to acquire large minority stakes of typically 4.9 to 25.0 per cent. in each investee company. The Company intends to have invested substantially all of the proceeds of the Issue within six months of the date of the First Admission.

As at the date of this Prospectus there are no persons known to the Company who, directly or indirectly, will be interested in three per cent. or more of the Company's issued share capital or voting rights on First Admission.

Pending the allotment of Ordinary Shares pursuant to the Issue, the Company is controlled by Rising Sun, which directly holds the Company's only issued Ordinary Share and therefore 100 per cent. of the voting rights in the Company.

On First Admission, the Company is not aware of any person who will directly or indirectly, jointly or severally, exercise or could exercise control over the Company. The Company is not aware of any arrangement, the operation of which may at a subsequent date result in a change of control of the Company.

The Disclosure Guidance and Transparency Rules provide that certain persons (including Shareholders) will be obliged to notify the Company if the proportion of the Company's voting rights which they own reaches, exceeds or falls below specific thresholds (the lowest of which is currently three per cent.).

The Company's directors are Rosemary Morgan, Chetan Ghosh, Ayako Weissman, Rachel Hill and Alicia Ogawa, who are non-executive directors of the Company and considered to be independent. The Company does not have any managing directors.

The Company has no employees and all the Directors are appointed on a non-executive basis. Therefore, the Company is reliant on third party service providers in order to achieve its investment objective. The Company's service providers include, *inter alia*:

- International Fund Management Limited, which has been appointed as the Company's AIFM. In its role as AIFM to the Company, it is responsible for the Company's portfolio management and risk management in accordance with the Company's investment policy, subject to the overall policies, supervision and review of the Board. The AIFM is entitled, with effect from First Admission to an annual fee calculated at a rate of 0.04 per cent. per annum of Net Asset Value up to £250 million, plus 0.025 per cent. per annum of Net Asset Value in excess of £250 million. The AIFM Fee is subject to a minimum fee of £70,000 per annum.
- Rising Sun Management Ltd, which has been appointed by the AIFM and the Company as Investment Adviser to provide investment advisory services to the AIFM and the Company in respect of the assets of the Company with effect from First Admission. Rising Sun is entitled, with effect from First Admission to an annual fee calculated as 0.85 per cent. of the Company's net assets (exclusive of VAT).
- PraxisIFM Fund Services (UK) Limited which has been appointed by the Company as administrator and company secretary to provide day-to-day administration services to the Company and provide general company secretarial functions to the Company, including those secretarial functions required by the Companies Act 2006 in relation to the Company. It will also provide certain administrative services to

the Company which includes reporting Net Asset Value, bookkeeping and accounts preparation. The Administrator is entitled, with effect from First Admission to a Company Secretarial Fee of £55,000 per annum and an Administration Fee calculated at a rate of 0.06 per cent. per annum of Net Asset Value up to, and including, £100 million plus 0.035 per cent. per annum of Net Asset Value in excess of £100 million. The Administration Fee is subject to a minimum fee of £5,000 per month.

- Its statutory auditors, who are expected to be formally appointed shortly following First Admission.

What is the key financial information regarding the issuer?

As the Company has been recently incorporated and has not commenced operations, no financial statements have been made up and no annual reports have been published. This Prospectus does not contain pro forma financial information. The Company will commence operations subject to and following First Admission.

What are the key risks that are specific to the issuer?

Prior to investing in the Shares, prospective investors should consider the associated risks. The key risks specific to the Company which are known to the Directors are detailed below:

- The Company is a newly formed company with no operating results. It will not commence operations until it has obtained funding through the Issue. As the Company lacks an operating history, investors have no basis on which to evaluate the Company's ability to achieve its investment objective or implement its investment strategy and provide a satisfactory investment return. An investment in the Company is therefore subject to all the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of an investment in the Company could decline substantially as a consequence.
- The Company has no employees and the Directors are appointed on a non-executive basis so the Company is reliant on third party service providers in order to achieve its investment objective. The Company also depends on the diligence, skill and business contacts of the Rising Sun Management Team. The Company's future success depends on the continued service of these individuals, who are not obligated to remain employed with Rising Sun. The Company cannot predict the impact that any such departure will have on the Company's ability to achieve its investment objective or pursue its investment policy. The departure of a significant number of individuals from Rising Sun for any reason, or the failure to appoint qualified or effective replacements in the event of such departures, could have a material adverse effect on the Company's ability to achieve its investment objective.
- Rising Sun is a newly formed company with no operating results, financial statements or investment track record. The company is therefore reliant upon the track record of the Rising Sun Management Team. This track record, which was acquired as part of activities performed by individuals at prior organisations, may not be comparable to or indicative of such persons' performance for the Company.
- Rising Sun may not be successful in pursuing the Company's investment policy or in identifying and pursuing investments on attractive terms, generating investment returns for the Company's investors or avoiding investment losses. The level of returns to Shareholders are reliant primarily upon the performance of the Portfolio. If the Portfolio does not perform as well as expected, Shareholders may not be able to receive dividends or realise the amount of their original investment in the Shares.
- Shareholder activism, which forms a key element of the Company's investment strategy, has not been common in Japan and there is no guarantee that the management of portfolio companies will be receptive to the Company's attempts to encourage reform and deliver better value to shareholders. The likely size of the stakes that the Company will possess in its portfolio companies will, at least initially, mean that it will not be able to utilise certain shareholder actions in all instances.
- The Company will invest in a highly concentrated portfolio of shares issued by quoted companies which have the majority of their operations in, or revenue derived from, Japan. Investing in a single country is generally considered a higher risk investment strategy than investing more widely, as it exposes the investor to the fluctuations of a single geographical market and currency, in this case the Japanese market and the Yen. Any government policy, legal or regulatory changes or any adverse effect on the Japanese market and/or the value of the Yen could have an adverse effect on the Portfolio, financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Ordinary Shares.

KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

Description of securities

The securities which the Company intends to issue (or sub-divide and redesignate) are Ordinary Shares of the Company of £0.01 each, whose ISIN is GB00BKLGLS10 and C Shares of £0.01 each, whose ISIN is GB00BKLGLT27.

The Ordinary Shares and C Shares will be denominated in Sterling and the Issue Price or applicable Placing Programme Price will be payable in Sterling.

Issued share capital

Set out below is the issued share capital of the Company as at the date of this Prospectus:

	<i>Nominal Value (£)</i>	<i>Number</i>
Redeemable Preference Shares	50,000	50,000
Ordinary Shares	0.01	1

The Redeemable Preference Shares are paid up as to one quarter of their nominal value. Immediately prior to First Admission, the Redeemable Preference Shares will be sub-divided and re-designated into Ordinary Shares and paid up by the holders of such shares to 100 pence per Ordinary Share. The Ordinary Share currently in issue is fully paid up.

Rights attaching to the Ordinary Shares

Dividend rights: All Ordinary Shares are entitled to participate in dividends which the Company declares from time to time in respect of the Ordinary Shares, proportionate to the amounts paid or credited as paid on such Ordinary Shares.

Rights as respect to capital: On a winding-up or a return of capital, in the event that the Directors resolve to make a distribution to Shareholders, all Ordinary Shares are entitled to a distribution of capital in the same proportions as capital is attributable to them, after taking into account any net assets attributable to the C Shares in issue (if any).

Voting rights: Every Shareholder shall have one vote for each Ordinary Share held by it.

Rights attaching to the C Shares

Dividend Rights: All C Shares are entitled to participate in dividends which the Company declares from time to time in respect of the C Shares, proportionate to the amounts paid or credited as paid on such C Shares.

Rights as respect to capital: On a winding-up or a return of capital, if there are C Shares in issue, the net assets of the Company attributable to the C Shares shall be divided *pro rata* among the holders of the C Shares. For so long as C Shares are in issue and without prejudice to the Company's obligations under the Act, the assets attributable to the C Shares shall, at all times, be separately identified and shall have allocated to them such proportion of the expenses or liabilities of the Company as the Directors fairly consider to be attributable to any C Shares in issue.

Voting rights: Every Shareholder shall have one vote for each C Share held by it.

Restrictions on the free transferability of the Shares

The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any Share in certificated form or uncertificated form (subject to the Articles) which is not fully paid and on which the Company has a lien provided that this would not prevent dealings in the Shares of that class from taking place on an open and proper basis on the London Stock Exchange.

In addition, the Board may refuse to register a transfer of Shares if (i) in the case of certificated Shares (a) it is in respect of more than one class of Shares, (b) it is in favour of more than four joint transferees, (c) it is not duly stamped or duly certificated to the satisfaction of the Board as being exempt from stamp duty, (d) it is not delivered for registration to the registered office of the Company or such other place as the Board

may decide, or (e) is not accompanied by the certificate for the Shares to which it relates and such other evidence of title as the Board may reasonably require.

The Board may decline to register a transfer of an uncertificated share which is traded through the CREST UK system in accordance with the CREST Regulations where, in the case of a transfer to joint holders, the number of joint holders to whom uncertificated shares is to be transferred exceeds four.

Dividend policy

The Company's intention is to look to achieve its results primarily through capital appreciation. As such, no specific dividend policy has been established and any distributions will be made entirely at the discretion of the Board.

Where will the securities be traded?

Applications will be made to the London Stock Exchange for the Ordinary Shares to be issued pursuant to the Issue and for the New Ordinary Shares and/or C Shares to be issued from time to time pursuant to the Placing Programme to be admitted to the Specialist Fund Segment.

What are the key risks that are specific to the securities?

The key risks relating to the Shares which are known to the Directors are detailed below:

- The Company's ability to declare and pay any future dividend is subject to the discretion of the Directors and will depend upon, amongst other things, the Company pursuing successfully its investment strategy and the Company's distributable reserves, earnings, financial position, cash requirements, level and rate of borrowings and availability of profit, as well the provisions of relevant laws or generally accepted accounting principles from time to time.
- The value of an investment in the Company is subject to normal market fluctuations and other risks inherent in investing in securities. The market price of the Shares may rise or fall rapidly and the Shares may trade at a discount to the NAV attributable to them.

KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND ADMISSION TO TRADING ON A REGULATED MARKET

Under which conditions and timetable can I invest in this security?

The Issue consists of an initial placing, an offer for subscription and an intermediaries offer of Ordinary Shares which are being issued (or sub-divided and re-designated from Redeemable Preference Shares) at 100p per Ordinary Share. The total number of Ordinary Shares allotted under the Issue will be determined by the Company, Shore Capital and Rising Sun after taking into account demand for the Ordinary Shares and prevailing economic and market conditions, subject to a maximum of 200 million Shares².

The Initial Placing, Offer for Subscription and the Intermediaries Offer are conditional amongst other things on: (i) the Placing Agreement having become unconditional in all respects (save for the condition relating to First Admission) and not having been terminated in accordance with its terms prior to First Admission; (ii) proceeds of not less than £100 million being raised through the Issue; and (iii) First Admission becoming effective not later than 8:00 a.m. on 5 February 2020 or such later time and/or date as Shore Capital and the Company may agree (being not later than 8:00 a.m. on 28 February 2020).

If any of these conditions are not met, the Issue will not proceed and an announcement to that effect will be made through a Regulatory Information Service.

The Shares issued (or sub-divided and redesignated) pursuant to the Issue are expected to be issued on 5 February 2020. The Initial Placing, the Offer for Subscription and the Intermediaries Offer are only available to investors who can make certain warranties and representations as to their status as an investor. The Initial Placing is only available to persons of a kind described in paragraph 5 of Article 19 and paragraphs 2(a) to (d) of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

RW-EB-03523 The Directors have reserved the right, in consultation with Shore Capital, to increase the size of the Issue up to 400 million Ordinary Shares if overall demand exceeds 200 million Ordinary Shares. Any such increase will be announced through an RNS announcement. Binder 4 of 765 of 945

An investor applying for Ordinary Shares under the Issue may elect to receive Ordinary Shares in uncertificated form, if such investor is a system-member in relation to CREST, or in certificated form. Definitive certificates in respect of the Ordinary Shares issued in certificated form are expected to be despatched during the week commencing 10 February 2020.

Placing

The Company, each of the Directors, Rising Sun, Rosenwald Capital and Shore Capital have entered into the Placing Agreement, pursuant to which Shore Capital has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers of the Ordinary Shares to be made available in the Initial Placing. The Initial Placing is not being underwritten.

The Intermediaries Offer

Investors may also subscribe for Ordinary Shares at the Issue Price pursuant to the Intermediaries Offer. Only the Intermediaries' retail investor clients in the United Kingdom are eligible to participate in the Intermediaries Offer. Investors may apply to any one of the Intermediaries which is appropriately licensed in the client's jurisdiction to be accepted as their client. The minimum application amount in the Intermediaries Offer is £5,000. The actual number of Ordinary Shares to be allocated to the Intermediaries will be determined by the Company (in consultation with the Investment Adviser and Shore Capital).

Offer for Subscription

Each investor under the Offer for Subscription is required to undertake to pay the Issue Price for the Ordinary Shares issued to such investor by cheque or bankers' draft or by electronic interbank transfer. Applications under the Offer for Subscription must be for a minimum of 5,000 Ordinary Shares (representing a subscription price of £1.00 per Ordinary Share).

Placing Programme

In addition to the Issue, the Company also intends to implement the Placing Programme pursuant to which such number of additional Shares as is equal to 400 million Shares in aggregate less the number of Ordinary Shares issued under the Issue plus the Company's existing subscriber share) may be issued under one or more non-pre-emptive Subsequent Placings over the 12 month period commencing on the date of this Prospectus under the Placing Programme. The Placing Programme is flexible and may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares and/or C Shares over a period of time. The last date on which Shares may be admitted to trading under the Placing Programme is 6 January 2021. The issue of New Ordinary Shares or C Shares under the Placing Programme is at the discretion of the Directors. Each investor is required to undertake to make payment for the New Ordinary Shares and/or C Shares issued to such investor pursuant to the Placing Programme in such manner as shall be directed by Shore Capital.

An investor applying for New Ordinary Shares and/or C Shares in the Placing Programme may elect to receive New Ordinary Shares and/or C Shares in uncertificated form, if such investor is a system member in relation to CREST, or certificated form. Where applicable, definitive certificates in respect of the New Ordinary Shares and/or C Shares are expected to be despatched by post to the relevant holders no later than 10 Business Days after the relevant issue date.

Dilution

No dilution will result from the Issue.

Assuming that 200 million New Ordinary Shares are issued under the Placing Programme, raising £200 million at a Placing Programme Price of 100p per New Ordinary Share and assuming that £200 million are raised pursuant to the Issue, a Shareholder holding shares representing five per cent. of the Company's issued ordinary share capital following the Issue, who does not participate in the Placing Programme, would, following the completion of the Placing Programme, hold shares representing approximately 2.5 per cent. of the Company's issued ordinary share capital.

Expenses

The costs of the Issue will not be charged to Shareholders as the Issue Expenses will be borne by Rosenwald Capital. Therefore, following the Issue the Company will have a Net Asset Value per Ordinary Share of

100 pence, which is equal to the Issue Price. The Issue Expenses are those that are necessary for the establishment of the Company and completion of the Issue (which include commission and expenses payable under the Placing Agreement entered into in connection with the Issue, registration, listing and admission fees, printing and distribution costs and professional advisory fees, including legal fees, and any other applicable expenses associated with the Issue).

Any expenses incurred by any Intermediary are for its own account. Investors should confirm separately with any Intermediary whether there are any commissions, fees or expenses that will be applied by such Intermediary in connection with any application made through that Intermediary pursuant to the Intermediaries Offer.

The Placing Programme Price of any New Ordinary Shares issued pursuant to a Subsequent Placing will be calculated by reference to the last published cum income Net Asset Value of each existing Ordinary Share together with a premium intended to at least cover the costs and expenses of the placing pursuant to the Placing Programme (including, without limitation, any placing commissions), such costs and expenses being estimated at approximately one per cent. of the amounts raised. The Directors therefore intend to avoid any dilution of the Net Asset Value of the existing Ordinary Shares held by Shareholders. By way of illustration, assuming an initial NAV of 100p per Ordinary Share, the Placing Programme Price per New Ordinary Share would be expected to be at least 101p, and the expenses indirectly borne by an investor in such New Ordinary Shares would be approximately 1p per Ordinary Share.

The Placing Programme Price of any C Shares issued pursuant to the Placing Programme will be 100p per C Share and the costs of the relevant issue of such C Shares will be paid out of the proceeds of the issue and accordingly will be borne indirectly by investors in the relevant C Shares.

The Shares are being offered by the Company.

Why is this prospectus being produced?

Up to 200 million Ordinary Shares are available under the Issue at the Issue Price to raise Gross Proceeds of up to £200 million. Assuming that the Issue is fully subscribed, and the Issue Expenses are nil as a consequence of them being paid by Rosenwald Capital, the proceeds from the Issue will be £200 million. Neither the Initial Placing, the Offer for Subscription or the Intermediaries Offer are underwritten. The Issue and Placing Programme are intended to raise money for investment in accordance with the Company's investment policy. As at the date of this Prospectus, as far as the Company is aware the only material potential conflicts of interest which any of the service providers to the Company may have as between their duty to the Company and duties owed by them to third parties and their own interest are as follows:

- James B. Rosenwald, III is the chief investment officer at Rising Sun. Mr Rosenwald is also a co-founder and the managing partner of Dalton Investments LLC, which is the ultimate parent of Dalton Advisory KK, a firm engaged to provide investment research and analysis to Rising Sun. Mr Rosenwald is also a director of certain companies in Shore Capital's group and sits on its board;
- Gifford Combs is a senior executive at Rising Sun. Mr Combs is also a co-founder of Dalton, which is the ultimate parent of Dalton Advisory KK, a firm engaged to provide investment research and analysis to Rising Sun;
- Dalton is a value focused investment management firm with expertise in Asia equities and global equities. Dalton has a strong track record investing in Japanese equities. Dalton Advisory KK undertakes investment research and data analysis services in relation to Japanese equities for both Dalton (and its affiliates) and the Company. Therefore, there is a risk that Dalton and the Company may find themselves targeting the same investment opportunity. However, the Company and Rising Sun believe that the Company's current activist investment strategy is distinct from Dalton's investment strategy and therefore the risk of targeting the same investment opportunity is low. The Company and Rising Sun intend not to target investment opportunities which they believe Dalton (or its affiliates) may already be targeting or in which Dalton (or its affiliates) may already be invested. The Company and Rising Sun will evaluate this risk on an ongoing basis as part of any review of its investment strategy. Should the Company find that it is targeting the same opportunity as Dalton (or one of its affiliates), the Company will take appropriate advice and action at the time; and
- Shore Capital owns 15 per cent. of Rising Sun's issued share capital and it is anticipated that one of Shore Capital's group companies will subscribe for 1,000,000 New Ordinary Shares in the Initial Placing.

PART 1

RISK FACTORS

Investment in the Company should be regarded as being of a long-term nature and involving a degree of risk. Accordingly, prospective investors should consider carefully all of the information set out in this Prospectus and, in particular, the risks relating to the Company, Rising Sun and the Shares described below.

Only those risks which are believed to be material and currently known to the Directors at the date of this Prospectus have been disclosed. Those risks may adversely affect the Company and its business, business prospects, financial condition and NAV ("Company's NAV and revenues") and returns to Shareholders including dividends, and/or the market price of the Shares ("returns to Shareholders"). Additional risks and uncertainties not currently known to the Directors, or that the Directors deem immaterial at the date of this Prospectus, may also have an adverse effect on the Company's NAV, revenues and returns to Shareholders. Potential investors should review this Prospectus carefully and in its entirety and consult with their professional advisers before making an application to invest in the Shares.

Prospective investors should note that the risks relating to the Company, its industry and the Shares summarised in the section of this Prospectus headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.

RISKS RELATING TO THE COMPANY

The Company is a newly formed company with no operating history and no revenues, and investors have no basis on which to evaluate the Company

The Company is a newly formed company with no operating results, financial statements or current investments. It will not commence operations until it has obtained funding through the Issue. As the Company lacks an operating history, investors have no basis on which to evaluate the Company's ability to achieve its investment objective or implement its investment strategy and provide a satisfactory return. An investment in the Company is therefore subject to all the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of an investment in the Company could decline substantially as a consequence.

The Company is to a large extent reliant on the AIFM, Rising Sun, the Administrator and other third party service providers to carry on its businesses and a failure by one or more service providers may materially disrupt the business of the Company

The Company has no employees and the Directors have been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive functions and to achieve its investment objective.

Failure by any service provider to carry out its obligations to the Company in accordance with the applicable duty of care and skill, or at all, or termination of any such appointment may adversely affect the Company's NAV, revenues and returns to Shareholders.

In the event that it is necessary for the Company to replace any third party service provider, it may be that the transition process takes time, increases costs and may adversely affect the Company's NAV, revenues and returns to Shareholders. See further risk factor entitled "The departure of some or all of Rising Sun's investment professionals could prevent the Company from achieving its investment objective".

The Company may not achieve its investment objective and investors may not get back the full value of their investment

The Company's returns to Shareholders will depend on many factors, including the value and performance of its investments and the Company's ability successfully to execute its investment strategy. The value and performance of the Company's investments will be affected by a broad range of factors which are described in more detail below and there can be no assurance that the Company's investment strategy will be successful or that the Company will be able to generate investment returns or avoid investment losses. Any failure by the Company to achieve its investment objective may adversely affect its operations and returns to Shareholders.

Investor returns will be dependent upon the performance of the Portfolio and the Company may experience fluctuations in operating results

Investors contemplating an investment in the Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant primarily upon the performance of the Portfolio. No assurance is given, express or implied, that Shareholders will receive back the amount of their original investment.

The Company may experience fluctuations in its financial results due to a number of factors, including changes in the values of investments made by the Company, changes in the amount of profits, distributions, dividends or interest received from the Portfolio, changes in the operating expenses of the Company, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Company or its investments encounter competition and general economic and market conditions. Such variability may lead to volatility in the trading price of the Shares and cause the Company's results for a particular period not to be indicative of its performance in a future period.

Delays in deployment of the proceeds of the Issue

The Company is aiming to have invested substantially all of the proceeds of the Issue within six months from the date of First Admission but there can be no guarantee that this will be achieved. Depending on the availability of attractive investee companies that fit within the Company's investment policy and investment strategy and the ability to successfully acquire positions in such investee companies at an appropriate price, it may take the Company more than six months to invest the proceeds of the Issue. There can be no assurance as to how long it will take for the Company to invest the proceeds of the Issue and the longer the period the greater the likelihood that the Company's NAV, revenues and returns to Shareholders will be materially adversely affected.

Investment opportunities

The investment objective of the Company is to provide Shareholders with capital growth through investment in a highly concentrated portfolio of shares issued by quoted companies which have the majority of their operations in, or revenue derived from, Japan and which have a substantial proportion of their market capitalisation held in cash and/or listed securities and/or realisable assets. Should such opportunities become less available then the Company's investment approach may not produce attractive returns. In such circumstances the Directors will consider the future of the Company and may recommend that the Company's investments are sold, it is wound up and cash returned to Shareholders.

Duration

The Directors intend to deliver a full or partial exit opportunity to Shareholders in the Company in five years after Admission. Such an exit opportunity may result in the winding-up of the Company. In any event, Shareholders shall have the opportunity to vote on an ordinary resolution on the continuation of the Company at the annual general meeting to be held in 2025 and every second annual general meeting thereafter. If any such ordinary resolution is not passed, the Directors shall draw up proposals for the voluntary liquidation, unitisation, reorganisation or reconstruction of the Company for consideration by the Shareholders at a general meeting to be convened by the Directors for a date not more than six months after the date of the meeting at which such ordinary resolution was passed.

Discount management provisions

Any share buybacks in the context of the Company's discount management provisions may be satisfied by the available cash or cash equivalent resources of the Company, from borrowings, the realisation of the Company's assets or any combination of these sources of liquidity, at the Directors' discretion.

The Company's share buyback policy is expressly subject to the Board's discretion. There is no guarantee that any share buyback will be undertaken, or that any such buyback programme would be successful in narrowing any potential discount at which the Shares may trade. Accordingly, potential investors should not place reliance on share buybacks as a source of potential exit from the Shares.

Distributions and dividend policy

There can be no guarantee that any distributions will be paid by the Company in respect of any financial period and there can be no guarantee that an investment in the Company will deliver any returns to Shareholders. The Company's ability to make distributions is dependent on a number of factors, including the level of dividends and interest earned from its portfolio of investments and the net revenue profits available for that purpose.

Any change in the tax treatment of dividends received by the Company from investments or income received by the Company may reduce the distributions made to Shareholders. Any change to the basis upon which dividends can be paid by the Company under UK law or accounting rules and standards could have an adverse effect on the Company's ability to pay dividends or distributions.

The payment of any dividends to Shareholders will be dependent on the level of the Company's net income and the requirements of the Act and such dividends will be declared entirely at the discretion of the Board. There is therefore a risk that the Company may not pay any dividends to Shareholders (other than those that may be required to maintain investment trust status).

Certain interests could give rise to a potential conflict between the interests of the Company and those of certain officers and advisers to the Company

James B. Rosenwald, III has a controlling interest in Rosenwald Capital which in turn is the majority owner of both Rising Sun (which acts as the Company's investment adviser) and Dalton Investments LLC and through the latter Dalton Advisory KK (which is engaged to provide investment analysis to Rising Sun). Furthermore, James B. Rosenwald, III is the chief investment officer at Rising Sun and is also a director of certain companies in Shore Capital's group and sits on its board. Shore Capital is a minority owner of Rising Sun and will also, through one of its group companies, subscribe for 1,000,000 New Ordinary Shares in the Initial Placing.

Any of these arrangements or relationships, unless any inherent conflicts of interest are able to be managed effectively, could be detrimental to the Company and they could materially and adversely affect its performance. In order to minimise the risk of such a situation arising, it is Rising Sun's intention to manage the investment portfolio of the Company so as to have no overlapping investments with Dalton Investments LLC and the focus of Rising Sun will be to invest in enterprises in which neither Dalton nor its clients have any interest.

Risks relating to the UK's exit from the European Union

A referendum was held on 23 June 2016 to decide whether the UK should remain in the EU and the vote was in favour of leaving ("**Brexit**"). On 29 March 2017, the UK triggered the formal process to leave the EU. The extent of the impact of Brexit on the Company will depend in part on the nature of the future arrangements that are put in place between the UK and the EU following the eventual Brexit and the extent to which the UK continues to apply laws that are based on EU legislation. The Company may be subject to a significant period of uncertainty during the negotiation of the UK's ongoing trading relationship with the EU including, among other things, uncertainty in relation to any potential regulatory or tax change. Brexit could also create significant UK (and potentially global) stock market uncertainty or foreign currency fluctuations, which may have a material adverse effect on the Company and/or the price of the Shares. As such, it is not possible to accurately state the impact that Brexit will have on the Company and its proposed

investments at this stage. Brexit may also increase the regulatory compliance burden on the Company. This could restrict the Company's future activities and thereby negatively affect returns.

RISKS RELATING TO RISING SUN

The departure of some or all of Rising Sun investment professionals could prevent the Company from achieving its investment objective

The Company has no employees and the Directors have all been appointed on a non-executive basis. Therefore, the Company is to a large extent reliant upon the AIFM, Rising Sun, the Administrator and other third party service providers, including the Registrar, for the performance of certain functions.

The Company believes that its success and the success of the investment strategy is largely dependent upon the experience and expertise of Rising Sun and its continued provision of services to the Company.

The Company depends on the diligence, skill and judgment of the Rising Sun Management Team. The Company's future success depends on the continued service of these individuals, who are not obliged to remain employed by, or contractually bound to perform services for, Rising Sun and Rising Sun's ability to strategically recruit, retain and motivate new talented personnel. Whilst Rising Sun endeavours to ensure that the principal members of the Rising Sun Management Team are suitably incentivised, the retention of key members of its team cannot be guaranteed. In the event of a departure of a member of the Rising Sun Management Team, there is no guarantee that Rising Sun would be able to recruit a suitable replacement or that any delay in doing so would not adversely affect the Company's NAV, revenues and returns to Shareholders. Events impacting but not entirely within Rising Sun's control, such as its financial performance, it being acquired or making acquisitions or changes to its internal policies and structures could in turn affect its ability to retain key personnel. If key personnel of the Rising Sun Management Team were to depart or Rising Sun was unable to recruit individuals with similar experience and calibre, Rising Sun may not be able to provide services to the requisite level expected or required by the Company. This could have a material adverse effect on the performance of the Company's NAV, revenues and returns to Shareholders.

The Company is reliant on the investment record of the Rising Sun Management Team who may not be able to implement the investment policy on behalf of the Company

Rising Sun is a newly formed company with no operating results, financial statements or investment track record. The Company is therefore reliant on the track record of the Rising Sun Management Team. This track record, which was acquired as part of activities performed by individuals at prior organisations, may not be comparable to or indicative of such persons' performance for the Company. Furthermore, the past performance of other investments managed, advised or operated by the Rising Sun Management Team cannot be relied upon as an indicator of the future performance of the Company. Investor returns will be dependent upon the Company successfully pursuing its investment policy. Therefore, the success of the Company will depend, among other things, on Rising Sun's ability to identify, acquire and (potentially) realise investments in accordance with the Company's investment policy and once acquired, to effectively monitor those investments. The acquisition of investments, will, in turn, depend on the ability of Rising Sun to apply its investment processes in a way which is capable of identifying suitable investments for the Company to invest in. There can be no assurance that Rising Sun will be able to do so or that the Company will be able to invest the Company's assets on attractive terms or generate any investment returns for Shareholders or indeed avoid investment losses.

There can be no assurance that the Directors will be able to find a replacement investment adviser if Rising Sun resigns

Pursuant to the terms of the Investment Advisory Agreement, Rising Sun may resign by giving the Company not less than 12 months' written notice (although no such notice may be given within the first four years from First Admission). Further, the Investment Advisory Agreement may be terminated by the AIFM and the Company, or the Company by itself, in certain limited circumstances, such as where the Investment Adviser is in material breach of the Investment Advisory Agreement and such breach is not remedied. The Board would, in such circumstances, have to find a replacement investment advisory services provider for the Company and may be unable to appoint a replacement with the necessary skills and experience on terms acceptable to the Company. If the Investment Advisory Agreement is terminated and a suitable replacement

is not secured in a timely manner, this could have an adverse effect on the value of the Portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the returns to Shareholders and the market value of the Shares.

The Company may be required to make payments to the Investment Adviser under indemnities in the Investment Advisory Agreement

Under the Investment Advisory Agreement, Rising Sun agrees to perform its obligations to a specified standard of care, provided that Rising Sun will not be liable for any loss or damages resulting from any failure to satisfy the standard of care except in certain limited circumstances. If a liability were to be incurred by the Company in a situation where Rising Sun had acted in accordance with its standard of care, the Company would (except in certain limited circumstances) have no recourse to Rising Sun and such liabilities would be for the account of the Company. This could have a material adverse effect on the performance of the Company's NAV, revenues and returns to Shareholders. Additionally, under the Investment Advisory Agreement the Company will be required to indemnify Rising Sun and its affiliates, managers, directors, officers, partners, agents and employees, from and against all liabilities incurred in connection with the Investment Advisory Agreement (except to the extent such liabilities are incurred as a result of any acts or omissions of Rising Sun that constitute a material breach of such agreement or are otherwise outside the scope of such indemnities). As a result, if such liabilities arise, the Company may be required to make payment under such indemnities, which could have a material adverse effect on the performance of the Company's NAV, revenues and returns to Shareholders.

Rising Sun has engaged an external provider of investment research services which it may not be able to replace if the engagement is terminated

Rising Sun has engaged Dalton Advisory KK to provide investment research services to Rising Sun in order to enable Rising Sun properly perform its function as investment adviser to the Company. In the event that Dalton Advisory KK ceases to provide investment research services to Rising Sun then Rising Sun would need to replace Dalton Advisory KK with a replacement provider of investment services with expertise in the Japanese securities market. Should Rising Sun be unable to appoint such a replacement, it may impact on Rising Sun's ability to discharge its function as investment adviser to the standard requirement under the Investment Advisory Agreement. Dalton Advisory KK is a wholly owned subsidiary of Dalton Investments LLC. Gifford Combs and James B. Rosenwald, III, who are both senior executives in the Rising Sun Management Team, are co-founders and managing partners of Dalton Investments LLC.

Rising Sun and its affiliates and/or Dalton Advisory KK may provide services to other clients which could compete directly or indirectly with the activities of the Company and may be subject to conflicts of interest in respect of its activities on behalf of the Company

Under the terms of the Investment Advisory Agreement, Rising Sun is entitled to carry on business similar to or in competition with the Company or to provide similar services to, or in competition with, the Company or to provide similar services or any other services whatsoever to any other customer without being liable to account to the Company for its profits, provided that it will take all reasonable steps to ensure that such business is effected on terms which are not materially less favourable to the Company.

At all times Rising Sun shall retain sufficient facilities, personnel, experience and expertise necessary to fulfil its obligations under the Investment Advisory Agreement. Rising Sun will, at all times, have regard to its obligations to the Company in relation to the identification, management and disclosure of conflicts of interest.

Dalton Advisory KK provides services to other clients as well as Rising Sun. Accordingly, the activities of Dalton Advisory KK's other clients may compete with the activities of the Company.

Reliance on Rising Sun's due diligence and investment processes

Before making investments on behalf of the Company, Rising Sun conducts such due diligence and investment analysis as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. There can be no assurance that the Rising Sun's due diligence and analysis with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary

or helpful in evaluating that investment opportunity. Any failure by Rising Sun to identify relevant facts through its due diligence and investment process may lead to inappropriate investment decisions, which could have a material adverse effect on the Company's profitability, Net Asset Value and the market price of the Ordinary Shares.

RISKS RELATING TO THE INVESTMENT STRATEGY

The Company may not be able to pursue its investment strategy or achieve its investment objective

There can be no guarantee that suitable investment opportunities will be available to the Company or that the Company's investments will generate gains or income, or that any gains or income that may be generated on particular investments will be sufficient to offset any losses that may be sustained.

The success of the Company will depend on the ability of the Company and Rising Sun to pursue the Company's investment policy successfully and on broader market conditions. Rising Sun may not be successful in pursuing the Company's investment policy. Rising Sun may not be able to identify and complete investments on attractive terms and the Company may not be able to generate investment returns for its investors or avoid investment losses.

The investment objective of the Company is an objective only. Failure to achieve the Company's investment objective could occur because of a failure to acquire investment opportunities on favourable terms. Such failures are likely to have an adverse effect on the value of the Portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on returns to Shareholders and the market value of the Shares.

Risk associated with pursuing an activist shareholder strategy in Japan

The Company intends to use various activist methodologies to encourage reform and restructuring in the companies comprising its investment portfolio and therefore increase the value of the Company's holdings. Nevertheless, until recent changes to Japanese corporate governance rules encouraged an increase in shareholder activism in the country, shareholder activism has not been common in Japan and there is no guarantee that the management of portfolio companies will be receptive to the Company's attempts to encourage reform and deliver better value to shareholders.

Risk associated with investing in a single country

The Company will invest in shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, Japan. Investing in a single country is generally considered a higher risk investment strategy than investing more widely, as it exposes the investor to the fluctuations of a single geographical market and currency, in this case the Japanese market and the Yen. Any adverse effect on the Japanese market and/or the value of the Yen could have an adverse effect on the Portfolio, financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Ordinary Shares.

Risks associated with investments in Japan

The Company's investments will be primarily in equity securities in Japan and as such are subject to a variety of risks related to any investment in foreign securities, including, but not limited to foreign exchange risks, conversion risk, tax risk and general business conditions risk in Japan. For example:

- The Company's investments will be primarily held in securities denominated in Japanese Yen. The value of the Yen may fluctuate against the British pound sterling. There can be no guarantee that the Fund's investments will maintain their value when measured in British pounds sterling.
- The Company expects that it will be able to convert the proceeds of sales of its investments from Japanese Yen into British pounds sterling; but there is no guarantee that the Japanese government will not place restrictions on such conversion.

RW-03-03531 The Company believes that it will be able to repatriate funds from Japan to the United Kingdom without restriction; but there is no guarantee that such repatriation might not be restricted in the future. 773 of 945

- The Company believes that its investments can be structured so that it will not be subject to taxation on proceeds from sales; but there can be no guarantee of such treatment in the future.
- The Company's investments in Japan will be necessarily dependent upon the general business conditions prevailing in Japan. In recent years, the Japanese economy has exhibited sluggish growth at times and is still highly dependent upon exports. As such, the Company's investments will be dependent upon the vicissitudes of the world economy in general and the economic conditions in East Asia in particular.
- The number, quality and size of investment opportunities, and general market and economic conditions, may lead to delays in investing the proceeds of the Initial Placing and any Placing Programme. If equity prices rise or fall significantly before the proceeds are fully invested this may have an impact on the Company's growth.
- The value of Japanese securities may be affected by factors not typically associated with investments in the UK. Liquidity and settlement risk of investment in Japanese securities and the accounting standards that apply to Japanese issuers may differ from those that would apply in the UK. Changes in economic conditions (for example, inflation, rates of tax and regulatory protection) and the political environment in Japan could substantially and adversely affect the Company's prospects and returns.
- Government policy, legal or regulatory changes could reduce the ability of the Company to pursue an activist investor strategy in Japan. The concentration of the investments in Japan alone exposes the Company to policy changes that specifically affect Japan and the operating, regulatory, legal and corporate governance environment for listed securities located in Japan. In particular, an amendment to the Foreign Exchange and Foreign Trade Act ("**FEFTA**"), expected to take effect from May 2020, will oblige foreign investors to make a notification filing before their holdings in companies in potentially sensitive sectors, which range from nuclear power and IT to agriculture and marine transport, reach one per cent. The new filing requirement under FEFTA will give Japanese companies an early indication that a foreign activist investor is building a stake.

The Company does not expect to control companies in its Portfolio and cannot therefore ensure that they do not make decisions that decrease the returns to the Company from that investment

The Company does not expect to take controlling stakes in the companies in its Portfolio. Consequently there can be no guarantee that the Company's proposed activist strategy will succeed. Further, the Company is subject to the risk that companies in its Portfolio may make business decisions with which it disagrees and which may decrease the value of the Company's investment in that company or, in some circumstances, cause reputational damage to the Company. If this were to happen, it could have an adverse effect on the Portfolio, financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares.

Sectoral diversification

The Company is not subject to restrictions on the amount it may invest in any particular sector. Although the Portfolio is expected to be diversified in terms of sector exposures, the Company may have significant exposure to portfolio companies from certain sectors from time to time. As there is no hard limit on the amount the Company may invest in any sector the entire Portfolio may, at certain times, be invested solely in one sector. Greater concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its Net Asset Value and may materially and adversely affect the performance of the Company and returns to Shareholders.

The Portfolio may include unquoted investments

The Company intends that the majority of its investments will be in quoted companies. The Company may also make investments in unquoted companies and the Company may become invested in unquoted companies as a result of corporate actions or commercial transactions undertaken by quoted companies. The Company will only make investments in an unquoted company in accordance with its investment policy and provided that the aggregate interest of the Company in unquoted companies at the time of any investment is not more than 10 per cent. of the Net Asset Value of the Company at that time. Investments in unquoted companies may not have readily ascertainable market prices and may have reported valuations that differ from their true and actual realisable value. Valuations can be subject to significant fluctuations.

Some unquoted companies may not have ongoing valuations provided by third parties. The Investment Adviser's investment recommendations are based on analysis and valuations which may be materially inaccurate. In addition, the Investment Adviser may have to rely on old valuations in its investment process.

If values realised for underlying investments made by such investee companies are materially different from those values contained in reported valuations for such investee companies, there is a risk that investors may be carrying their investment in their books at an incorrect value and the price at which they buy and sell ordinary shares in such companies in the secondary market may not reflect the true value of such ordinary shares. As the Company is expected to be an investor in such investee companies this may impact the Net Asset Value of the Company.

Borrowings

The Company may use borrowings and other gearing to seek to enhance investment returns. Whilst the use of borrowings should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is positive and exceeds the cost of the borrowings, it will have the opposite effect where the return on the Company's underlying assets is at a lower rate than the cost of the borrowings, reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the NAV per Share.

As a result of gearing, any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share). Any reduction in the number of Ordinary Shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments. No assurance can be given that any sales of the Company's investments would realise proceeds which would be sufficient to repay any borrowings.

There is no guarantee that any borrowings of the Company will be refinanced on their maturity, either on terms that are acceptable to the Company or at all.

The Company will pay interest on any borrowings and, as such, the Company will be exposed to interest rate risk due to fluctuations in the prevailing market rates. The Company may employ hedging techniques designed to reduce the risk of adverse movements in interest rates. However, such strategies may also result in losses and overall poorer performance than if the Company had not entered into such hedging transactions.

Derivative instruments

The Company may use derivatives for investment purposes, to seek to enhance portfolio returns and for efficient portfolio management, to reduce, transfer or eliminate risk in its investments, including protection against currency risks, or to offset exposure to a specific market. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's investments. The use of derivatives gives rise to a number of specific potential risks. Derivative instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract or the underlying securities may result in a profit or loss which is high in proportion to the amount of funds actually placed as the initial margin and may result in further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

Furthermore, the use of derivative instruments involves certain special risks for a company, including:

(a) dependence on movements in the price of underlying securities and movements in interest rates.

- (b) when used for hedging purposes, an imperfect correlation between the returns on the derivative instruments used for hedging and the returns on the investments or market sectors being hedged; and
- (c) credit exposure to the counterparty with whom it trades.

Counterparty risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Other risks relating to the Portfolio and investment strategy

(a) *Changes in laws or regulations governing the Company's NAV and revenues*

The Company is subject to laws and regulations enacted by European, national and local governments. In particular, the company is subject to and will be required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies.

European regulation includes Directive 2014/65/EU of the European Parliament and of the council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (" **MiFID** ") and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (" **MiFIR** ") (MiFID and MiFIR, together " **MiFID II** ") which came into force on 3 January 2019. The Company has been advised that its Shares should be treated as "non-complex" investment (as defined in MiFID II) but this cannot be guaranteed.

Any changes in the law and regulation affecting the Company and its operations may have a material adverse effect on the ability of the Company to carry on its business and successfully pursue its investment policy and on the value of the Company and/or the Shares. In such event, the investment returns of the Company may be materially adversely affected.

(b) *Changes in taxation legislation, or the rate of taxation*

Any change in the tax status of the Company or in taxation legislation or practice in the United Kingdom or Japan (or elsewhere) could affect the value of the investments held by the Company or the Company's ability to achieve its investment objective or alter the post-tax returns to Shareholders. Statements in this Prospectus including the taxation of Shareholders and/or the Company are based upon current United Kingdom and Japanese law and published practice as at the date of this Prospectus, which law and practice is, in principle, subject to change (potentially with retrospective effect) that could adversely affect the ability of the Company to meet its investment objective and/ or which could adversely affect the taxation of Shareholders and/or the Company and after tax returns to Shareholders.

Potential investors who are in doubt as to their tax position are urged to consult their tax advisers with respect to their particular tax situations and the tax effect of an investment in the Company.

(c) *Accounting*

Any change in accounting standards or accounting practice in the UK may adversely affect the value of the Company's assets and liabilities in its books of account or restrict the ability of the Company to pay dividends or distributions and/or buy back Ordinary Shares.

(d) *Investment trust status*

The Company has obtained from HMRC, and the Directors intend to conduct the affairs of the Company so as to satisfy the conditions for, approval as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. A failure to maintain HMRC approval as an investment trust, including as a result of a change in tax law or practice, could result in the Company not being able to benefit from the current exemption for investment trusts from UK tax on chargeable gains and could affect the Company's ability to provide returns to Shareholders. It is not possible to guarantee that the

Company will remain a company that is not a close company for UK tax purposes, which is a requirement to maintain status as an investment trust, as the Shares are freely transferable. The Company, in the unlikely event that it becomes aware that it is a close company, or otherwise fails to meet the criteria for approval as an investment trust company, will, as soon as reasonably practicable, notify Shareholders of this fact.

RISKS RELATING TO THE SHARES

The Rosenwald Associates are expected to own at Admission, and may retain in the medium or long term a significant interest in the Company and, given the relationship between the Rosenwald Associates and the Investment Advisor, their interest may conflict with those of other Shareholders in certain circumstances

Assuming the minimum proceeds of the Issue of £100 million are raised, the Rosenwald Associates will own in the region of 29 per cent. of the total issued share capital of the Company. The precise shareholdings of the Rosenwald Associates will depend on the outcome of the Issue as a whole.

James B. Rosenwald, III is the chief investment officer at Rising Sun. In addition to any influence acquired through this role with Rising Sun, James B. Rosenwald, III may be in a position to influence through the votes attaching to the Rosenwald Associates' shareholdings the outcome of matters relating to the Company, including approval of significant changes such as a change to the investment policy or the appointment or removal of Directors. In particular, this potential control may have the effect of making certain transactions more difficult to implement without the support of the Rosenwald Associates, and may have the effect of delaying or preventing decision making on significant matters relating to the Company. To the extent that the Rosenwald Associates' interests conflict with those of the other Shareholders, this may have a material adverse effect on the value of the Shares, the performance of the Company and the Company's returns to Shareholders.

Risks relating to the Company's ability to declare and pay dividends

The Company's ability to declare and pay any future dividend is subject to the discretion of the Directors and will depend on, amongst other things, the Company pursuing successfully its investment strategy and the Company's distributable reserves, earnings, financial position, cash requirements level and rate of borrowings and availability of profit, as well as the provisions of relevant laws or generally accepted accounting principles from time to time.

Risks affecting the Shares

The value of an investment in the Company, and the income derived from it, if any, is subject to normal market fluctuations and other risks inherent in investing in securities. The market price of the Shares may rise or fall rapidly and the Shares may trade at a discount to the NAV attributable to them.

The market price of the Shares, like shares in all investment companies, may fluctuate independently of their underlying NAV and may trade at a discount or premium at different times, depending on factors such as supply and demand for the Shares, market or economic conditions and general investor sentiment. There can be no guarantee that any discount control policy will be successful or capable of being implemented. The market value of a Share may therefore vary considerably from its NAV.

An investor may not recover the amount originally invested. The Company can offer no assurance that its investments will generate gains or income or that any gains or income that may be generated on particular investments will be sufficient to offset any losses that may be sustained.

It may be difficult for Shareholders to realise their investment and a liquid market in the Shares may fail to develop

The price at which the Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its investments and some which may affect companies generally. Admission of the Shares to trading should not be taken as implying that there will be a liquid market for the Shares. Consequently, the share price may be subject to greater fluctuation on small volumes of trading of Shares and the Shares may be difficult to sell at a particular price. The market price of the Shares may not reflect their underlying Net Asset Value.

While the Directors retain the right to effect repurchases of Ordinary Shares in the manner described in this Prospectus, they are under no obligation to use such powers or to do so at any time and Shareholders should not place any reliance on the willingness of the Directors so to act. Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their Shares in the market. There can be no guarantee that a liquid market in the Shares will develop or that the Shares will trade at prices close to their underlying NAV. Accordingly, Shareholders may be unable to realise their investment at such Net Asset Value or at all.

The number of Shares to be issued pursuant to the Issue or the Placing Programme is not yet known, and there may be a limited number of holders of such Shares. Limited numbers and/or holders of Shares may mean that there is limited liquidity in the Shares which may affect (i) an investor's ability to realise some or all of his investment and/or (ii) the price at which such investor can effect such realisation and/or (iii) the price at which the Shares trade in the secondary market.

Further issues of Shares

The Directors have been authorised to issue up to 400 million Shares, less any Ordinary Shares that are issued pursuant to the Issue, immediately following First Admission without the application of pre-emption rights. If the Directors decide to issue further Shares on a non-pre-emptive basis the proportions of the voting rights held by holders of Ordinary Shares on First Admission will be diluted on the issue of such shares as each Share carries the right to one vote.

The voting rights may be diluted further on the conversion of any C Shares.

Risks relating to the C Shares

The NAV performance of the C Shares may diverge significantly from that of the Ordinary Shares between the admission of the C Shares to trading on the Specialist Fund Segment of the London Stock Exchange and conversion of the C Shares into Ordinary Shares in accordance with the Articles.

Trading liquidity in the C Shares may be lower than in the Ordinary Shares which may affect: (i) a Shareholders' ability to realise some or all of its invests; (ii) the price at which such Shareholder can effect such realisation; and/or (iii) the price at which Shares trade in the secondary market. Accordingly, Shareholders may be unable to realise their investment in C Shares at Net Asset Value per Share or at all.

C Shares will represent interests in a segregated pool of assets and therefore C Shareholders will not, until conversion, have exposure to the Company's existing investments and C Shareholders' returns will be dependent on the deployment of cash raised in a timely manner.

Dividends will be declared on C Shares only in the event that there is material net income available for distribution to the C Shares.

Prospective investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART 2

IMPORTANT INFORMATION

In assessing an investment in the Company, investors should rely only on the information in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, Rising Sun, Shore Capital or any other person. Neither, the delivery of this Prospectus nor any subscription or purchase of Ordinary Shares and/or C Shares made pursuant to this Prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained therein is correct at any time subsequent to the date of this Prospectus.

In connection with the Initial Placing and any Subsequent Placing, Shore Capital or any of its affiliates acting as an investor for its or their own account(s) may subscribe for the Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or related investments in connection with the Initial Placing, any Subsequent Placing or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed or otherwise dealt with, should be read as including any issue or offer to, or subscription or dealing by, Shore Capital or any of its affiliates acting as an investor for its or their own account(s). Shore Capital does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

1. Regulatory information

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy Ordinary Shares and/or C Shares in any jurisdiction in which such offer or solicitation is unlawful. The issue or circulation of this Prospectus may be prohibited in some countries.

Prospective investors should consider carefully (to the extent relevant to them) the notices to residents of various countries set out at pages 26 to 28 of this Prospectus.

The contents of the Company's website, and the contents of any websites which can be accessed through links on the Company's website, do not form part of this Prospectus. Investors should base their decision to invest on the contents of this Prospectus and any supplementary prospectus published by the Company prior to Admission alone and should consult their professional advisers prior to making any investment in the Shares.

2. Intermediaries Offer

Under the Intermediaries Offer, the Ordinary Shares are being offered to Intermediaries who will facilitate the participation of their retail investor clients (and any member of the public who wishes to become a client of that Intermediary) located in the United Kingdom. The Company consents to the use of this Prospectus in connection with any subsequent resale or final placement of securities by financial intermediaries in the United Kingdom on the following terms: (i) in respect of the Intermediaries who are appointed by the Company prior to the date of this Prospectus, from the date of this Prospectus; and (ii) in respect of Intermediaries who are appointed by the Company after the date of this Prospectus, from the date on which they are appointed to participate in the Intermediaries Offer and agree to adhere to and be bound by the Intermediaries Terms and Conditions in each case, until the closing of the Intermediaries Offer. The offer period within which any subsequent resale or final placement of securities by Intermediaries can be made and for which consent to use this Prospectus is given commences on 8 January 2020 and closes at 5:00 p.m. on 28 January 2020, unless closed prior to that date (any such prior closure to be announced via a Regulatory Information Service). Prospective investors interested in participating in the Intermediaries Offer should apply for Ordinary Shares through the Intermediaries by following their relevant application procedures by no later than 12 noon on 28 January 2020. The Company and the Directors accept responsibility for the information contained in this Prospectus with respect to any purchaser of Ordinary Shares pursuant to the Intermediaries Offer.

Any Intermediary that uses this Prospectus must state on its website that it uses this document in accordance with the Company's consent and the conditions attached thereto. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer at the time of such offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. Any application made by investors to any Intermediary is also subject to the terms and conditions imposed by such Intermediary.

3. Investment considerations

The contents of this Prospectus are not to be construed as advice relating to legal, financial, taxation, investment or any other matter.

Prospective investors should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, conversion, transfer or other disposal of Shares;
- any foreign exchange restrictions applicable to the purchase, holding, conversion, transfer or other disposal of Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, conversion, transfer or other disposal of Shares.

Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. It should be remembered that the price of securities and the income from them can go down as well as up.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's investment objective will be achieved.

As past performance of investments managed and monitored by the Investment Adviser is not necessarily a guide to future performance and the value of an investment in the Company, and the income derived from it, if any, may go down as well as up, there can be no guarantee that the investment objective of the Company will be met. Therefore investors may not get back the full value of their investment.

Investors should not consider the track record information contained in this Prospectus to be indicative of the Company's or Rising Sun's future performance. Past performance is not a reliable indicator of future results and the Company will not make the same investments reflected in the track record information included herein.

The Company has no investment history. For a variety of reasons, the comparability of the track record information to the Company's future performance is by its nature very limited. Without limitation, results can be positively or negatively affected by market conditions beyond the control of the Company or Rising Sun which may be different in many respects from those that may prevail at present or in the future, with the result that the performance of portfolios originated now may be significantly different from those originated in the past.

This Prospectus should be read in its entirety before making any investment in the Ordinary Shares and/or C Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Memorandum and Articles of Association of the Company which investors should review. Details of where the Memorandum and Articles of Association are displayed can be found in paragraph 14 of Part 12 (*General Information*) of this Prospectus.

The actual number of Ordinary Shares and/or C Shares to be issued pursuant to the Issue will be determined by the Company and Shore Capital after taking into account demand for the Ordinary Shares and/or C Shares and prevailing market conditions. In such event, the information in this Prospectus should be read in light of the actual number of Ordinary Shares and/or C Shares to be issued pursuant to the Issue.

Statements made in this Prospectus are based on applicable law and practice currently in force and are subject to changes therein.

4. Forward Looking Statements

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward looking statements include matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the facts described in the “Risk Factors” section of this Prospectus.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Prospectus reflect the Company’s view with respect to future events as at the date of this Prospectus and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s operations and strategy. Save as required by applicable law, or any UK, or EU regulatory requirements (including FSMA, AIFM Directive, the Prospectus Regulation, the Prospectus Regulation Rules, the Takeover Code, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules) the Company is under no obligation publicly to release the results of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in its exceptions or to reflect events or circumstances after the date of this Prospectus.

Given these uncertainties, investors and prospective investors are cautioned not to place any undue reliance on such forward-looking statements and should carefully consider the “Risk Factors” section of this Prospectus for a discussion of additional factors that could cause the Company’s actual results to differ materially before making any investment decision.

Notwithstanding the foregoing, nothing contained in this Prospectus shall in any way be taken to qualify the working capital statement contained in paragraph 11 of Part 12 (*General Information*) of this Prospectus.

5. Presentation of financial information

The Company is newly formed and as at the date of this Prospectus has not commenced operations and has no assets or liabilities, and therefore no statutory financial statements have been prepared as at the date of this Prospectus. All future financial information for the Company is intended to be prepared in accordance with IFRS. In making an investment decision, prospective investors must rely on their own examination of the Company from time to time and the terms of the Issue or Placing Programme (as applicable).

6. Presentation of industry, market and other data

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Company’s business and the track record of the Investment Adviser contained in this Prospectus consists of estimates based on data and reports compiled by professional organisations and analysts, information made public by investment vehicles currently managed by the Investment Adviser (or affiliates of the Investment Adviser), or data from other external sources and on the Company’s, the Directors’ and the Investment Adviser’s knowledge of public companies in Japan. Information regarding the macroeconomic environment has been compiled from publicly available sources. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates. The Company takes responsibility for compiling, extracting and reproducing market or other industry data from external sources, including third parties or industry or general publications, but none of the Company, the Investment Adviser or Shore Capital has independently verified that data. The Company gives no assurance as to the accuracy and completeness of, and takes no further responsibility for, such data. Similarly, while the Company believes its and the Investment Adviser’s internal estimates to be reasonable, they have not been verified by any independent sources and the Company cannot give any assurance as to their accuracy.

7. Currency presentation

Unless otherwise indicated, all references in this Prospectus to:

- “GBP”, “pounds sterling”, “£”, “pence” or “p” are to the lawful currency of the UK;
- “US\$” or “US Dollars” are to the lawful currency of the United States; and
- “Yen”, “JPY” or “JP¥” are to the lawful currency of Japan.

8. Restrictions on distribution

The distribution of this Prospectus may be restricted by law in certain jurisdictions. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. This document may not be used for, or in connection with, and does not constitute an offer to sell or issue, or the solicitation of an offer to buy, subscribe or otherwise acquire, Shares in any jurisdiction where it would be unlawful, and in particular, subject to certain limited exceptions is not for release, publication or distribution in whole or in part, directly or indirectly, to U.S. Persons or into the United States, any member state of the EEA (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Australia, the Republic of South Africa or Japan.

9. Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**Directive 2014/65/EU**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing Directive 2014/65/EU; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that any Shares to be issued pursuant to the Issue and the Placing Programme are: (i) compatible with an end target market of investors who are professionally advised investors or certified as high net worth investors or certified (including self-certified) as sophisticated investors in accordance with COBS 4.7.9 in the FCA Handbook or certified as restricted investors in accordance with COBS 4.7.10 and investors who meet the criteria of professional clients and eligible counterparties, each as defined in Directive 2014/65/EU; and (ii) eligible for distribution through all distribution channels as are permitted by Directive 2014/65/EU (the “**Target Market Assessment**”).

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Issue and the Placing Programme including, without limitation, those set out in this document. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Shore Capital will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Directive 2014/65/EU; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor (including the Intermediaries) is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channel.

10. PRIIPs Regulation

In accordance with the PRIIPs Regulation, a key information document in respect of an investment in the Company has been prepared and is available to investors at the Company's website. The content of the key information document is highly prescriptive, both in terms of the calculations underlying the numbers and the narrative, with limited ability to add further context or explanation. As such, the key information document should be read in conjunction with other material produced by the Company, including this Prospectus and, in future, the annual reports which will be available on the Company's website.

11. Taxation

A summary of certain limited aspects of UK and Japan taxation applicable to the Company and Shareholders is contained in Part 11 (United Kingdom and Japanese Taxation) of this Prospectus. If any potential investor is in any doubt about the tax consequences of his/her acquiring, holding, disposing or conversion of Shares, he/she should seek advice from his/her own independent professional advisers.

12. Overseas investors

If you receive a copy of this Prospectus in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you. It is your responsibility, if you are outside the United Kingdom and wishing to make an application for Shares, to satisfy yourself that you have fully observed the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Company reserves the right, in its absolute discretion, to reject any application received from outside the United Kingdom.

Without limiting the above, the Shares may not be offered, sold or delivered, directly or indirectly, within any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Australia, the Republic of South Africa, Japan or in the United States, or to or for the account or benefit of U.S. Persons, except in reliance on, or in a transaction not subject to, the registration requirements under the Securities Act or the securities laws of any state or other jurisdiction of the United States. If you subscribe for Shares you will, unless the Company agrees otherwise in writing, be deemed to represent and warrant to the Company and its agents that you are not in any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Australia, the Republic of South Africa, Japan or the United States and are not a U.S. Person or subscribing for the account or benefit of a U.S. Person. No application will be accepted if it bears an address in any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Australia, the Republic of South Africa, Japan or the United States or appears to have been posted from any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Australia, the Republic of South Africa, Japan or the United States or otherwise where there is cause to believe you are in any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Australia, the Republic of South Africa, Japan or the United States or a U.S. Person or subscribing for the account or benefit of a U.S. Person.

If you are resident in the United Arab Emirates, Israel, Guernsey, Switzerland or Belgium, your attention is directed to the information set out below.

United Arab Emirates

This Prospectus relates to marketing information concerning Foreign Securities which are being distributed on the basis of paragraphs 3(3), (5) and/or (6) of Article 2 of Decision No (3/R.M) of 2017 Regulating the Promotion and Introduction by the Chairman of the Board of Directors of the Emirates Securities & Commodities Authority. This material is intended for distribution only to persons of the type specified in that Article. It must not be delivered to, or relied on by, any other person. By receiving this Prospectus, potential investors understand, acknowledge, agree and confirm that they are a person of the type specified in that paragraph.

Neither this Prospectus, nor the offer of any Foreign Security contained in it has been reviewed, verified, approved or otherwise authorized in any way by the Emirates Securities & Commodities Authority ("ESCA"), UAE Central Bank or any other governmental authority in the United Arab Emirates, nor has the Shore

Capital received any form of approval, registration, licensing or any other form of authorization from the SCA, the UAE Central Bank or any other governmental authority in the United Arab Emirates to promote or sell any of the Foreign Securities or financial services within the United Arab Emirates.

No marketing or other form of promotion of any Foreign Security or financial services has been or will be made from or within the United Arab Emirates, other than in compliance with the laws of the United Arab Emirates. No subscription to any Foreign Securities may or will be completed within the United Arab Emirates. It should not be assumed that Shore Capital is a licensed broker, dealer, promoter or investment advisor under the laws applicable in the United Arab Emirates, or that it advises individual residents in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling any financial products mentioned herein. The Foreign Securities will not be offered or sold directly or indirectly to the public in the United Arab Emirates. This Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with Federal Law No 2 of 2015 on commercial companies or otherwise.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing contained in it is intended to endorse or recommend a particular course of action. Persons considering acquiring any Foreign Security should consult with an appropriate professional for specific advice rendered based on their personal situation. Prospective purchasers of Foreign Securities to which this Prospectus relates should conduct their own due diligence on them. If you do not understand the contents of this Prospectus, you should consult an authorized financial advisor.

Israel

The offer (or actual sale) of Shares in Israel is an offer only to an investor to whom a copy of this document has been furnished by the Company and/or its authorised agents and this on the basis that said investor falls within the definition of a "Qualified Investor" (namely, an investor enumerated under the First Schedule to the Israeli Securities Law, 5728-1968) and that before the date of every acquisition of Shares by an investor, such investor has given his written consent that all the conditions enumerated under said Schedule apply to him and that he is aware of the meaning of the fact that he is an investor included in said Schedule and consents thereto, as mandated under Israeli applicable law. The Company is not authorised to, and does not intend to, offer the Securities offered under this Prospectus to the general public in Israel.

Guernsey

This document has not been filed with, or approved by, the Guernsey Financial Services Commission ("GFSC") and no authorisations in respect of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (the "POI Law") have been issued by the GFSC in respect of it. Neither the GFSC nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it. This document does not comply with the requirements of Guernsey's Prospectus Rules 2008 2018 on the basis that the Shares in the Company will be admitted to trading on the Specialist Fund Segment for listed securities of the London Stock Exchange plc: if the Shares are not so admitted, then the document may be required to comply with the requirements of such Prospectus Rules 2008 2018 and may need to be re-drafted in some respects. This document is directed in the Bailiwick of Guernsey only at the following: (i) those who have specifically solicited this document, where such approach was not itself specifically solicited by Shore Capital ("**Requesting Investors**"); or (ii) those holding a licence from the GFSC under any of the following laws: the POI Law, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, as amended, the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, as amended or the Regulation of Fiduciaries, Administration Businesses and Company Directors etc. (Bailiwick of Guernsey) Law, 2000, as amended (such persons being "GFSC Licensees"). This document must only be distributed to persons who are not either Requesting Investors or GFSC Licensees by a person holding an appropriate licence from the GFSC under the POI Law. This document may not be relied upon by those who are not Requesting Investors or GFSC Licensees, unless it has been distributed to them by a person holding such a licence under the POI Law.

Switzerland

This Prospectus may only be freely circulated and Shares in the Company may only be freely offered, distributed or sold to regulated financial intermediaries such as banks, securities dealers, fund management companies, asset managers of collective investment schemes and central banks as well as to regulated

insurance companies. Circulating this Prospectus and offering, distributing or selling Shares in the Company to other persons or entities including qualified investors as defined in the Federal Act on Collective Investment Schemes (“**CISA**”) and its implementing Ordinance (“**CISO**”) may trigger, in particular, (i) licensing/prudential supervision requirements for the distributor, (ii) a requirement to appoint a representative and paying agent in Switzerland and (iii) the necessity of a written distribution agreement between the representative in Switzerland and the distributor. Accordingly, legal advice should be sought before providing this Prospectus to and offering, distributing, selling or on-selling Shares of the Company to any other persons or entities. This Prospectus does not constitute an issuance prospectus pursuant to Articles 652a or 1156 of the Swiss Code of Obligations and may not comply with the information standards required thereunder. The Shares will not be listed on the SIX Swiss Exchange, and consequently, the information presented in this document does not necessarily comply with the information standards set out in the relevant listing rules. The documentation of the Company has not been and will not be approved, and may not be able to be approved, by the Swiss Financial Market Supervisory Authority (“**FINMA**”) under the CISA. Therefore, investors do not benefit from protection under the CISA or supervision by the FINMA. This Prospectus does not constitute investment advice. It may only be used by those persons to whom it has been handed out in connection with the Shares and may neither be copied or directly/indirectly distributed or made available to other persons.

Belgium

The Ordinary Shares and the C Shares may be offered in Belgium: (a) only to investors acquiring Instruments for a total consideration of at least 250.000 EUR per investor, acting in its own name and for its own account, or (b) solely to qualified investors, in reliance on Article 1.4(a) and 1.4(d) of the Prospectus Regulation and in reliance of Article 10, §3, 1° of the Law of 11 July 2018 on the offer of investment instruments to the public and the admission of investment instruments to the trading on a regulated market (“**Prospectus Law**”) and Article 5, §1 of the Law of 19 April 2014 on the alternative investment funds and their managers, and as such terms have been defined in the Prospectus Regulation and the Prospectus Law. When received by a Belgian resident, this document is addressed to that person only. Any subscription by a Belgian resident can only be accepted on the condition that such person shall ensure that any resale will satisfy the same conditions as set forth in Article 1.4(a) and 1.4(d) of the Prospectus Regulation.

13. Compulsory transfer provisions

Although the Shares are freely transferable, there are certain circumstances in which the Board may, under the Articles and subject to certain conditions, compulsorily require the transfer of the Shares. These circumstances, which principally apply only to U.S. Persons or investors located in the United States who might purchase Shares in the market, including where a transfer of Shares would cause, or is likely to cause: (i) the assets of the Company to be considered “plan assets” under the Plan Asset Regulations; (ii) the Company to be required to register under the Investment Company Act, or the Investment Adviser or members of the senior management of the Company to be required to register as “investment advisers” under the Investment Advisers Act; (iii) the Company to be required to register under the Exchange Act or any similar legislation, amongst others; or (iv) the Company to be unable to comply with its obligations under the Foreign Account Tax Compliance Provisions (commonly known as FATCA).

These procedures may materially affect the time and a price that they may deem appropriate to transfer such Shares.

14. FATCA and other tax information reporting regimes

TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, EACH PROSPECTIVE INVESTOR IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. TAX ISSUES HEREIN IS NOT INTENDED TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY A PROSPECTIVE INVESTOR FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH PROSPECTIVE INVESTOR UNDER APPLICABLE TAX LAW; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF TREASURY DEPARTMENT CIRCULAR 230) OF THE OFFER TO SELL ORDINARY SHARES BY THE COMPANY; AND (C) A PROSPECTIVE INVESTOR IN ORDINARY SHARES SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT ADVISOR.

The Foreign Account Tax Compliance provisions (commonly known as **"FATCA"**) are U.S. provisions contained in the U.S. Hiring Incentives to Restore Employment Act 2010. FATCA is aimed at reducing tax evasion by U.S. citizens.

FATCA imposes a withholding tax of 30 per cent. on (i) certain U.S. source interest, dividends and certain other types of income; and (ii) the gross proceeds from the sale or disposition of assets which produce U.S. source interest or dividends, which are received by a foreign financial institution (**"FFI"**), unless the FFI complies with certain reporting and other related obligations under FATCA. The UK has concluded an intergovernmental agreement (**"IGA"**) with the U.S., pursuant to which parts of FATCA have been effectively enacted into UK law.

Under the IGA, a FFI that is resident in the UK (a **"Reporting FI"**) is not subject to withholding under FATCA provided that it complies with the terms of the IGA, including requirements to register with the IRS and requirements to identify, and report certain information on, accounts held by U.S. persons owning, directly or indirectly, an equity or debt interest in the Company (other than equity and debt interests that are regularly traded on an established securities market, for which see below), and report on accounts held by certain other persons or entities to HMRC.

The Company is treated as a Reporting FI pursuant to the IGA and complies with the requirements under the IGA. The Ordinary Shares, in accordance with current HMRC practice, comply with the conditions set out in the IGA to be "regularly traded on an established securities market" meaning that the Company does not have to report specific information on its Shareholders and their investments to HMRC. However, there can be no assurance that the Company will continue to be treated as a Reporting FI, that the Shares will continue to be considered to be "regularly traded on an established securities market" or that it would not in the future be subject to withholding tax under FATCA or the IGA. If the Company becomes subject to a withholding tax as a result of FATCA or the IGA, the return on investment of some or all Shareholders may be materially adversely affected.

Since the enactment of FATCA, other jurisdictions have signalled their intention to enter into similar information exchange agreements. The Organisation for Economic Co-operation and Development has developed a global Common Reporting Standard (the **"CRS"**) for multilateral exchange of information. The UK has implemented the CRS and so the Company will have to provide information about its Shareholders to HMRC under these rules. In December 2014, the EU formally adopted Council Directive 2014/107/EU to assist member states in combating tax evasion and fraud by extending the scope for the automatic exchange of information (**"DAC"**). Broadly speaking, DAC implements the CRS within the EU. For FATCA and the CRS, the 2019 reporting period will end on 31 December 2019, with reporting to HMRC by financial institutions for that period to take place by 31 May 2020. Failure to comply with the rules imposed by FATCA and other information exchange regimes could cause the Company be subjected to financial penalties.

As a result of FATCA (and the other FATCA-style agreements noted above), Shareholders will be required to provide certain information to the Company so that the Company can comply with its reporting obligations. In particular, Shareholders will be required to provide – and the Company may be obliged to disclose – details and information about Shareholders (and persons connected or associated with them) as may be required to enable the Company or any of its associates to comply with their obligations to any tax, regulatory or comparable authorities (including pursuant to FATCA or CRS) or where the Company believes such that such disclosure is in the interests of the Company. Any failure to do so may result in such Shareholder being subject to adverse consequences (in accordance with the Articles of Association).

Although the Company complies with the rules imposed by FATCA and other FATCA-style agreements, the Company cannot guarantee that it will be able to satisfy its obligations under FATCA (and other information exchange regimes). Prospective investors and Shareholders are encouraged to consult their own tax advisors regarding the possible implications of FATCA and other information exchange regimes to their investment in the Company.

15. Investor profile

The typical investors for whom the Shares are intended are institutional investors, professional investors, professionally advised and knowledgeable investors and financially sophisticated non-advised private investors who fall within the criterion above who are capable themselves of evaluating the merits and risks of an investment in the Company and who have sufficient resources both to invest in potentially illiquid

securities and to be able to bear any losses (which may equal the whole amount invested) that may result from the investment. Such investors may wish to consult an independent financial adviser prior to investing in the Shares. The Specialist Fund Segment is intended for investment products targeted at institutional, professional, professionally advised and knowledgeable investors.

16. Data Protection

The Company will process personal data provided by an investor at all times in compliance with material requirements of applicable data protection legislation (including the GDPR and the DP Act) in the United Kingdom and/or the EEA, as appropriate ("**DP Legislation**") and shall only process such information for the purposes set out in the Company's privacy policy (the "**Purposes**") which is available for consultation on the Company's website (the "**Privacy Policy**").

Where necessary to fulfil the Purposes, the Company may disclose personal data to:

- (a) third parties located either within, or outside of, the United Kingdom and/or the EEA, for the Registrar and the Administrator to perform their respective functions and in particular in connection with the holding of Shares; or
- (b) the Registrar, the Administrator, the AIFM, Rising Sun and their respective Associates, some of which are located outside of the United Kingdom and/or the EEA.

Any sharing by the Company of personal data with third parties will be carried out in compliance with DP Legislation and as set out in the Company's Privacy Policy.

Each investor acknowledges that by submitting his or her personal data to the Registrar (acting for and on behalf of the Company) where the investor is a natural person he or she represents and warrants that (as applicable) he or she has read and understood the terms of the Company's Privacy Policy and shall provide consent to the processing of his/her personal data for the Purposes where such consent is required.

Each investor hereby represents and warrants to the Company, the Registrar and the Administrator that by submitting personal data that is not the investor's own personal data to the Registrar (acting for and on behalf of the Company):

- (a) it has brought the Company's Privacy Policy to the attention of any underlying data subjects on whose behalf or account the investor may act or whose personal data will be disclosed to the Company and the Administrator as a result of the investor agreeing to subscribe for Shares under the Issue and has provided such underlying data subjects with details of the Purposes for which their personal data will be used;
- (b) where consent is required under DP Legislation, the investor has obtained the consent of any data subject to the Company, the Administrator and the Registrar and their respective affiliates and group companies, processing their personal data for the Purposes; and
- (c) the investor has complied in all other respects with all applicable DP Legislation in respect of disclosure and provision of personal data to the Company.

Where any investor acts for or on account of an underlying data subject or otherwise discloses the personal data of an underlying data subject, the relevant investor shall, in respect of the personal data the relevant investor processes in relation to or arising in relation to the Issue:

- (a) if required, agree with the Company, the Administrator and the Registrar (as applicable), the responsibilities of each such entity as regards responding to data subjects' rights and to communications with a data protection regulator; and
- (b) immediately on demand, fully indemnify the Company, the Administrator, the Registrar, the AIFM and Rising Sun (as applicable) and keep them fully and effectively indemnified against all costs, demands, claims, expenses (including legal costs and disbursements on a full indemnity basis), losses (including indirect losses and loss of profits, business and reputation), actions, proceedings and liabilities of whatsoever nature arising from or incurred by the Company, the Administrator, the Registrar, the AIFM and/or Rising Sun in connection with any failure by the investor to comply with the provisions set out in this section "Data Protection".

17. Governing Law

Unless otherwise stated, statements made in this Prospectus are based on the law and practice currently in force in England and Wales and are subject to changes therein.

18. Restrictions on Shareholder participation in future equity offerings

Shareholders in certain jurisdictions, particularly the United States, may not be entitled to participate in future equity offerings or exercise these rights unless any relevant rights and Shares are registered under their applicable laws or an exemption from registration is available. The Company cannot, at this point, predict whether it would seek such registrations or whether any such exemption would be available. The Company intends to evaluate, at the time of any equity offering, the costs and potential benefits to the Company of enabling Shareholders in those jurisdictions to participate and any other factors it considers appropriate at the time and then to make a decision as to whether to file such a registration statement or seek to utilise any applicable exemptions. The Company cannot assure investors outside the United Kingdom that they will be able to participate in future equity offerings.

The securities laws of certain jurisdictions, particularly the United States, may restrict the Company's ability to allow Shareholders to participate in any discretionary pre-emptive offer by the Company of Shares in the future. There can be no assurance that the Company would be able to conduct any such offer in a manner that would enable participation therein or receipt of the cash proceeds thereof by Shareholders in such jurisdictions. Shareholders who have a registered address in or who are resident or located in (as applicable) countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to participate in any such discretionary pre-emptive offer.

19. Other

The Company will not pay commission to third parties that advise investors to subscribe for Ordinary Shares in the Company. In relation to the Initial Placing, the Ordinary Shares will be issued to Placees at the Issue Price and no commission will be paid to any third parties that advise investors in respect of such issues under the Initial Placing. In relation to the Placing Programme, the Ordinary Shares and C Shares (as applicable) will be issued fully paid to Placees at the applicable Placing Programme Price and no commission will be paid to any third parties that advise investors in respect of such issues under the Placing Programme.

This Prospectus has been approved by the FCA as a prospectus which may be used to offer securities to the public for the purposes of section 85 of FSMA and the Prospectus Regulation. No arrangement has however been made with the competent authority in any other EEA State (or any other jurisdiction) for the use of this Prospectus as an approved prospectus in such jurisdiction and accordingly no public offer is to be made in such jurisdictions.

PART 3

VOLUNTARY COMPLIANCE WITH THE LISTING RULES

Applications will be made to the London Stock Exchange for all of the Shares to be issued pursuant to the Issue and the Placing Programme to be admitted to trading on the Specialist Fund Segment. As such, the Listing Rules applicable to closed-ended investment companies which are listed on the premium listing segment of the Official List of the UK Listing Authority will not apply to the Company.

The Company will be subject to the admission and disclosure standards of the London Stock Exchange whilst the Shares are admitted to trading on the Specialist Fund Segment. The Company will also be subject to the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules. In addition, the Directors have resolved that, as a matter of good corporate governance, the Company will voluntarily comply with the following key provisions of the Listing Rules should First Admission be granted:

- (a) The Company is not required to comply with the Listing Principles set out at Chapter 7 of the Listing Rules. Nonetheless, it is the intention of the Company to comply with these Listing Principles from First Admission.
- (b) The Company is not required to appoint a listing sponsor under Chapter 8 of the Listing Rules. It has appointed Shore Capital as sole bookrunner and financial adviser to guide the Company in understanding and meeting its responsibilities in connection with First Admission any Subsequent Admission, the Issue and the Placing Programme and also for compliance with Chapter 10 of the Listing Rules (as and when applicable) and on the basis set out in (c) below.
- (c) The Company is not required to comply with the provisions of Chapter 9 of the Listing Rules regarding continuing obligations. The Company intends however to comply with all of the provisions of Chapter 9 of the Listing Rules from First Admission.
- (d) The Company is not required to comply with the provisions of Chapter 10 of the Listing Rules relating to significant transactions. The Company intends, however, to comply with the provisions of Chapter 10 of the Listing Rules, save when entering into transactions which are in accordance with its investment policy.
- (e) The Company is not required to comply with the provisions of Chapter 11 of the Listing Rules regarding related party transactions. Nonetheless, in circumstances where the Company, would, if it were complying with Chapter 11 of the Listing Rules, require shareholder consent in respect of any such transaction the Company has adopted a related party policy (in relation to which Shore Capital, as financial adviser, will guide the Company). The policy shall apply to any transaction which it may enter into with:
 - (i) any “substantial shareholder” (as defined in Listing Rule 11.1.4A) (other than: (a) related party transactions with “substantial shareholders” under Listing Rule 11.1.5(2) regarding co-investments or joint provision of finance; or (b) issues of new securities in, or a sale of treasury shares of, the Company to “substantial shareholders” on terms which are more widely available, for example as part of an offer to the public or a placing to institutional investors);
 - (ii) any Director;
 - (iii) the Investment Adviser; and
 - (iv) any affiliates of such persons,

where (in each case) such transaction would constitute a “related party transaction” as defined in Chapter 11 of the Listing Rules. In accordance with its related party policy, the Company shall deal with such related party transactions in accordance with Chapter 11 of the Listing Rules with appropriate modifications in relation to Chapter 11 requirements to provide information, confirmation and undertakings to the FCA.

- (f) The Company is not required to comply with the provisions of Chapter 12 of the Listing Rules regarding market repurchases by the Company of its Shares. Nonetheless, the Company has adopted a policy consistent with the provisions of Listing Rules 12.4.1 and 12.4.2, as more particularly described in the section headed “Share buybacks” in paragraph 11 of Part 6 (*The Company*) of this Prospectus.

- (g) The Company is not required to comply with the provisions of Chapter 13 of the Listing Rules regarding contents of circulars. The Company intends however to comply with the following provisions of Chapter 13 of the Listing Rules from First Admission: (i) Listing Rule 13.3 (Contents of all circulars); (ii) Listing Rule 13.4 (Class 1 circulars); (iii) Listing Rule 13.5 (Financial information in Class 1 circulars); (iv) Listing Rule 13.6 (Related Party circulars); (v) Listing Rule 13.7 (Circulars about purchase of own equity shares); and (vi) Listing Rule 13.8 (Other circulars).
- (h) The Company is not required to comply with the provisions of Chapter 15 of the Listing Rules (Closed-Ended Investment Funds: Premium listing). Nonetheless, the Company intends to comply with the following provisions of Chapter 15 of the Listing Rules from First Admission: Listing Rule 15.4.1A to Listing Rule 15.4.11 (Continuing obligations).

The Company has adopted a share dealing code for the Directors and the Board is responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Directors.

The Specialist Fund Segment securities are not admitted to the Official List. Therefore the Company has not been required to satisfy the eligibility criteria for admission to listing on the Official List and is not required to comply with the Listing Rules. The London Stock Exchange has not examined or approved the contents of this document.

It should be noted that the FCA does not have the authority to monitor the Company's voluntary compliance with the Listing Rules applicable to closed-ended investment companies which are listed on the Specialist Fund Segment nor will it impose sanctions in respect of any failure of such compliance by the Company.

FCA-authorized firms conducting designated investment business with retail customers under COB Rules are reminded that securities admitted to trading on the Specialist Fund Segment will be securities that may have characteristics such as: (i) variable levels of secondary market liquidity; (ii) sophisticated corporate structures; (iii) highly leveraged structures; and (iv) sophisticated investment propositions with concentrated risks and are therefore intended for institutional, professional and highly knowledgeable investors.

PART 4

EXPECTED TIMETABLE, STATISTICS AND DEALING CODES

1. Expected Timetable of Principal Events

Prospectus published	7 January 2020
Initial Placing, Offer for Subscription and Intermediaries Offer opens	8 January 2020
Latest time and date for receipt of Application Forms under the Offer for Subscription and payment in full or settlement of the relevant CREST instruction	1:00 p.m. on 28 January 2020
Latest time and date for receipt of Initial Placing orders	12:00 noon on 28 January 2020
Latest time and date for receipt of applications from Intermediaries in respect of the Intermediaries Offer	12:00 noon on 28 January 2020
Results of the Initial Placing, Offer for Subscription and Intermediaries Offer announced	31 January 2020
First Admission of the Ordinary Shares to the Specialist Fund Segment and dealings commence	8:00 a.m. on 5 February 2020
CREST accounts credited in respect of Ordinary Shares issued in uncertificated form	as soon as practicable after 8:00 a.m. on 5 February 2020
Certificates despatched in respect of Ordinary Shares issued in certificated form	week commencing 10 February 2020
Placing Programme opens	6 February 2020
Placing Programme closes	6 January 2021

Notes:

- (1) References to times above and in this Prospectus generally are to London times unless otherwise specified.
- (2) All times and dates in the expected timetable and in this Prospectus may be adjusted by the Company in consultation with Shore Capital. Any material changes to the timetable will be notified via an RIS.

2. Illustrative Issue Statistics

Issue price per Ordinary Share	100p
Target number of Ordinary Shares to be issued by the Company pursuant to the Issue ³	200,000,000
Target number of Ordinary Shares in issue following the Issue	200,000,001
Target proceeds from the Issue	£200,000,000
Estimated Net Asset Value per Ordinary Share on First Admission	100p

3. Illustrative Placing Programme Statistics

Maximum number of Ordinary and/or C Shares	400 million (inclusive of any Ordinary Shares issued pursuant to the Initial Placing, Offer for Subscription and Intermediaries Offer)
Placing Programme Price per New Ordinary Share	Not less than the last published cum income Net Asset Value per Ordinary Share at the time of issue plus a premium intended to at least cover associated issue costs (which are estimated at one per cent. of the gross proceeds of the relevant Subsequent Placing under the Placing Programme)
Placing Programme Price per C Share	100 pence

4. Dealing Codes

Ordinary Shares

ISIN	GB00BKLGLS10
SEDOL	BKLGLS1
Ticker	NAVF

C Shares

ISIN	GB00BKLGLT27
SEDOL	BKLGLT2
Ticker	NAVC

Legal Entity Identifier of the Company	213800JOFEGZJYS21P75

PART 5

DIRECTORS, INVESTMENT ADVISER AND ADVISERS

Directors*

Rosemary Morgan (Chair)
Ayako Weissman
Rachel Hill
Chetan Ghosh
Alicia Ogawa

* *All directors are appointed on a non-executive basis*

Registered office of the Company

Mermaid House
2 Puddle Dock
London
EC4V 3DB

AIFM

International Fund Management Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey, GY1 1GR
Telephone: +44 (0) 1481 737600
E-Mail: info@intfundmanagement.com
Website: www.intfundmanagament.com
Authorised and Regulated by Guernsey Financial Services Commission

Investment Adviser

Rising Sun Management Ltd
c/o Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500
George Town, Grand Cayman
KY1-1106, Cayman Islands
Telephone: +1 345 769 4900

Financial adviser

Shore Capital & Corporate Limited
Cassini House
57 St James's Street
London SW1A 1LD

Authorised and Regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000

Sole bookrunner

Shore Capital Stockbrokers Limited
Cassini House
57 St James's Street
London SW1A 1LD

Authorised and Regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000

Custodian

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT
Telephone: +44 (0)20 7982 2000
E-Mail: emea_regulatoryliaisonoffice@ntrs.com
Website: www.northerntrust.com
Authorised and regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000

Administrator and company secretary

PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London
EC4V 3DB
Website: www.praxisifm.com

Legal Advisers to the Company

Mills & Reeve LLP
24 King William Street
London
EC4R 9AT

Legal Advisers to Shore Capital

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Reporting accountants

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrars and Receiving Agent

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Principal bankers

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Prime Broker

J.P. Morgan Securities PLC
25 Bank Street
Canary Wharf
London E14 5JP

PART 6

INFORMATION ON THE COMPANY

1. Introduction

The Company is a newly incorporated closed-ended investment company incorporated on 22 October 2019 in England and Wales with registered number 12275668 and registered as an investment company under Section 833 of the Act. The Company intends to commence operations following First Admission and carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010, as amended. Application will be made to the London Stock Exchange for any Shares issued pursuant to this Prospectus to be admitted to the Specialist Fund Segment of the London Stock Exchange.

The Company intends to invest in shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, Japan.

The Company has a board of non-executive directors all of whom are considered to be independent. The Company does not have any managing directors. The Company has appointed International Fund Management Limited as alternative investment fund manager to provide overall portfolio and risk management services to the Company. The AIFM and the Company have appointed Rising Sun as the investment adviser to provide investment advisory services to the AIFM and the Company in relation to its portfolio of investments. Further information on Rising Sun and the AIFM is set out in Part 7 (*Directors, Management and Administration*) of this Prospectus.

2. Investment opportunity

The Directors believe that an investment in the Company offers the potential following attractive characteristics:

- *Investment objective:* the Company will aim to provide Shareholders with attractive capital growth through its investment in a focussed portfolio of quoted Japanese securities (although the Company may, in certain limited circumstances, make investments in unquoted companies provided that the Company's aggregate interest in unquoted investments at the time of any such investment is not more than 10 per cent. of the Company's Net Asset Value at that time).
- *Investment strategy:* the Board, as a consequence of recent regulatory and governance changes in Japan, consider it to be the right time to launch a dedicated activist vehicle focused on Japanese listed equities which pursues superior returns and increased dividends for shareholders in the companies in which it invests.
- *Experienced team:* the Company has the benefit of the track record of the Rising Sun Management Team which has more than 50 years' collective investment experience and a deep understanding of activist investor strategies. Rising Sun comprises a team with significant experience in Japan.
- *Identified investments:* Rising Sun has already identified a number of investee companies which fulfil the Company's determined investment criteria and which it considers to be suitable for activist shareholder engagement. Consequently the Company would expect to have deployed substantially all of the proceeds of the Issue within six months of First Admission.
- *Board:* the Board, chaired by Rosemary Morgan is comprised of individuals from relevant and complementary backgrounds offering fund management (including Japanese fund management), activist experience (including in relation to Japanese equities), and risk and compliance and capital markets experience.
- *Issue and Placing Programme:* the Company is targeting an issue of up to 200 million Ordinary Shares pursuant to the Issue, comprising of the First Placing, the Offer for Subscription and the Intermediaries Offer at the Issue Price (being £1.00 per Share). Following the Issue, the Directors intend to implement the Placing Programme to enable the Company to raise additional capital in the period of 12 months from publication of this Prospectus to pursue acquisition opportunities that are in accordance with the Company's investment objective and policy.
- *Leverage:* the Company may, once the proceeds have been fully invested, introduce leverage to the

consider to be appropriate and borrow an amount not exceeding 20 per cent. of the Company's Net Asset Value at the time of drawdown.

- *Nil initial cost:* the costs of the Issue will not be charged to Shareholders as the Issue Expenses will be borne by Rosenwald Capital. Therefore, following the Issue the Company will have a Net Asset Value per Ordinary Share of 100 pence, which is equal to the Issue Price.

3. Investment objective and policy

3.1 Investment objective

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focussed portfolio of quoted companies which have the majority of their operations in, or revenue derived from, Japan and that have been identified by the Investment Adviser as being undervalued.

3.2 Investment policy

The Company will invest in a highly concentrated portfolio of shares issued by quoted companies which have the majority of their operations in, or revenue derived from, Japan and which the Investment Adviser deems attractive and undervalued and typically where (i) cash constitutes a significant proportion of the investee company's market capitalisation; and (ii) the relevant company has no controlling or majority shareholders.

The Board will not set any limits on sector weightings or stock selection within the portfolio. The Board will apply the following restrictions on the size of its investments:

- not more than 30 per cent. of the Gross Asset Value at the time of investment will be invested in the securities of a single issuer (such restriction does not, however, apply to investment of cash held for working capital purposes and pending investment or distribution in near cash equivalent instruments including securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD Member State or by any supranational authority of which one or more EU or OECD Member States are members); and
- the value of the four largest investments at the time of investment will not constitute more than 75 per cent. of the Gross Asset Value.

The Company will not be constrained by any index benchmark in its asset allocation.

Additionally, while the Company intends that the majority of its investments will be in quoted companies, it may also make investments in unquoted companies and the Company may become invested in unquoted companies as a result of corporate actions or commercial transactions undertaken by quoted companies. The Company will only make investments in unquoted companies in order to maintain or improve its position in relation to a business which operated through a quoted entity at the time of the Company's initial investment in that business. In any event, the Company will only make an investment in an unquoted company if the aggregate interest of the Company in unquoted companies at the time of such investment is not more than 10 per cent. of the Net Asset Value of the Company at that time. This will mean that, if a quoted portfolio company is delisted or an unquoted investment is revalued with the effect of increasing the Company's interest in unquoted investments above 10 per cent. of the Company's Net Asset Value at that time, the Company will not be in breach of its investment policy and will not have to divest itself of any unquoted investments. However, while the Company's interest in unquoted investments remains above 10 per cent. of its Net Asset Value, the Company will not be able to make any further investments in unquoted companies.

Investment restrictions

There will be no restrictions placed on the market capitalisation of investee companies, but it is expected that the portfolio will be weighted towards small cap companies with market capitalisations of up to US\$1 billion. Once fully invested, the portfolio is expected to have up to 20 holdings although there is no guarantee that this will be the case and it may contain a lesser or greater number of holdings at any time.

The Company intends to acquire large minority stakes of typically 4.9 to 25.0 per cent. in each investee company. Nevertheless, in certain limited circumstances the Company may acquire a larger stake in an investee company if the investment case so warrants. The Company will not, however, acquire any stake which could cause a change in its status as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. The Company intends to have invested substantially all of the proceeds of the Issue within six months of the date of First Admission.

The Company will comply with the following investment restrictions for so long as they remain requirements of the Listing Rules (relevant elements of which the Company has voluntarily undertaken to comply):

- neither the Company, nor any of its subsidiaries will conduct any trading activity which is significant in the context of the Group as a whole;
- no more than 10 per cent., in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds; and
- the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy.

The Company intends to only invest in enterprises which are distinct from those of Dalton's existing clients. Should the Company ever find that it is targeting the same opportunity as Dalton (or one of its affiliates) or is invested in the same enterprise as Dalton (or one of its affiliates), the Company will take appropriate advice and action at the time.

Treasury policy

Until the Company is fully invested, and pending re-investment or distribution of cash receipts, the Company will invest in cash, cash equivalents, near cash instruments and money market instruments. The Company expects to maintain any non-operational cash balances in Japanese Yen.

The Company may also use derivatives for gearing and efficient portfolio management purposes.

Gearing Policy

The Company does not have a borrowing facility but may, in the future, use borrowings and other gearing to seek to enhance investment returns at a level (not exceeding 20 per cent. of the Company's net assets calculated at the time of drawdown) which the Directors, the AIFM and Rising Sun consider to be appropriate. It is expected that gearing will primarily comprise bank borrowings, public bond issuance or private placement borrowings, although overdraft or revolving credit facilities may be used to increase acquisition and cash flow flexibility. The Company expects all debt to be denominated in Japanese Yen.

Hedging Policy

Although the Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investments denominated in Japanese Yen, it may in future, in its discretion, enter into currency hedging arrangements using futures, forwards, swaps or other derivative instruments.

3.3 Material breach of investment restrictions

In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by Rising Sun through a Regulatory Information Service.

3.4 Amendment to investment policy

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

4. Investment strategy

The Company will seek to achieve its investment objective by taking advantage of the corporate governance reforms in Japan and utilising the increased focus on good corporate governance to engage with management teams and unlock value and encourage investee companies to make returns to their shareholders.

Further details on the Company's investment strategy are set out in paragraph 2 of Part 8 (*Investment Approach, Strategy and Process*) of this Prospectus.

5. Cornerstone investors

The Company has received (i) a binding commitment in the amount of £25 million and (ii) a non-binding indication of interest in the amount of £25 million which Dalton has agreed to use its best endeavours to convert into participations in the Issue following the publication of the Prospectus, for a total of £50 million which has been made by Dalton or by its managing member, in each case in their capacity as the investment manager for and on behalf of certain pooled investment funds and institutional client separate accounts (together the "**Dalton Clients**" and each a "**Dalton Client**"). The binding commitment of £25 million includes a £5 million participation by Kings Bay Investment Company Ltd to be made upon the Share Conversion becoming effective (as further described in paragraph 2 of Part 12 (*General Information*)).

The Company expects Dalton to manage the commitments of its clients so as to ensure that the total individual commitment of any particular Dalton Client does not exceed five per cent. of the total proceeds raised by the Issue.

In addition, Dalton shall not be required to secure participation by Dalton Clients, if and only to the extent that to do so would result in the Rosenwald Associates owning more than 29 per cent. of the total issued share capital of the Company. Consequently, it is expected that the Rosenwald Associates will adjust their participation in the Issue so as to ensure that the aggregate shareholding of the Rosenwald Associates will be less than 30 per cent. of the voting rights in the Company so as to avoid any implications as a result of the requirement under Rule 9 of the Takeover Code to, in certain circumstances, make an offer for the entire issued share capital of the Company.

The Company has also secured a commitment of £1 million from a group company of Shore Capital.

6. Alternative Investment Fund Manager

The Company has appointed International Fund Management Limited as the Company's AIFM pursuant to the AIFM Agreement under which it is responsible for overall portfolio management and compliance with the Company's investment policy, providing alternative investment fund manager services, providing guidance to the Company on its compliance with the requirements of the AIFM Directive that apply in respect of the marketing of the shares of the Company in the EU and the UK, and undertaking risk management.

Further information on the AIFM is included in paragraph 2 of Part 7 (*Directors, Management and Administration*) of this Prospectus.

7. The Investment Adviser

Portfolio advice and day-to-day portfolio management services, including the origination and evaluation of investment opportunities and the execution of transactions, will be provided to the Company by Rising Sun Management Ltd as a delegate of the AIFM. The Investment Adviser is a company incorporated in Cayman whose registered office is c/o Appleby Global Services (Cayman) Limited, 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands with registered number 356413.

Further information on Rising Sun is included in paragraph 3 of Part 7 (*Directors, Management and Administration*) of this Prospectus.

8. Distribution policy

The Company believes that the substantial undervaluation of Japanese equities, coupled with an activist strategy designed to unlock underlying value should allow the Company to achieve significant investment results over time. Given the nature of this strategy, however, it is possible that such returns could be “lumpy” and unpredictable. Accordingly, the Company will target results primarily through capital appreciation, no specific dividend policy will be established in the first instance and any distributions will be made entirely at the discretion of the Board. Notwithstanding the foregoing, the Company will make such distributions as may be required to ensure compliance with the rules relating to investment trusts.

9. Capital structure

9.1 Share capital

The Company's share capital structure immediately following the Issue will consist of Ordinary Shares. The Ordinary Shares will be in registered form and may be held in certificated or in uncertificated form.

The Company may issue New Ordinary Shares and/or C Shares pursuant to the Placing Programme.

9.2 Further issues of Shares

Under the UK Companies Act, further issues of Shares, of whatever class, for cash will be subject to pre-emption rights conferred on existing Shareholders, save to the extent these rights have been disapplied by a special resolution of the Company. The Directors currently have authority to issue further Shares on a non pre-emptive basis, provided that the number of Ordinary Shares (including New Ordinary Shares) and C Shares issued pursuant to the Issue and Placing Programme may not exceed 400 million Shares in aggregate. This authority will extend until the day prior to the first anniversary of the publication of this Prospectus. Further details of the Placing Programme and the Directors' intentions concerning the issue of New Ordinary Shares and/or C Shares under the Placing Programme are set out in Part 10 (*Placing Programme*) of this Prospectus.

Following the expiration of the Placing Programme authority, the Directors will also have a general authority to issue Shares having, in aggregate, a nominal value of up to 20 per cent. of the aggregate value of the Company's issued share capital immediately following Admission, which will expire on the date of the Company's AGM to be held in 2021.

The proceeds of the issue of further Shares will be used in accordance with the Company's investment objective and policy, as described in paragraph 3 of this Part.

The Directors only intend to use their authority to issue New Ordinary Shares under the Placing Programme (or under their general authority) in the event that the Ordinary Shares trade at a premium to Net Asset Value and, consequently, the authority may be used in order to reduce any premium over NAV at which the Company may be trading, as well as to raise additional capital for investment in accordance with the Company's investment policy and improve liquidity. As a consequence, further issues of Ordinary Shares will be made under the Placing Programme (or under the Directors' general authority), entirely at the Directors' discretion, in respect of an aggregate number of New Ordinary Shares equal to up to 400 million, less any Ordinary Shares issued under the Issue or C Shares issued under the Placing Programme, and only at prices (net of issue costs) that represent a premium to the prevailing Net Asset Value per Ordinary Share and, therefore will not have a dilutive effect on the NAV of the Ordinary Shares then in issue.

The Directors currently intend to seek annual renewal of the authority to issue Ordinary Shares and/or C Shares on a non-pre-emptive basis from Shareholders in respect of an aggregate number of Ordinary Shares and/or C Shares equal to up to 20 per cent. of Shares in issue from time to time or such other number as the Shareholders at a general meeting of the Company shall approve.

New Ordinary Shares and C Shares issued under the Placing Programme may be issued under this Prospectus provided that it is updated by a supplementary prospectus (if required) under Article 23 of the Prospectus Regulation. Article 1(5) of the Prospectus Regulation currently allows for the issue of shares representing, over a period of 12 months less than 20 per cent. of the number of shares of the same class already admitted to trading on the same regulated market without the requirement for a

prospectus to be published, provided that such issue is not made by way of an offer of the Company's securities to the public.

Should the Board wish to issue New Ordinary Shares or C Shares in excess of the amount which it is authorised to allot, further authorities will be sought at an appropriate time by convening a general meeting of Shareholders for the purpose. It is expected that this Prospectus will remain valid for 12 months from the date hereof, subject to the requirement under the Prospectus Regulation to the publication of supplementary prospectuses to disclose any significant changes in the financial or trading position of the Company.

10. Use of Proceeds

The Company's principal use of cash raised pursuant to the Issue and the Placing Programme will be to make investments in accordance with the terms of its investment policy including those investee companies which have already been identified at the date of this document and to meet the ongoing operational expenses of the Company.

Rosenwald Capital has agreed to pay all of the initial costs associated with the Issue and consequently the Company can commit a greater proportion of the proceeds of the Issue to its investment strategy rather than using such amount to pay costs and expenses associated with the Issue and establishment of the Company.

11. Discount management – share buybacks

The Company may purchase Shares in the market at prices which represent a discount to the prevailing NAV per Share of that class so as to enhance the NAV per Share for the remaining holders of Shares of the same class. The Company is authorised to make market purchases of up to 14.99 per cent. of the aggregate number of issued Shares immediately following First Admission.

The Board intends to seek Shareholder approval to renew its authority to make market purchases of its own issued Shares once its existing authority has expired or at subsequent AGMs.

Purchases of Shares will be made within guidelines established from time to time by the Board and only in accordance with the Statutes and the Disclosure Guidance and Transparency Rules. Any purchase of Shares may be satisfied by the available cash or cash equivalent resources of the Company, from borrowings, the realisation of the Company's assets or any combination of these sources of liquidity, at the Directors' discretion.

Ordinary Shares bought back by the Company may be held in treasury or cancelled. Such Shares may (subject to there being in force a resolution of Shareholders to disapply the rights of pre-emption that would otherwise apply) be resold by the Company. C Shares bought back by the Company shall be cancelled.

At the date of this Prospectus, the Company does not hold any Shares in treasury.

12. Duration

The Company has been established with unlimited life. However, the Directors intend to offer shareholders with an exit opportunity at close to NAV around the fifth anniversary of Admission (the "**Exit Opportunity**"). The mechanism will be dependent on various factors including the number of Shareholders seeking to participate in the Exit Opportunity, the liquidity of the underlying market at the time of the Exit Opportunity and/or the demand for Shares from other investors at the time. The Directors will consider the most efficient and cost effective mechanism for providing the Exit Opportunity which may include, but are not limited to, significant share buybacks or a tender offer. The Board and Shore Capital will canvas opinion from the Shareholders in the months leading up to the Exit Opportunity.

In addition, Shareholders will have the opportunity to vote on an ordinary resolution on the continuation of the Company at the AGM of the Company to be held in 2025, and every second AGM thereafter. If any such ordinary resolution is not passed, the Directors shall draw up proposals for the voluntary liquidation, unitisation, reorganisation or reconstruction of the Company for consideration by the Shareholders at a general meeting to be convened by the Directors for a date not more than six months after the date of the

13. Investment Trust Status

The Company has obtained approval as an investment trust from HMRC for the purposes of section 1158 of the Corporation Tax Act 2010. However, no guarantee is given that the Company will be able to maintain its status as an investment trust.

Nevertheless, the Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. In summary, the key conditions that must be met for approval by HMRC for any given accounting period as an investment trust are that:

- all or substantially all of the business of the Company is investing its funds in shares, land or other assets with the aim of spreading investment risk and giving members the benefit of the results of the management of its funds;
- the Company is not a close company at any time during the accounting period for which approval is sought;
- the Company is resident in the UK throughout that accounting period;
- the Company's ordinary share capital is admitted to trading on a regulated market (as defined in FSMA) throughout the accounting period; and
- the Company must not retain in respect of the accounting period an amount greater than the higher of: (i) 15 per cent. of its income for the period; and (ii) the amount of any income which the Company is required to retain in respect of the period by virtue of a restriction imposed by law. However, where the Company has relevant accumulated losses brought forward from previous accounting periods of an amount equal to or greater than the higher of the amounts mentioned in (i) and (ii) above, it may retain an amount equal to the amount of such losses.

14. AIFM Directive

The Company operates as an externally managed EEA domiciled AIF with a Non-EEA AIFM for the purposes of the AIFM Directive. Accordingly, the AIFM has notified the FCA in accordance with Article 42 of the AIFM Directive, of the intention to market the Company in the UK during the period from the date of publication of this Prospectus until the date on which the UK formally exits the European Union (or such later date as is permitted by any transitional arrangements). The AIFM is licensed and regulated by the Guernsey Financial Services Commission.

15. Non-mainstream pooled investment products

The Company is not deemed to be a non-mainstream pooled investment because, as an investment trust, the Ordinary Shares are "excluded securities" under the FCA's rules on non-mainstream pooled investment products.

The Directors have been advised that the requirements of Article 57 of the MiFID II delegated regulation of 25 April 2016 will be met in relation to the Shares and that accordingly, the Shares should be considered "non-complex" for the purposes of MiFID II.

16. Profile of typical investors

The typical investors for whom the Shares are intended are institutional investors, professional investors, professionally advised and knowledgeable investors and non-advised private investors who fall within the criterion above who are capable themselves of evaluating the merits and risks of an investment in the Company and who have sufficient resources both to invest in potentially illiquid securities and to be able to bear any losses (which may equal the whole amount invested) that may result from the investment. Such investors may wish to consult an independent financial adviser prior to investing in the Shares. The Specialist Fund Segment is intended for investment products targeted at institutional, professional, professionally advised and knowledgeable investors and, accordingly, applications under the Offer for Subscription received direct from retail investors may be rejected by the Company.

17. Net Asset Value

The Net Asset Value is the value of all assets of the Company less liabilities to creditors (including provisions for such liabilities) determined in accordance with IFRS and the Company's valuation principles and procedures. Binder 4, Page 801 of 945

The Administrator is responsible for calculating the NAV per Share of the Company. Announcements of unaudited NAV per share, will be made on a daily basis through a Regulatory Information Service. The unaudited NAV per Share will be calculated in sterling on a cum income basis in line with IFRS by the Administrator with input from the Investment Adviser.

Quoted investments will be valued by reference to their bid prices on the relevant exchange. Unquoted or illiquid valuations will be valued by an appropriate third party valuer or by the Investment Adviser, provided that the Investment Adviser will not value any such unquoted or illiquid investments at more than cost or at a value greater than that attributed to the investment by an appropriate third party valuer.

Valuations of NAV per Share will be suspended only in any circumstances in which the underlying data necessary to value the investments of the Company cannot readily or without undue expenditure be obtained or for regulatory reasons. Any such suspension will be announced through a Regulatory Information Service.

18. Meetings, Accounts and Reports

All general meetings of the Company will be held in the United Kingdom. The Company will hold an annual general meeting each year, commencing in 2021.

The first accounting period of the Company will end on 31 December 2020 and, thereafter, accounting periods will end on 31 December in each year. The audited annual accounts will be published via an RIS within four months of the year end to which they relate. Unaudited half yearly reports, made up to 30 June will be announced within three months of that date. The audited annual accounts and half yearly reports will also be made available at the registered office of the Administrator and the Company and on the Company's website at www.nipponactivevaluefund.com.

The financial statements of the Company will be prepared in accordance with IFRS, and the annual accounts will be audited by an independent accounting firm using auditing standards in accordance with International Standards on Auditing (UK). The Directors may, however, change the accounting policies under which the Company's accounts are prepared if it is considered necessary or appropriate to do so.

19. Taxation

Potential investors are referred to Part 11 (*UK and Japanese Taxation*) of this Prospectus for details of the taxation of the Company and Shareholders in the UK. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own professional advisers immediately.

PART 7

DIRECTORS, MANAGEMENT AND ADMINISTRATION

1. Directors

The Directors are responsible for managing the business affairs of the Company in accordance with the Articles and the investment policy and have overall responsibility for the Company's activities including its investment activities and reviewing the performance of the Company's portfolio.

The Directors may delegate certain functions to other parties such as the AIFM, The Investment Adviser, the Administrator, the Company Secretary, the Custodian, the Prime Broker and the Registrar. In particular, the Directors have delegated responsibility for day-to-day management of the investments comprised in the Company's portfolio to the AIFM (which has in turn delegated portfolio management activities to the Investment Adviser). The Directors have responsibility for exercising supervision of the AIFM and the Investment Adviser.

All of the Directors are considered by the Board to be independent of the AIFM and Rising Sun. The Board currently consists of:

Rosemary Morgan (non-executive chair)

Rosemary is a Senior Independent non-executive Director of Schroder Asia Pacific Investment Trust, where she is the Chairman of the Audit and Risk Committee, and an independent director of JP Morgan India Investment Trust.

Rosemary studied Japanese at the Australian National University in Canberra before being awarded the Monbusho Scholarship at Kobe University in Japan and then studying for a Master of Arts in Japanese Literature at Harvard University in the United States.

After university, Rosemary worked as a Japanese equity fund manager for 16 years at John Govett before joining the institutional client team at Fidelity International and then moving to the Royal Bank of Scotland as Head of Asia and Emerging Markets (Multi Manager Funds), where she managed long only and alternative funds of funds, specialising in Japan and Emerging Markets.

Chetan Ghosh (non-executive director)

Chetan is the Chief Investment Officer for Centrica's pension scheme arrangements and is responsible for providing support to the directors of the investment committee. His role covers investment strategy considerations, asset class and manager research, and liaising with the investment advisers.

Prior to joining Centrica in 2009 Chetan worked in a number roles, ranging from pensions actuary at Towers Perrin to investment consultant at Aon Hewitt and Lane Clark & Peacock. Whilst at financial services firm Alexander Forbes, Chetan developed a fiduciary management offering to improve client governance structures.

Chetan has a first class degree in Mathematics from Kings College London.

Rachel Hill (non-executive director)

Since 2006, Rachel has been a director of Dragon Capital Markets (Europe) Limited and has been responsible for the European marketing of London Stock Exchange listed Vietnam Enterprise Investments Ltd and the Vietnam Equity (UCITS) fund. Rachel was also previously on the board of Dalton Asia Fund, which is a long/short Asian Investment fund managed by Dalton Investments LLC. Rachel has 28 years of experience in respect of equity and equity fund sales in Asian markets.

In addition, Rachel also currently serves on the board of DC Developing Market Strategies Ltd, a Dublin regulated UCITS fund investing in Vietnam; Quaero Capital Luxembourg Fund, a Luxembourg regulated UCITS platform with various sub funds investing in equities and bonds; and Talos Capital Luxembourg Funds, a Luxembourg SICAV Fund also managed by Quaero Capital.

Rachel holds a BA (Hons) MA in Natural Science from Trinity Hall, Cambridge University and is also a Chartered Member of the Chartered Institute for Securities and Investment.

Ayako Hirota Weissman (non-executive director)

Ayako is a senior portfolio manager and director of Asia Strategy at Horizon Kinetics LLC. With over 30 years of investment experience, Ayako was previously a founder and Chief Investment Officer of AS Hirota Capital Management, LLC.

Ayako's prior experience also includes acting as a portfolio manager specializing in Japanese securities for Kingdon Capital Management, LLC, a New York-based hedge fund, two years as a partner and Portfolio Manager of Feirstein Hirota Japan Partners and 12 years at Salomon Smith Barney Asset Management, as a Managing Director and Senior Portfolio manager in the U.S. value equity group, with responsibility for approximately US\$2 billion in assets. Ayako is a member of the U.S.-Japan Council and serves on its investment committee. She also serves on Japan ICU Foundation's investment committee. Ayako is a director of Toshiba Corporation.

Ayako received an MBA from the International Institute for Management Development (IMD) in Lausanne, Switzerland and a BA in Liberal Arts from International Christian University in Tokyo, Japan. Ayako is a CFA® charterholder.

Alicia Ogawa (non-executive director)

Alicia is a director of the Project on Japanese Corporate Governance and Stewardship at the Center on Japanese Economy and Business (CJEB), Columbia Business School, NYC and has over 20 years of experience in the Asian financial markets. She also serves on the board of The Maureen and Mike Mansfield Foundation, Misaki Capital (from December 2019) and is on the investment committee of the Association of Asian Studies. She also is a member of the Assistant Adjunct Faculty, Columbia University School of International and Public Affairs as well as being a consultant for activist funds.

In her role as director of the Project on Japanese Corporate Governance and Stewardship, Alicia has been a featured speaker on Japanese financial markets issues for public and private sector conferences such as Goldman Sachs, SIFMA, Council of Institutional Investors, Japan Securities Dealers Association, CSIS, Peterson Institute, and Japan Society.

Prior to 2006, Alicia was a Managing Director and the Director of Global Research Product, Lehman Brothers, NYC and was tasked with leading the global analysts in development of a globally-themed equity research product focused on specific market sectors.

Alicia holds a M.I.A from the Columbia University School of International and Public Affairs in East Asian Studies and International Finance.

2. AIFM

The Company has appointed International Fund Management Limited as the Company's alternative investment fund manager ("**AIFM**") pursuant to the AIFM Agreement under which it is responsible for overall portfolio management and compliance with the Company's investment policy, providing alternative investment fund manager services, providing guidance to the Company on its compliance with the requirements of the AIFM Directive that apply in respect of the marketing of the shares of the Company in the EU and the UK, and undertaking risk management subject always to the overall policies, supervision and review of the Board.

The AIFM is a limited liability company incorporated in Guernsey on 3rd September 1987, with company number 17484. The AIFM is licensed by the GFSC under the provisions of The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, to conduct certain restricted activities in relation to collective investment schemes and general securities and derivatives.

A summary of the AIFM Agreement is set out in paragraph 6.2 of Part 12 (*General Information*) of this Prospectus.

3. The Investment Adviser

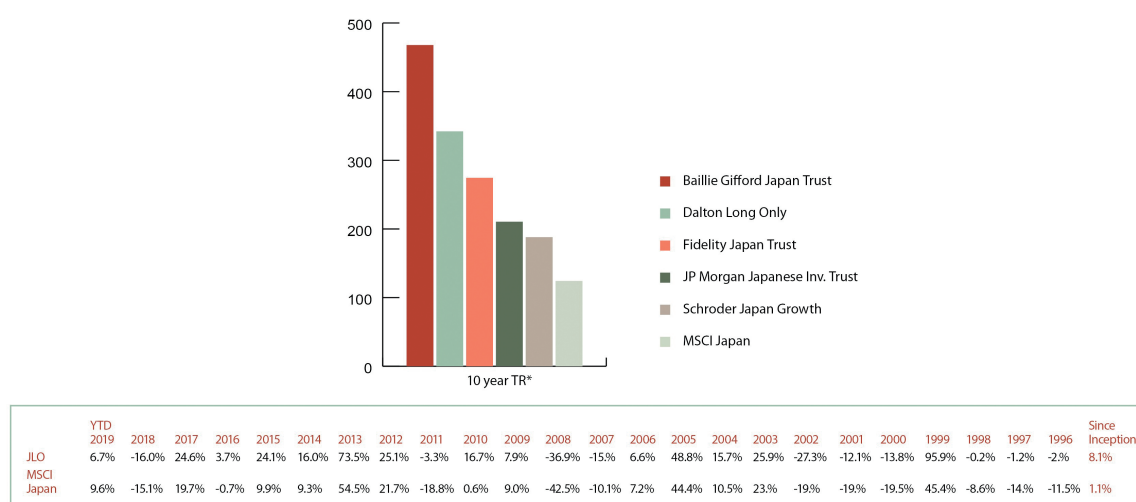
3.1 Introduction

Pursuant to the Investment Advisory Agreement, the AIFM and the Company have appointed Rising Sun as Investment Adviser to provide investment advisory services to the AIFM and the Company in respect of the assets of the Company with effect from First Admission, including in connection with the evaluation, origination, acquisition and execution of potential investment opportunities for the Company, as well as on-going monitoring of the Company's investment portfolio. In providing its services, Rising Sun shall have regard to the investment objective, investment policy, investment restrictions and principles of allocation as set out in this Prospectus (such policies and principles as may be amended from time to time).

3.2 Rising Sun's capabilities

Rising Sun is a newly incorporated Cayman entity which will be led by James B. Rosenwald, III. Mr Rosenwald has over 40 years' experience investing in Asia and is co-founder and managing partner of Dalton Investments LLC. Dalton is a value focused investment management firm with expertise in Asia equities and global equities. Headquartered in Santa Monica, California, with affiliate offices in Tokyo and Mumbai, Dalton manages (as at 31 May 2019) US\$3.4 billion in actively managed long only and long-short strategies for pensions, endowments, foundations, financial institutions and family offices. Dalton has a strong track record investing in Japanese equities. The Dalton Japan Long Only composite track record (US\$1.2bn under management) is set out below.

The Dalton Japan Long Only composite track record as at 30 September 2019 (data presented in accordance with the Global Investment Performance Standards)



Sources: Dalton Investments LLC and Morningstar.

3.3 Rising Sun Management Team

Mr James B. Rosenwald, III is assisted by Mr Gifford Combs, Mr Paul folkes Davis and Mr Kazutaka Mizuochi. In addition the Investment Adviser has entered into an agreement whereby the Tokyo office of Dalton Advisory KK, which will provide investment research services to the Investment Adviser.

The management team of the Investment Adviser includes:

James B. Rosenwald, III

James heads the investment team at Rising Sun as well as being the Managing Partner and founding member of Dalton Investments LLC which was established in 1999. James has been a director of Shore Capital since January 2010.

He is also Portfolio Manager for Dalton Investments' Asian Equities strategies. James has over 40 years of investment experience managing equity portfolios and in particular in investing in Asia.

Prior to joining Dalton, James founded and co-managed Rosenwald, Roditi & Company, Ltd., now known as Rovidia Asset Management, Ltd., which was established in 1992. He was also previously an External Manager for the Soros Group.

James holds an MBA from New York University and an AB from Vassar College.

Gifford Combs

Gifford is the Managing Director and Portfolio Manager for Dalton Investments LLC, and was a founding member of Dalton which was established in 1999. Gifford has over 30 years of investment experience managing equity portfolios.

Prior to joining Dalton, he managed equity portfolios for U.S. and international institutions at Pacific Financial Research, a Beverly Hills-based money manager with assets in excess of US\$5 billion.

Gifford serves on the board of Cambridge University in America (New York) and the Capital Campaign for Cambridge University (Cambridge, UK), as well as on the investment committees of the College of the Atlantic (Bar Harbor) and the Mt. Desert Land and Garden Preserve (Seal Harbor).

Gifford holds an M.Phil degree, with distinction, in Economics and Politics from Cambridge University and an AB degree, magna cum laude, from Harvard College.

Paul ffolkes Davis

Paul is the Vice Chairman of Cambridge and Counties Bank, and was a founding member of Cambridge and Counties when it was established in 2012.

He has over 40 years' experience in the financial services industry as well as having considerable experience in international capital markets. This includes previous directorships of N M Rothschild & Sons Ltd, NatWest Markets and Rabobank International.

Since September 2004, Paul has been the Bursar of Trinity Hall, Cambridge one of Cambridge University's oldest colleges. Paul holds MA degrees from Oxford and Cambridge Universities.

Kazutaka Mizuochi

Since 2018, Kazutaka has been a partner at the Tokyo law firm, Hibiya-Nakata and has over 20 years of experience in advising on matters of corporate law with a particular focus on mergers and acquisitions.

Prior to joining Hibiya-Nakata, he was a partner at the law firm Baker & McKenzie, Tokyo from the years 2006-2018.

Kazutaka's mergers and acquisitions experience includes representing various international companies (including Japanese and British companies) in the acquisition or disposal of overseas interests.

Kazutaka was the chairperson of the Public Relations Committee of the Tokyo Bar Association during 2013-2015. He holds an LLB from the Keio University (Tokyo) as well as an LLM from the University of Illinois.

Julie Arnall

Julie started her career in the United Kingdom where she trained as an accountant with Whitbread Group plc, having studied Accounting and Business at the University of Luton.

In 1987, Julie moved to the Cayman Islands to join Cayman National Trust Co. Ltd (CNT), a large financial services group. As Senior Vice President of the Company, Julie specialised in mutual funds and hedge funds, as well as company and trust, administration and accounting.

Julie currently runs her own Financial and Management Accounting company as well as holding directorships in many large funds and investment companies.

Kanika Green

Kanika is the Founder and Managing Director of Corporate Management Solutions (Cayman) Ltd., a fiduciary boutique, which provides services to hedge funds and private equity funds, including the establishment, launch and maintenance of different types of investment funds, such as registered mutual funds, hedge funds and private equity funds. Kanika also advises on general corporate/commercial matters and ongoing regulatory compliance along with other complex structures.

Additionally, Kanika has participated in private equity fund formation and negotiations, both on behalf of fund sponsors and investors.

Kanika is a non-executive independent Director and licensed under the Directors' Registration and Licensing Law 2014 with the Cayman Islands Monetary Authority.

Kanika has a law degree (LLB Hons.) from Wolverhampton University in London, and was called to the bar in 2014. Kanika's professional memberships include the Cayman Islands Directors' Association, Member of the International Bar Association, Member of the 100 Women in Hedge Funds, Member of the Caymanian Bar Association, and she is also a Notary Public for the Cayman Islands. Kanika is currently a resident in the Cayman Islands and has been since 2002.

A summary of the Investment Advisory Agreement is set out in paragraph 6.1 of Part 12 (*General Information*) of this Prospectus.

3.4 **Dalton Advisory KK**

Dalton Advisory KK, a private limited company incorporated in Japan, has entered into a research services agreement with the Investment Adviser pursuant to which Dalton Advisory KK shall provide the Investment Adviser with research and data analysis in respect of Japanese equities.

Dalton Advisory KK is a wholly owned subsidiary of Dalton Investments LLC. Gifford Combs and James B. Rosenwald, III, chief investment officer at Rising Sun, are co-founders and managing partners of Dalton Investments LLC.

4. **Service Providers**

Set out below are the identities of the Company's material service providers and a summary of the services provided to the Company under the terms of the respective agreements that the Company has entered into with such service providers.

4.1 **Administrator and company secretary**

PraxisIFM Fund Services (UK) Limited is a private limited company incorporated on 19 November 2015 in England and Wales with registered number 09879916. It is an established administrator and forms part of the PraxisIFM Group Limited, one of the largest independently-owned financial services groups based in the Channel Islands, which listed on The International Stock Exchange on 12 April 2017.

The Administrator, under the terms of the Administration Agreement, provides among other things the following services: general company secretarial functions to the Company, including those secretarial functions required by the Companies Act 2006, and day-to-day administrative services; assistance with the implementation of corporate governance and other compliance requirements; daily calculation of Net Asset Value of the Shares; maintenance of adequate accounting records and management information; preparation of the audited annual financial statements and the unaudited interim report and publication of the same through a Regulatory Information Service; and assisting with the preparation and submission of necessary tax returns.

4.2 **Shore Capital**

Shore Capital has been appointed as financial adviser, sole bookrunner and corporate broker to the Company. The Company, each of the Directors, Rising Sun, Rosenwald Capital and Shore Capital have entered into the Placing Agreement, pursuant to which Shore Capital has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers of the Ordinary Shares to be made available in each placing. No placing will be underwritten.

A summary of the Placing Agreement is set out in paragraph 6.4 of Part 12 (*General Information*) of this Prospectus.

4.3 **Registrar and Receiving Agent**

Computershare Investor Services PLC has been appointed as the Registrar to the Company under the Registrar's Agreement. In such capacity, the Registrar will maintain the register of Shareholders, process all share transfers in both paper form and electronic form received via CREST and calculate and effect payment of dividends to Shareholders.

Computershare Investor Services PLC has also been appointed Receiving Agent of the Company for the Issue under the terms of the Receiving Agent's Agreement.

A summary of each of the Registrar's Agreement and the Receiving Agent's Agreement is set out in paragraphs 6.5 and 6.6 of Part 12 (*General Information*) of this Prospectus.

4.4 **Custodian**

The Northern Trust Company has been appointed as custodian of certain of the Company's assets. The Custodian is a company with limited liability established under the laws of Illinois in the United States of America has a branch registered in England and Wales with registration number BR001960. The Custodian is regulated by the FCA and authorised to undertake certain regulated activities. The Custodian's legal entity identifier is 6PTKHDJ8HDUF78PFWH30.

The Custodian is authorised to act as custodian to the Company in relation to the Company's cash and securities and perform services which are ancillary to its role as custodian to the Company. The Custodian shall ensure that securities of the Company are segregated from the assets of the Custodian and any sub-custodian appointed and shall not be used to discharge directly or indirectly liabilities or claims against any other undertaking or entity and shall not be available for any such purpose. The Custodian shall also ensure that the securities are recorded clearly to show that they are held on behalf of the Company and do not belong to the Custodian or any delegate. The Custodian shall keep or cause to be kept at its premises such books, records and statements as may be reasonably necessary to give a complete record of all the cash, securities and documents held and transactions carried out by it on behalf of the Company.

A summary of the Custodian Agreement is set out in paragraph 6.7 of Part 12 (*General Information*) of this Prospectus.

4.5 **Prime Broker**

J.P. Morgan Securities PLC (for itself and as agent and trustee for certain other members of the JP Morgan group of companies) has been appointed to provide international prime brokerage services to the Company.

These services may include the provision to the Company of clearing, settlement and share borrowing facilities. The Company may also utilise the Prime Broker, certain other members of the J.P. Morgan group of companies and other brokers and dealers for the purposes of executing transactions for the Company.

The Prime Broker will also provide a custody service for the safe keeping of assets provided under or pursuant to the terms of the Prime Brokerage Agreement and/or may arrange for such assets to be held by an affiliate or third party as custodian or sub-custodian.

A summary of the Prime Brokerage Agreement is set out in paragraph 6.8 of Part 12 (*General Information*) of this Prospectus.

5. **Fees and Expenses**

5.1 **Initial Fees and Expenses**

The costs and expenses of the establishment of the Company, the Offer for Subscription, the Initial Placing and the Intermediaries Offer (which include commission and expenses payable under the Placing Agreement, registration, listing and admission fees, printing and distribution costs and professional advisory fees, including legal fees, and any other applicable expenses) will be met by Rosenwald Capital.

As such, the Company will not bear any upfront costs that would reduce the Issue Proceeds available for investment and accordingly, on First Admission, the opening NAV per Ordinary Share will be £1.00.

The Issue will not proceed if the aggregate number of Shares to be issued under the Placing and the Offer for Subscription is less than 100 million Ordinary Shares. On the basis of the minimum gross

proceeds from the Issue being £100 million, and the estimated costs and expenses of the Issue which are borne by the Company being nil, the minimum net proceeds from the Issue are expected to be £100 million.

5.2 **Placing Programme Fees and Expenses**

The Directors anticipate that the costs incurred in respect of a Subsequent Placing of Ordinary Shares under the Placing Programme will be substantially recouped through the premium to Net Asset Value at which Ordinary Shares are issued. The total costs of any Subsequent Placing of C Shares will be borne out of the Gross Issue Proceeds of such Subsequent Placing. It is not possible to ascertain the exact costs and expenses of such Subsequent Placings. The Subsequent Expenses may or may not be capped. No Ordinary Shares issued pursuant to a Subsequent Placing will be issued at a Placing Price (net of the Subsequent Expenses pertaining to that Subsequent Placing) that is less than the latest published Net Asset Value per Ordinary Share. The expenses referred to above will be borne by the Company and not separately charged to the investor.

5.3 **Annual running expenses**

The Company will incur the following annual running expenses:

- (a) *AIFM* – For the provision of AIFM services under the AIFM Agreement, the AIFM is entitled to an annual fee calculated at a rate of 0.04 per cent. per annum of Net Asset Value up to £250 million, plus 0.025 per cent. per annum of Net Asset Value in excess of £250 million. The AIFM fee is subject to a minimum fee of £70,000 per annum. In addition, there will be a reporting cost of £3,000 per annum, per EEA jurisdiction in which the Company is marketed (other than the UK). The Company will also reimburse the AIFM for reasonable expenses properly incurred, in the performance of its obligations.
- (b) *Investment Adviser* – For the provision of investment advisory services under the Investment Advisory Agreement, Rising Sun is entitled to receive an annual fee to be calculated as 0.85 per cent. of the Company's net assets (exclusive of VAT). The Company will also reimburse Rising Sun for reasonable expenses properly incurred by Rising Sun in the performance of its obligations under the Investment Advisory Agreement, however Rising Sun will pay any amounts due to Dalton Advisory KK for the provision of research and data analysis services to Rising Sun.
- (c) *Administrator* – For the provision of company secretarial and administration services under the Administration Agreement, the Administrator is entitled to receive a company secretarial fee of £55,000 per annum and an administration fee calculated at a rate of 0.06 per cent. per annum of net asset value up to, and including, £100 million plus 0.035 per cent. per annum of net asset value in excess of £100 million. The administration fee is subject to a minimum fee of £5,000 per month. The Company will also reimburse the Administrator for disbursements and reasonable out of pocket expenses properly incurred by the Administrator on behalf of the Company. The company secretarial fee and the administration fee are stated exclusive of VAT.
- (d) *Registrar and Receiving Agent* – The fees payable to the Registrar are based on the number of transactions in the Shares plus properly incurred expenses, subject to a minimum basic annual registration fee of £4,800. The fees payable to the Receiving Agent are £5,000 plus £12.50 per application form received for the Offer for Subscription. The Company will also reimburse the Registrar for disbursements and reasonable out of pocket expenses properly incurred by the Registrar on behalf of the Company.
- (e) *Custodian* – For the provision of global custody services to the Company, the Custodian is entitled to receive a global custody fee of £75,000 per annum (exclusive of VAT), plus additional set up and operational charges if the Company opts to use segregated accounts rather than the Custodian's omnibus accounts. In addition, the Company must reimburse the Custodian for any expenses incurred by the Custodian which were not reasonably foreseeable and/or quantifiable at the time the Custodian Agreement was entered into.
- (f) *Directors* – Under the terms of their appointment, each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with their appointment letter, subject to the restriction on the maximum aggregate fees payable to the Directors contained in the Articles. The pro-rated fees payable to the Directors appointed as at the date of this document in respect of the Company's first financial year (approximately 14 months from the

date of the Company's incorporation) will be £35,000 per annum for Rosemary Morgan, who is chairperson of the Board and who will also chair the Company's Management Engagement Committee and Nomination Committee, £30,000 per annum for Chetan Ghosh, who will chair the Company's Audit Committee, and £27,000 for Alicia Ogawa, Ayako Weissman and Rachel Hill. Under the Articles, the maximum fees payable (in aggregate) to the Directors is £400,000 per annum. All of the Directors are also entitled to be reimbursed all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. The Company maintains annual directors' liability insurance at a cost that is not currently expected to exceed £50,000 per annum (exclusive of value added tax, where applicable).

- (g) *London Stock Exchange* – An annual fee is payable to the London Stock Exchange based on the Company's market capitalisation. On the assumption that the total proceeds of the Issue and market capitalisation are £200 million, such fee would be approximately £6,800 in the Company's first financial year.
- (h) *Audit fees* – the Company expects that the cost of appointing its preferred auditor to perform an annual audit of the Company's financial statements will be approximately £36,000 per annum.
- (i) *Miscellaneous* – The Company will bear the costs of due diligence, finders' fees, brokerage commissions and professional services fees including auditor's fees, corporate broker fees, legal fees, listing fees of the FCA (if any), fees of the London Stock Exchange, fees for public relations services, D&O insurance premiums, promotional expenses, printing costs and fees for website maintenance, and other costs and expenses in relation to investments and disposals, as well as travel, taxes and litigation costs. The Company may also bear certain out of pocket costs and expenses of Rising Sun or its Associates, the Administrator, the Registrar, other services providers and the Directors.

Assuming that the Issue is fully subscribed, the Company's total fixed operational costs (excluding management fees, brokerage and other transaction charges and taxes and any borrowing costs) are estimated to amount to approximately one per cent. per annum of the Company's estimated Net Asset Value on Admission.

Shareholders do not bear any fees, charges and expenses directly, other than any fees, charges and expenses incurred as a consequence of acquiring, transferring, redeeming or otherwise selling Shares.

5.4 **Allocation of ongoing costs**

Interest expenses will be recognised within 'finance costs' in the Statements of Comprehensive Income using the effective interest rate method. All other expenses will be recognised in the Statements of Comprehensive Income in the period in which they are incurred (on an accruals basis).

6. **Conflicts of interest**

The AIFM, Rising Sun, the Administrator, the Registrar, Shore Capital, Dalton Advisory KK, the Prime Broker and any of their members, directors, officers, employees, agents and connected persons and the Directors and any person or company with whom they are affiliated or by whom they are employed may be involved in other financial, investment or other professional activities which may cause potential conflicts of interest with the Company and its investments and which may affect the amount of time allocated by such persons to the Company's business.

In particular, these parties may, without limitation: provide services similar to those provided to the Company to other entities; buy, sell or deal with assets on its own account (including dealings with the Company); and/or take on engagements for profit to provide services including but not limited to origination, development, financial advice, transaction execution, asset and special purpose vehicle management with respect to assets that are or may be owned directly or indirectly by the Company, but will not in any such circumstances be liable to account for any profit earned from any such services.

The AIFM, Rising Sun and its affiliates may also be involved with other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular, under the

funds established by parties other than the Company or the AIFM which have similar objectives to that of the Company, provided that at all times Rising Sun shall retain sufficient facilities, personnel, experience and expertise necessary to fulfil its obligations under the Investment Advisory Agreement. In addition, members of the Rising Sun Management Team may from time to time be appointed to act as directors of or advisors to any of the Company's investee companies.

At all times Rising Sun shall retain sufficient facilities, personnel, experience and expertise necessary to fulfil its obligations under the Investment Advisory Agreement. Rising Sun will, at all times, have regard to its obligations to the Company in relation to the identification, management and disclosure of conflicts of interest.

Both the AIFM and Rising Sun have a conflicts of interest policy which specifies the procedures that each follows and the measures that each has adopted in order to take all appropriate steps to identify and then prevent or manage such conflicts. However, there can be no assurance that the AIFM and/or Rising Sun will be able to resolve conflicts of interest in a manner that is favourable to the Company. However, in the event of a conflict of interest arising, the AIFM and Rising Sun (as applicable) will take reasonable steps to ensure fair treatment for the Company in accordance with, in the case of the AIFM, the AIFM Directive and The Licensees (Conduct of Business) Rules, 2016.

In particular, where Rising Sun has identified an actual or potential conflict of interest in relation to the services that it provides to the Company it shall take reasonable steps, acting in compliance with applicable law and regulation, to ensure fair treatment of the Company. Where Rising Sun believes the arrangements are not sufficient to ensure with reasonable confidence that the risks of damage to the Company will be prevented, it will inform the Directors of the nature or source of the conflict and the steps taken to mitigate those risks. This disclosure shall:

- (a) clearly state that the organisational and administrative arrangements established by Rising Sun to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the Company will be prevented;
- (b) include specific description of the conflicts of interest that arise;
- (c) explain the risks that arise as a result of the conflicts of interest; and
- (d) include sufficient detail, taking into account the nature of the Company, to enable the Company to reach an informed decision with respect to the service in the context of which the conflict of interest arises.

Subject to this, and to applicable law and regulation, Rising Sun or an associate or their clients may act as principal in a transaction with the Company.

Rising Sun will not, and will procure that its affiliates will not, deal, as principal or agent for a third party, with the Company except where dealings are carried out on normal commercial terms negotiated at an arm's length basis and provided also that (i) Rising Sun and any of its affiliates may buy, hold and deal in any investments upon its individual account notwithstanding that similar investments may be held by the Company and without prior reference to the Company; and (ii) nothing herein contained shall prevent Rising Sun or its affiliates without prior reference to the Directors from contracting or entering into any financial or other transaction with any company or body or other person whose shares or securities are held by or for the account of the Company or from being interested in any such contract or transaction.

As at the date of this Prospectus, as far as the Company is aware the only material potential conflicts of interest which any of the service providers to the Company may have as between their duty to the Company and duties owed by them to third parties and their own interest are as follows:

- James B. Rosenwald, III is the chief investment officer at Rising Sun. Mr Rosenwald is also a co-founder and the managing partner of Dalton Investments LLC, which is the ultimate parent of Dalton Advisory KK, a firm engaged to provide investment research and analysis to Rising Sun. Mr Rosenwald is also a director of certain companies in Shore Capital's group and sits on its board;
- Gifford Combs is a senior executive at Rising Sun. Mr Combs is also a co-founder of Dalton which is the ultimate parent of Dalton Advisory KK, a firm engaged to provide investment research and analysis to Rising Sun;
- Dalton is a value focused investment management firm with expertise in Asia equities and global equities. Dalton has a strong track record investing in Japanese equities. Dalton Advisory KK undertakes investment research and data analysis services in relation to Japanese equities for both

Dalton (and its affiliates) and the Company. Therefore, there is a risk that Dalton and the Company may find themselves targeting the same investment opportunity. However, the Company and Rising Sun believe that the Company's current activist investment strategy is distinct from Dalton's investment strategy and therefore the risk of targeting the same investment opportunity is low. The Company and Rising Sun intend not to target investment opportunities which they believe Dalton (or its affiliates) may already be targeting or in which Dalton (or its affiliates) may already be invested. The Company and Rising Sun will evaluate this risk on an ongoing basis as part of any review of its investment strategy. Should the Company find that it is targeting the same opportunity as Dalton (or one of its affiliates), the Company will take appropriate advice and action at the time; and

- Shore Capital owns 15 per cent. of Rising Sun's issued share capital and will also, through one of its group companies, subscribe for 1,000,000 New Ordinary Shares in the Placing.

7. Corporate governance

7.1 Compliance

The Board is committed to high standards of corporate governance and has made arrangements to enable the Company, as a newly incorporated company, to comply with the recommendations of the Corporate Governance Code published by the Financial Reporting Council. The Board intends to obtain membership of the AIC following Admission and as such, intends to comply with the UK Corporate Governance Code as recommended by the AIC Code or as otherwise may be disclosed from time to time.

As an investment company, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus not all the provisions of the Corporate Governance Code are directly applicable to the Company. The Board intends to take appropriate action to ensure that the appropriate level of corporate governance is attained and the Company's practices are consistent with the Principles of the Corporate Governance Code.

The Company does not intend to comply with the Corporate Governance Code provisions relating to:

- (a) the role of the chief executive;
- (b) executive directors' remuneration;
- (c) the need for an internal audit function; and
- (d) the whistle blowing policy.

For the reasons set out in the AIC Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company will therefore not report in respect of these provisions.

7.2 Board independence, composition and tenure

The Board currently consists of five non-executive Directors. It is chaired by Rosemary Morgan who is responsible for its leadership and for ensuring its effectiveness in all aspects of its role. The Board will meet at least four times a year and will receive full information about the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Directors' biographical details, set out in paragraph 1 of this Part, demonstrate a breadth of investment, commercial and professional experience, including in activist investment experience and experience in the Japanese equities market. The Directors will review their independence annually.

Each Director is subject to the election/re-election provisions set out in the Articles which provide that Directors shall stand for election by shareholders at the first AGM after their appointment. Thereafter the Directors are required to retire at every annual general meeting of the Company and may, if willing to continue to act, be elected or re-elected at that meeting or may offer himself or herself for re-appointment by the members. If at the date of an annual general meeting, the chairman has held office for nine years or more then he or she shall not be eligible for re-election.

The Chair will regularly review the training and development needs of each Director. Directors' appointments will be reviewed formally by the Board prior to their nomination for re-election. Any Director may resign in writing to the Board at any time.

The Board will also receive regular briefings from, amongst others, the Company's auditor (once appointed) regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors.

7.3 **Audit Committee**

The Audit Committee will meet at least twice per year. It comprises the entire Board including the Chair and is chaired by Chetan Ghosh. The Audit Committee is responsible for the review of the annual report and the half year report, the nature and scope of the external audit and the findings therefrom, and the terms of appointment of the auditors, including their remuneration, independence and the provision of any non-audit services by them.

The Audit Committee will review the need for non-audit services and authorise such on a case by case basis.

The Audit Committee will meet representatives of the Administrator, the AIFM, Rising Sun and their compliance officers who will report as to the proper conduct of business in accordance with the regulatory environment in which the Company operates. The Company's auditor will also be required to attend the Audit Committee at its request and report on its work procedures, the quality and effectiveness of the Company's accounting records and its findings in relation to the Company's statutory audit. The Company will meet with the auditor (once appointed) without representatives of the Administrator or Rising Sun being present, at least once a year.

7.4 **Management Engagement Committee**

The Management Engagement Committee will meet at least once per year. It comprises each member of the Board and is chaired by Rosemary Morgan. The Management Engagement Committee is responsible for the regular review of the terms of the AIFM Agreement, the Investment Advisory Agreement, the Administration Agreement and other service providers' agreements and the performance of the AIFM, Rising Sun, the Administrator and also the Company's other service providers.

7.5 **Nomination Committee**

The Nomination Committee will meet at least once per year. It comprises each member of the Board and is chaired by Rosemary Morgan. The Nomination Committee is responsible for appointments and re-appointments to the Board and to ensure that a formal, rigorous and transparent procedure for such appointment and reappointment is followed.

The Nomination Committee is also responsible for determining the framework for the remuneration of the Board and each Director's remuneration (although no individual director shall be involved in any decisions as to their own remuneration). In determining the Company's remuneration policy, the Nomination Committee shall take into account all relevant factors including, without limitation, legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code, the AIC Code and associated guidance.

7.6 **Matters reserved to the board**

The Board also has overall responsibility for the Company's activities, including reviewing its investment activity, performance, business conduct and policy and, unless required to be performed by the AIFM as a matter of law, certain matters have been reserved for consideration by the Board, including (but not limited to):

- approving the Company's long term objective and any decisions of a strategic nature including any change in investment objective, policy and restrictions, including those which may need to be submitted to Shareholders for approval;
- reviewing the performance of the Company in light of the Company's strategy objectives and budgets, ensuring that any necessary corrective action is taken;
- the appointment, overall supervision and removal of key service providers and any material amendments to the agreements or contractual arrangements with any key delegates or service providers;

- approving any interim dividends, any recommendation to shareholders in respect of final dividends and the Company's dividend policy;
- the review of the Company's corporate governance processes and arrangements; and
- approving any actual or potential conflicts of interest.

8. Takeover Code

The Takeover Code will apply to the Company from First Admission. Further details are provided at paragraph 4 of Part 12 (*General Information*).

9. Pre-emption rights

Shareholders have pre-emption rights under the UK Companies Act in respect of the allotment of equity securities which are, or are to be, paid up in cash. However, Shareholders may, by special resolution, dis-apply such pre-emptive rights.

10. MAR and the Disclosure Guidance and Transparency Rules

As a company whose shares will be admitted to trading on the SFS (a regulated market), the Company will comply with all of the provisions of MAR and the Disclosure Guidance and Transparency Rules which are applicable to it. The Directors have adopted a share dealing code that is compliant with the Market Abuse Regulation. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Directors and other persons discharging managerial responsibilities ("**PDMRs**").

The Disclosure Guidance and Transparency Rules provide that certain persons (including Shareholders) must notify the Company if the proportion of the Company's voting rights which they then hold directly or indirectly as a shareholder or through a direct or indirect holding of certain financial instruments reaches, exceeds or falls below thresholds of three per cent., four per cent., five per cent., six per cent., seven per cent., eight per cent., nine per cent. and 10 per cent. and each one per cent thereafter up to 100 per cent.

PART 8

INVESTMENT APPROACH, STRATEGY AND PROCESS

1. Investment approach

Over the past several decades, many Japanese companies have built very strong balance sheets, reducing their reliance on debt financing and building up reserves of cash and investments. The result is that numerous Japanese companies are sitting on excess capital, and consequently often exhibiting very low equity returns. The Japanese government has attempted to address this issue by implementing regulations encouraging companies to set out goals for returns on equity, for reducing passive shareholdings in unrelated entities and for increasing dividend payouts to shareholders. Further, it has relaxed regulations that have inhibited mergers and takeovers of companies.

Rising Sun believes that there is a perception among many international investors that, although Japanese equities are relatively inexpensive, such companies represent “value traps” that are likely to remain inexpensive for a long period of time. The net result, in the view of Rising Sun, is that the time is now opportune for an activist strategy that will engage with management teams of Japanese companies to restructure balance sheets and improve returns for shareholders.

Rising Sun believes that companies that have excess capital over and above that required for the operation of the business can increase their return on equity immediately by distributing such excess capital to shareholders, either by repurchasing their shares in the market, or paying out larger cash dividends. The Company will seek to invest in a small number of companies that have significant scope for such actions. Rising Sun will engage with company management to encourage restructuring. This will include elimination of passive shareholdings, distributing excess cash and committing to more substantial dividend payout ratios.

The Company will focus on companies that have “open” share registers—that is, companies that have no large controlling shareholders, and will seek to obtain large minority positions in investee companies (of typically 4.9 to 25.0 per cent.) to obtain influence with management through direct engagement and by obtaining, when appropriate, one or more board seats. The goal will be to help companies focus on generating higher returns for shareholders.

Rising Sun believes that there is a substantial number of value-focussed investors that are either currently investing or are prepared to invest in Japan, but that such investors would like to see: (i) a change in attitude toward corporate governance in the country; and (ii) a greater number of activist investors willing to catalyse such a change. To date, however, there has only been a small number of international activist investors willing to establish investment positions in Japanese companies and press for change. Such activity, while more unusual than in Western markets, has been noted by the international press. The Company believes that a number of institutional investors will be supportive of activist efforts in a “behind the scenes” role if the Company is willing to take the public lead in approaching companies.

Consequently, the Company intends to be engaged and public in its efforts to enhance governance and improve capital allocation decisions among the companies in which it invests. The Company intends to establish meaningful minority positions; but it will be willing to make tender offers for large blocks of stock with the intent of establishing working control of a company if required. To this end, the Company may use cash or its own stock or a combination of the two for such tenders.

The Company expects that it will work closely with one or more private equity firms that have established operations in Japan and have, in some cases, raised dedicated funds for the purpose of organizing acquisitions in the Japanese market.

Dalton Investments LLC participated in one of the earliest management buyouts in the Japanese market in 2007. The Company expects that one or more investments made by the Company will become targets of acquisition bids, either friendly or hostile, and the Company will seek to use its large minority stock positions to enhance returns by encouraging such bids.

Rising Sun considers recent regulatory and governance changes in Japan, when combined with its belief that the Yen is currently undervalued, mean that it is the right time to launch a dedicated activist vehicle.

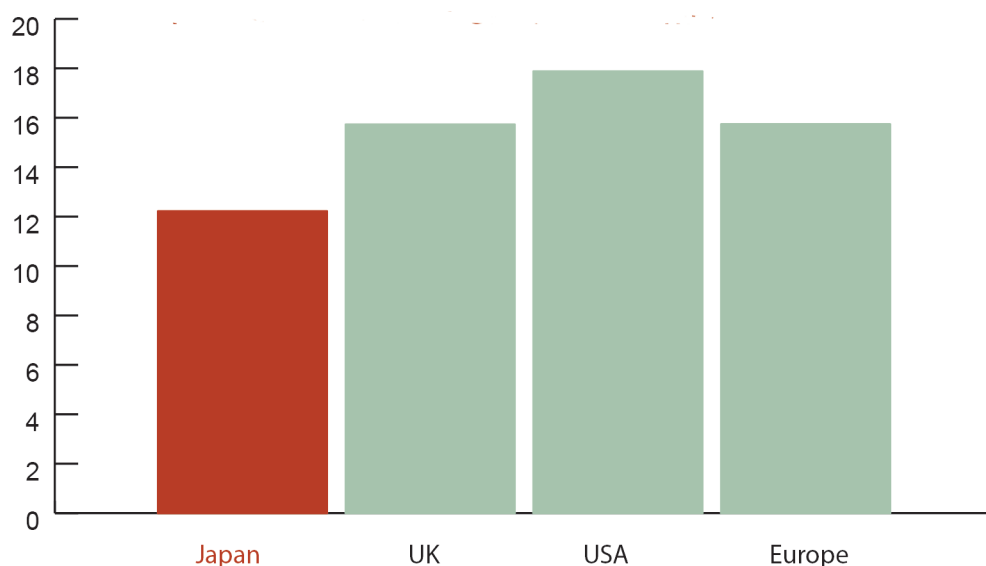
Rising Sun believes that a closed-end structure is ideally suited for this opportunity given the small-cap nature of the Portfolio and the activist engagement with investee company management.

Further information on the key areas of the investment opportunity identified by Rising Sun are set out below:

1. **Attractive valuations compared to other markets**

Rising Sun believes that Japanese equities are inexpensive compared with other developed markets around the world using standard measures of valuation. Rising Sun believes that, in aggregate, Japanese listed companies trade at price-to-earnings ratios that are approximately two-thirds of those for companies in the United States. In particular, smaller companies are even cheaper when compared with the overall market. For example, Rising Sun has analysed companies with market capitalisations of between US\$150m and US\$350m and, as at 1 June 2019, circa 80 trade for less than the value of their net working capital after deducting all liabilities, and circa 100 companies trade at a ratio of enterprise value or 'EV' (the sum of market capitalisation and gross indebtedness net of cash and investments) to 'EBITDA' (pre-tax earnings before deductions for interest, taxes, depreciation and amortization) of less than two times (Source: Bloomberg).

PE ratios of developed Equity markets as at 29 January 2019



Source: Bloomberg, 29 January 2019

Rising Sun believes that pricing inefficiencies are prevalent in the Japanese listed equity market and in particular in companies with smaller market capitalisations. It is believed that such inefficiencies arise from both an excess number of listed companies combined with a lack of “sell-side” research coverage: the majority of Japanese companies being covered by two or fewer analysts.

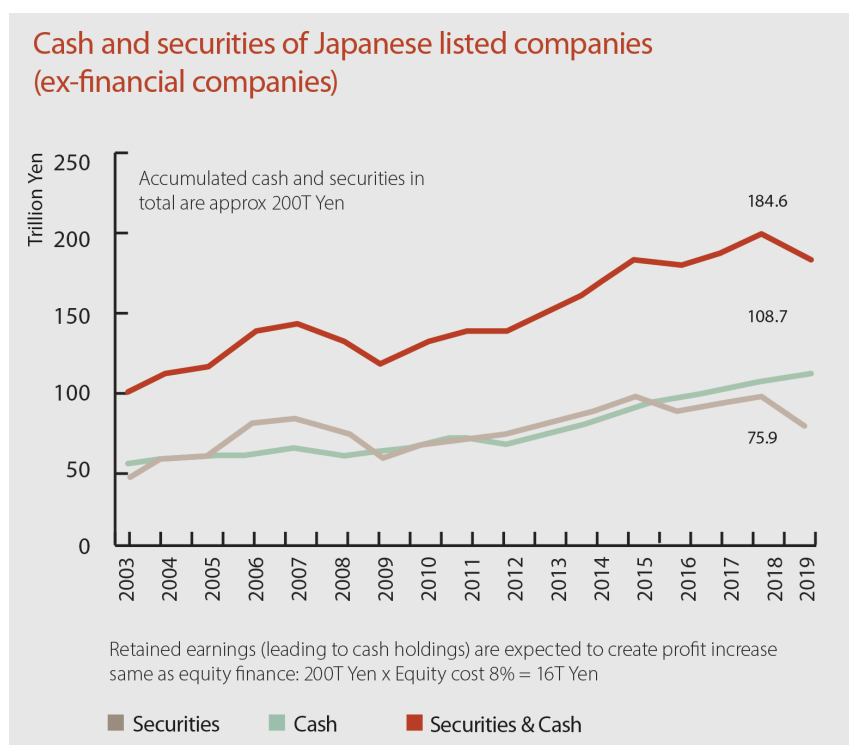
Rising Sun believes that such low valuations may have arisen also due to a combination of low shareholder returns, poor corporate profitability as measured by returns on equity and a perception on part of shareholders that management teams have had little incentive to improve returns. As discussed further below, the Investment Adviser believes that corporate governance reform will encourage management teams to improve returns and engage further with shareholders. Japanese stocks trade at low valuations, both in absolute terms and relative to securities on other exchanges around the world. Not only are valuations low in terms of current and prospective earnings; but they are also low when market capitalisations are adjusted for excess capital not required to run operations.

	P/E	P/BV	EV/EBITDA
Japan Nikkei 225	17.2	1.7	9.1
MSCI World	18.9	2.4	11.8

Source: Bloomberg statistics for Nikkei 225 and MSCI World indexes as at 30 September 2019

2. **A large number of cash rich companies**

As at September 2019, companies listed in Japan held ¥506.4 trillion (US\$4.8 trillion) in cash, the highest level on record and more than triple the amount in March 2013 (Bloomberg, September 2019) (see graph below). In addition, the combined cash and securities holdings of non-financial companies listed in Japan has also continued to increase over the last 10 years.



Source: Ryo Yanagi – Professor, Waseda University, 2019

Moreover, a significant number of Japanese companies have cash in excess of their market cap. The Investment Adviser believes that there are a number of reasons for the increasing cash levels in Japanese companies, including: management conservatism, focus on stakeholders rather than shareholders and strong cash flow generation. The Investment Adviser believes that the significant cash reserves provide opportunities for activist strategies as further described below.

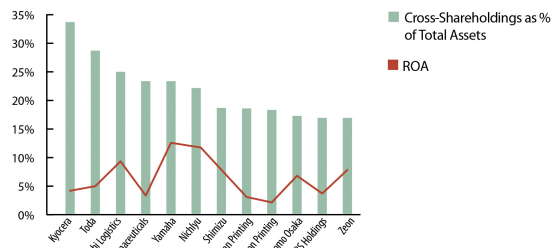
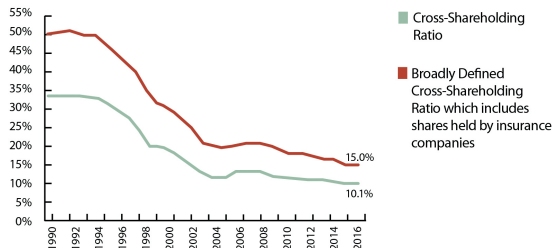
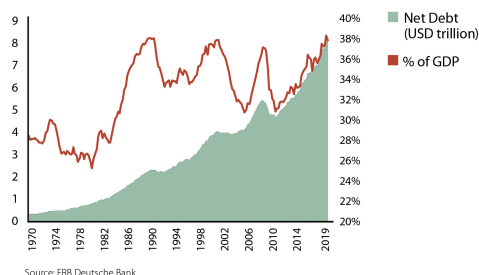
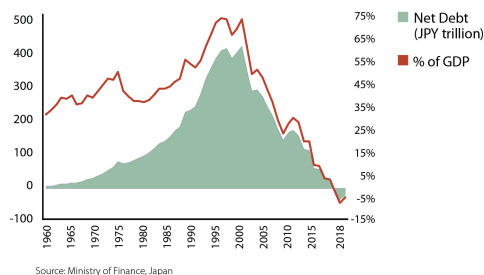
Significant number of Japanese companies have cash in excess of market cap

3,532 listed companies (excluding financial companies)	March 2019
Cash Holdings	108.7 trillion Yen
Cash + Securities	184.6 trillion Yen
Cash ≥ Market Capitalisation	222 companies (6.2%)
Cash + Securities ≥ Market Capitalisation	499 companies (13.9%)
Cash + Securities — Liabilities with interest ≥ Market Capitalisation	199 companies (5.5%)

Source: Ryo Yanagi – Professor, Waseda University, 2019

3.

Historically, for reasons of history and culture, the Investment Adviser believes many Japanese companies have been run inefficiently and capital allocation has been poor. Reasons for this include a focus on stakeholders rather than shareholders, conservatism and protectionism (including poison-pill strategies), investment holdings including cross shareholdings, over comfortable management and a weak regulatory framework. Although improving, Japanese companies continue to have inefficient capital structures and cross shareholdings persist. Changes in the shareholder profiles of Japanese listed companies are highlighted by the following graphics:



For the purposes of this graph, cross-shareholdings means: the value of public equities held by other public companies, and broadly defined cross-shareholdings means: the value of public equities held by other public companies and insurance companies.

However, various corporate governance reforms have been implemented in recent years which means Japanese companies are under pressure to reform and focus on shareholder returns rather than other interests. These include:

- (a) *Stewardship Code, established in February 2014*

The code provides for voluntary code of conduct for institutional investors and fund managers to adopt with the aim of 'promoting the sustainable growth of companies through investment and dialogue.

- (b) *The Corporate Governance Code established in June 2015*

The code encourages management to deliver shareholder returns, improve the efficiency of balance sheets, improve board composition, reduce cross-shareholdings and incentivise management more effectively. Listed companies are required to comply or explain with the code.

- (c) *Introduction of New Stock-based Compensation ("Restricted Stock") as Board Members' Compensation to Encourage Companies to Promote Proactive Business Management Compensation in April 2016*

These reforms were triggered by the view that, in Japan, executives received much lower compensation and lower long-term equity incentives than their counterparts in western countries. To address this, tax reforms were introduced whereby stock could be issued to executives as a type of incentive.

- (d) *2017: Tax reform on spin-off transactions, renewal of the Stewardship Code and the 'Progress of Corporate Governance' report by the Japanese Financial Services Agency (FSA)*

As per the new tax rules, provided certain requirements are met, two types of transaction (the business-spin off and the subsidiary spin-off) can receive more favourable tax treatment.

The revised 2017 Stewardship Code builds upon the 2014 Code, and also encourages dialogue between a company and investors (collective arrangement) when appropriate.

After reviewing the progress made under the Stewardship Code and the Corporate Governance Code since their adoption, the FSA also released a report on corporate governance in Japan setting out its proposals to revise the Corporate Governance Code and implement reform. In particular, they flagged the lack of decisive action by management and the high level of cross-shareholdings. Companies are encouraged to review their current practices and structures in order to deliver better results for shareholders.

- (e) *Revision of Corporate Governance Code – “Comply or Explain”*

On 1 June 2018, the Tokyo Stock Exchange announced revisions to Japan's Corporate Governance Code. Changes included a requirement to assess and disclose the purpose of each individual cross-shareholding in light of the associated risks and cost of capital and their policy on reduction of cross-shareholdings, both among the more frequent subject matters targeted by activist shareholders in Japan. The revisions also required listed companies to either comply with its principles or explain why they did not, known as the “comply-or-explain” rule.

- (f) *M&A guidelines reform in June 2019*

Given the advances in corporate governance in Japan, guidelines regarding corporate value and protecting shareholders' interests were released in 2019. The aim of these guidelines is to propose effective measures by which an M&A transaction could be run and therefore protect the shareholders.

In light of these reforms and the pressure that these companies are under to increase shareholder returns, the Company believes that Japanese companies are starting to positively respond to activist investor engagements.

4. **Opposition to shareholder meetings**

The Company believes that as a result of the new guidelines and reforms, Japan is currently seeing an increase in shareholders opposing resolutions at general meetings of companies as well as an increased number of proposals being put forward for consideration at annual general meetings. These movements not only demonstrate the change in approach to governance in Japan, but also demonstrate, in the Company's opinion, the framework for activist activities in Japan including by overseas investors.

5. **Summary of the investment opportunity**

In summary, the Investment Adviser believes there is an attractive opportunity to invest in undervalued, high quality and growing businesses which have significant asset backing in the form of cash and/or investment holdings. Alongside this, the Investment Adviser believes there is an opportunity, given recent corporate governance reform in Japan, to drive shareholder returns through activist strategies which have the objective of promoting capital efficiency and increased corporate governance in investee companies.

James B. Rosenwald, III who is the chief investment officer at the Investment Adviser, has achieved successful returns from investments in Japan using activist strategies as the founder of Dalton Investments. Most notably this included Dalton Investment's investment in Sun Telephone.

In early 2007 Dalton exited its shareholding in Sun Telephone, a wholesaler importer and exporter of telecommunications equipment, listed on the first sections of the Tokyo and Osaka stock exchanges, for a reported ¥3,000m profit. It is considered to be one of the earliest major interventions by a foreign activist hedge fund in Japan. Dalton, who had acquired a 30 per cent. interest, pressed Sun

Telephone's board to implement changes for many years through private meetings initially, as they did not want to appear predatory. In June 2006 the Sun Telephone board sought to issue potentially dilutive warrants and in response Dalton obtained an interim injunction from the Tokyo District Court to prevent the issue. Dalton subsequently launched a tender offer for up to 90 per cent. of the company's outstanding shares with the aim of obtaining 40 per cent. to be able to block any extraordinary motions. The result was Dalton tendering nearly 9 per cent. of outstanding shares and obtaining a shareholding of 39.6 per cent. in November 2006. In November 2006, Dalton proposed that Sun Telephone be delisted by way of an MBO. The Sun Telephone board opposed it, but it subsequently arranged an MBO through Japan Industrial Partners and Bain Capital in December. Finally, Dalton sold its shareholding in early 2007 in the MBO, generating its significant return.

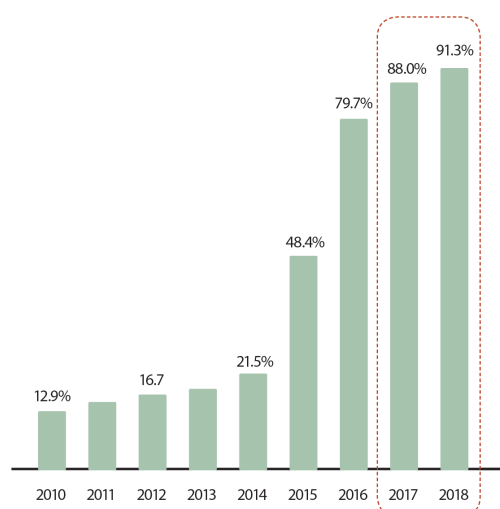
The most recent example of Dalton engaging in an activist strategy in Japan is with Prestige International Inc., a CRM solution service provider. In May 2016, a senior executive from Dalton Advisory KK joined the Board of Prestige International. This allowed Dalton to address the size of the distributions to shareholders, which have increased significantly, with ensuing increases in the Prestige International share price.

2. Investment strategy

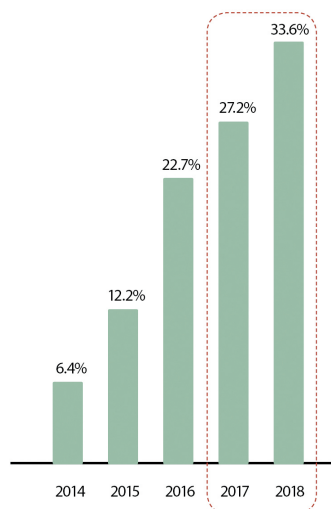
The Company intends, as its principal activity, to invest in a highly concentrated portfolio of up to 20 holdings of listed or quoted Japanese equity investments in companies with market capitalisations of or up to US\$1 billion which the Investment Adviser deems most attractive and undervalued and in relation to which it believes its activist strategies will deliver increased shareholder returns. Additionally, while the Company intends that the majority of its investments will be in quoted companies, it may also make investments in unquoted companies and the Company may become invested in unquoted companies as a result of corporate actions or commercial transactions undertaken by quoted companies. The Company will only make an investment in an unquoted company if the aggregate interest of the Company in unquoted companies at the time of such investment is not more than 10 per cent. of the Net Asset Value of the Company at that time.

The intention is to take large minority positions in investee companies which are of a significant size to enable the Company to effectively implement activist strategies. There will be no restriction placed on the market capitalisation of investee companies. In order to be able to take large minority positions, the Company expects to target small-cap companies with market capitalisations of up to US\$1 billion. The Company intends to invest in businesses which are run by professional directors ("**Salarymen**") and not owner-operator businesses. The Company, following advice from the Investment Adviser, is of the opinion that companies run by professional directors tend to have a broader ownership base and are likely to be less hostile to activist strategies. Japanese listed companies are markedly increasing the number of independent directors that sit on their boards of directors:

Companies with more than two Independent Directors (TSE 1st section)



Companies with above 1/3 of Independent Directors (TSE 1st section)



Rising Sun has identified a number of opportunities (initially 20 potential opportunities have been identified) which are currently trading at 3X-4.5X EV/EBITDA. The Investment Adviser believes that the identified companies have attractive fundamental characteristics and prospects. In addition, the investee companies will be ones which the Investment Adviser believes have significant scope to improve returns through changes in capital allocation such as increased dividends, share buybacks for cancellation and the sale of investment portfolios which are not part of the core business. A summary of the characteristics of these identified 20 initial companies are detailed below:

	Market Cap (Ybn)	P/E	EV/ EBITDA	Net Cash/ Mkt Cap	Insider ownership	Sectors	Sample activist angle
Lowest	10	5.7	-2.8	-74%	0.1%	Consumer, Financial, Industrial, Basic Materials	Too much cash, M&A arbitrage, negative EV, cross shareholdings, collective engagement
Highest	88	21.9	5.9	122%	11.8%		
Average	38	11.4	2.4	48%	1.8%		

Source: Rising Sun, September 2019 (note: this table has been prepared for illustrative and indicative purposes only and should not be relied on for representation of the investments the Company will eventually make.)

The Investment Adviser will take a holistic approach to assessing investee companies, looking both at different valuation fundamentals as well as assessing characteristics such as board structure, management motivations and shareholdings, share register analysis, optimum capital structure, standards of corporate governance, alliances and acquisitions that can be made and potential for improvement and scope for increased distributions. The Investment Adviser will draw on both its in-house experience in investing in Japanese companies as well as rely on the on-the-ground research capability of Dalton Advisory KK.

The Investment Adviser believes that the corporate governance reforms have created the right circumstances and environment for activist investors to successfully engage with publicly traded companies in Japan to improve shareholder returns. The Company intends to pursue multiple activist strategies, including:

- communication and dialogue with management teams and boards (including management meetings and letters and presentations to the board);
- putting representatives of the Company on the board of investee companies;
- making shareholder proposals. Shareholders who hold three per cent. or more of a company's voting rights for at least six months can demand that directors call extraordinary general meetings regarding any matter that the shareholder calling the meeting is entitled to vote on under Japanese law;
- collective engagement with other shareholders;
- partnerships within the industry as well as turnaround specialists; and
- tender offer bids, typically as part of a consortium of other investors.

The aim of these strategies is to encourage reform and restructuring of capital structure, board structure, strategy, alignment of interests, improved investor relations which the Investment Adviser believes will drive share prices of investee companies and generate returns for the Company. Dalton, which as explained elsewhere in this document has connections with the Investment Adviser, has over recent years conducted an ongoing campaign in Japan of engagement with management teams to educate about the advantages of focused capital allocation to improve returns. This has included meetings, letter writing and introduction of various professionals to management teams. It has also been involved in executing several activist campaigns in Japan.

3. Investment process

3.1 Introduction

The Company will seek to capitalise on Japanese corporate governance reform and intends to take an activist approach to its investments, encouraging management and boards to unlock value by improving corporate governance and/or reducing excess capital through distributions to shareholders and/or through accretive mergers and acquisitions and/or productive capital expenditure where appropriate. The Investment Adviser's engagement with the management and directors of the investee companies will typically begin in private but may become public if required. While there will be no lower or upper restrictions on the market caps of investee companies, there will be a bias towards small-cap companies where the Investment Adviser believes the most significant undervaluations exist and where there is greater scope for activist engagement.

This section describes Rising Sun's investment process from sourcing and origination, to due diligence and project evaluation, transaction execution, and approach to long term portfolio management.

3.2 ***Rising Sun's Management Committee***

Rising Sun has combined capabilities in origination, evaluation and transaction execution with expertise across equities, shareholder activism and active portfolio management. Rising Sun maintains a management committee (the "**Management Committee**") that is responsible for reviewing and evaluating potential investment opportunities. The Management Committee's role is to make recommendations to the AIFM and the Company in relation to proposed and existing investment activities of the Company together with reviewing any due diligence reports along with any transaction memorandum on a potential investment. Following review by the Management Committee, the AIFM and the Board will be provided with information relating to the investment, and have the opportunity to review and request further information on the potential investment opportunity.

3.3 ***Investment screening***

Rising Sun screens investment opportunities to identify potential investments that meet the Company's investment objective and complies with its investment policy. Through this screening process, Rising Sun will determine whether to proceed with detailed due diligence and evaluation of the investee company.

In addition to financial analysis, Rising Sun analyses a variety of other aspects of the investee company including the standards of corporate governance and the potential for improvement, of what the optimal capital structure should be, as well as the scope for increased shareholder distributions by the investee company. This process will include an analysis of the shareholder register, stakes held by management and affiliates, and will seek to understand the motivations of the management and directors. The Investment Adviser makes full use of its network of local advisers based at Dalton Advisory KK when carrying out this analysis and due diligence.

3.4 ***Due Diligence and Project Evaluation***

After a potential investment opportunity has been identified and screened against the target investment criteria and if it determines to proceed then Rising Sun will perform a detailed due diligence review of the investee company. Rising Sun employs a robust due diligence process applying principles of quantitative analysis to stress test assumptions, price capital structures, and determine risk-adjusted returns.

Once Rising Sun has completed its initial due diligence review of a proposed investment opportunity, it will prepare a detailed transaction memorandum. The transaction memorandum will summarise the key project terms, descriptions, economics, projected returns, structure, capitalisation, and also the findings of the key third party due diligence reports. The transaction memorandum will be circulated to the Management Committee for its evaluation and approval. Following review by the Management Committee, the AIFM and the Board will be provided with information relating to the investment opportunity, and have the opportunity to make enquiries and other observations and comments regarding the potential investment opportunity. Once such consultation process has completed, Rising Sun will recommend the proposed investment opportunity to the AIFM and the Company. The decision whether or not to proceed with the proposed investment opportunity will be made by the AIFM and only once such approval is obtained, will Rising Sun be able to implement the proposed investment opportunity.

3.5 ***Transaction Execution***

Where an investment opportunity proceeds to the execution phase, Rising Sun will manage the transaction process, including co-ordinating the work of other professional advisers and service providers, including agents, valuers, lawyers, accountants, and tax advisers.

3.6 ***Portfolio monitoring and reporting***

Rising Sun's portfolio monitoring activities measure the performance of both the Portfolio and the investee companies in which it has invested at regular reporting intervals. It is intended that a Rising Sun representative will attend every annual general meeting of the portfolio companies and use such other opportunities that it may have to interact with the management teams of portfolio companies as it sees fit.

PART 9

THE ISSUE

1. Introduction

The Issue consists of the Initial Placing, the Offer for Subscription, and the Intermediaries Offer pursuant to the Company is targeting the issue of up to 200 million Ordinary Shares in aggregate at the Issue Price of 100p per Ordinary Share.

The costs of the Issue will not be charged to Shareholders, as the Issue Expenses will be borne by Rosenwald Capital. Therefore, following the Issue the Company will have a Net Asset Value per Ordinary Share of 100 pence, which is equal to the Issue Price. The Issue Expenses are those that are necessary for the establishment of the Company and completion of the Issue (which include commission and expenses payable under the Placing Agreement entered into in connection with the Issue, registration, listing and admission fees, printing and distribution costs and professional advisory fees, including legal fees, and any other applicable expenses associated with the Issue).

The Issue constitutes the initial opportunity to purchase Ordinary Shares in the Company. The total number of Ordinary Shares to be issued under the Issue will be determined by the Company, Shore Capital and Rising Sun after taking into account demand for the Ordinary Shares and prevailing economic and market conditions, subject to a maximum of 400 million Shares.

The Company has received (i) a binding commitment in the amount of £25 million and (ii) a non-binding indication of interest in the amount of £25 million which Dalton has agreed to use its best endeavours to convert into participations in the Issue following the publication of the Prospectus, for a total of £50 million which has been made by Dalton or by its managing member, in each case in their capacity as the investment manager for and on behalf of Dalton Clients. The binding commitment of £25 million includes a £5 million participation by Kings Bay Investment Company Ltd to be made upon the Share Conversion becoming effective (as further described in paragraph 2 of Part 12 (*General Information*)).

The Company expects Dalton to manage the commitments of its clients so as to ensure that the total individual commitment of any particular Dalton Client does not exceed five per cent. of the total proceeds raised by the Issue.

In addition, Dalton shall not be required to secure participation by Dalton Clients, if and only to the extent that to do so would result in the Rosenwald Associates owning more than 29 per cent. of the total issued share capital of the Company. Consequently, it is expected that the Rosenwald Associates will adjust their participation in the Issue so as to ensure that the aggregate shareholding of the Rosenwald Associates will be less than 30 per cent. of the voting rights in the Company so as to avoid any implications as a result of the requirement under Rule 9 of the Takeover Code to, in certain circumstances, make an offer for the entire issued share capital of the Company.

The Company has also secured a commitment of £1 million from a group company of Shore Capital.

Assuming that a total of £200 million is raised pursuant to the Issue, the aggregate participation of the Rosenwald Associates is expected to be in the region of £50 million.

Assuming that £200 million is raised pursuant to the Issue, up to approximately 29 per cent. of the Ordinary Shares issued by the Company are expected to be held by members of the Rosenwald Associates on Admission.

The Initial Placing, Offer for Subscription and Intermediaries Offer are conditional amongst other things on:

- the Placing Agreement having become unconditional in all respects (save for the condition relating to First Admission) and not having been terminated in accordance with its terms prior to Admission;
- proceeds of not less than £100 million being raised through the Issue; and
- First Admission becoming effective not later than 8:00 a.m. on 5 February 2020 or such later time and/or date as Shore Capital and the Company may agree, (being not later than 8:00 a.m. on 28 February 2020).

If not all of these conditions are met, the Issue will not proceed and an announcement to that effect will be made through a Regulatory Information Service. Further details of the Placing Agreement are set out in paragraph 6.4 of Part 12 (*General Information*) of this Prospectus.

Neither the Initial Placing, the Offer for Subscription or the Intermediaries Offer are underwritten. The decision whether to proceed with the Issue will be at the absolute discretion, and subject to the agreement, of the Directors, Rising Sun and Shore Capital.

Dealings in the Ordinary Shares issued pursuant to the Issue will not be permitted prior to Admission.

Further details on the conditions to the Initial Placing, Offer for Subscription and Intermediaries Offer are set out below.

2. The Initial Placing

Shore Capital has agreed to use its reasonable endeavours to procure Placees to subscribe for Ordinary Shares in the Initial Placing on the terms and subject to the conditions set out in the Placing Agreement. Details of the Placing Agreement are set out in paragraph 6.4 of Part 12 (*General Information*) of this Prospectus.

The terms and conditions which apply to any subscription for Ordinary Shares pursuant to the Initial Placing are set out in Part 14 (*Terms and Conditions of Application under the Initial Placing and the Placing Programme*) of this Prospectus.

3. The Offer for Subscription

Ordinary Shares will also be offered for subscription in the United Kingdom only through the Offer for Subscription at 100p per Ordinary Share payable in full on application.

Applications under the Offer for Subscription must be for a minimum of 5,000 Ordinary Shares (representing a subscription price of £1.00 per Ordinary Share). Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted.

The Ordinary Shares will be a qualifying investment for the stocks and shares component of an ISA, provided they are acquired by an ISA plan manager through an offer to the public (such as the Offer for Subscription) or in the market, but not through the Initial Placing. Any person wishing to apply for Ordinary Shares under the Offer for Subscription through an ISA should contact their ISA manager as soon as possible.

The terms and conditions of application under the Offer for Subscription are set out in Part 15 (*Terms and Conditions of Application under the Offer for Subscription*) of this Prospectus. The procedure for applying for Ordinary Shares under the Offer for Subscription and an application form for use under the Offer for Subscription can be found in the Appendix to this Prospectus.

Payment must be made by cheque or banker's draft or by electronic interbank transfer (CHAPS). Payment by cheque or banker's draft must be in pounds Sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds (the account name should be the same as that shown on the Application Form), must be made payable to "CIS PLC RE: NAVF OFS ACCOUNT" and crossed "A/C Payee". Third party cheques may not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect.

Cheques or bankers' drafts will be presented for payment upon receipt. No interest will be paid on payments made before they are due. It is a term of the Offer for Subscription that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and bankers' drafts sent through the post will be sent at the risk of the sender.

If cheques or bankers' drafts are presented for payment before the conditions of the Issue are fulfilled, the application monies will be kept in a separate interest bearing bank account with any interest being retained for the Company until all conditions are met. If the Offer for Subscription does not become unconditional, no Ordinary Shares will be issued pursuant to the Issue and all moneys will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Offer for Subscription.

Payment by electronic interbank transfer (CHAPS) must be accompanied by a personalised payment reference number which may be obtained by contacting the Registrar directly by email at OFSPaymentQueries@Computershare.co.uk. The Registrar will then provide you with a unique reference number which must be used when sending the payment. Please make such payment for value by no later than 1:00 p.m. on 28 January 2020. Payment by CHAPS must come from a personal account in the name of the individual investor where they have sole or joint title to the funds (the account name should be the same as that shown on the Application Form).

Completed Application Forms accompanied by a cheque or banker's draft for the full amount due or indicating that a CHAPS payment for the full amount has been made must be posted to Computershare, Corporate Actions Projects, Bristol BS99 6AH, or delivered by hand (during normal business hours) to Computershare, The Pavilions, Bridgwater Road BS13 8AE, so as to be received by no later than 1.00 p.m. on 28 January 2020 at which time and date the Offer for Subscription will close. The Directors may, with the prior approval of Rising Sun and Shore Capital, alter such date by shortening or lengthening the offer period under the Offer for Subscription. The Company will notify investors of any such change through the publication of a notice through a Regulatory Information Service.

4. The Intermediaries Offer

Investors may also subscribe for Ordinary Shares at the Issue Price pursuant to the Intermediaries Offer. Applicants under the Intermediaries Offer may subscribe for Ordinary Shares in sterling only. Only the Intermediaries' retail investor clients who are highly knowledgeable private and advised investors who understand or have been advised of the potential risk from investing in companies admitted to trading on the Specialist Fund Segment, and who are in the United Kingdom are eligible to participate in the Intermediaries Offer.

Investors may apply to any one of the Intermediaries all of whom will be appropriately licensed in the jurisdictions in which they are located to be accepted as their client. The Intermediaries who have been appointed by the Company prior to the date of this Prospectus are listed in paragraph 15 of Part 12 (*General Information*) of this Prospectus. Further Intermediaries may be appointed after the date of this Prospectus and information with respect to any Intermediaries who are appointed after the date of this Prospectus will be made available on the Company's website, www.nipponactivevaluefund.com. Underlying applicants are not allowed to make more than one application under the Intermediaries Offer (whether on their own behalf or through other means, including, but without limitation, through a trust or pension plan).

No Ordinary Shares allocated under the Intermediaries Offer will be registered in the name of any person whose registered address is outside the United Kingdom except in certain limited circumstances. For the avoidance of doubt, applicants in the United States or who are U.S. Persons will not be able to participate in the Intermediaries Offer.

An application for Ordinary Shares in the Intermediaries Offer means that the applicant agrees to acquire the Ordinary Shares at the Issue Price. The minimum application amount under the Intermediaries Offer is £5,000. Each underlying applicant must comply with the appropriate money laundering checks required by the relevant Intermediary and all other laws and regulations applicable to their agreement to subscribe for Ordinary Shares. Where an application is not accepted or there are insufficient Ordinary Shares available to satisfy an application in full, the relevant Intermediary will be obliged to refund the underlying applicant as required and all such refunds will be made in accordance with the terms provided by the Intermediary to the underlying applicant. The Company, the AIFM and Shore Capital accept no responsibility with respect to the obligation of the Intermediaries to refund monies in such circumstances.

Each Intermediary will be informed by Shore Capital of the aggregate number of Ordinary Shares allocated to, and to be acquired by, the Intermediary on behalf of its underlying clients (or to the Intermediaries themselves) and the total amount payable in respect thereof. The actual number of Ordinary Shares to be

allocated to the Intermediaries will be determined by the Company (in consultation with the Investment Adviser and Shore Capital).

Each Intermediary has agreed, or will on appointment agree, to the Intermediaries Terms and Conditions, which regulate, *inter alia*, the conduct of the Intermediaries Offer on market standard terms and provide for the payment of commission to any Intermediary that elects to receive a commission and/or fee (to the extent permissible by the FCA Rules) from the bookrunner. Any expenses incurred by any Intermediary are for its own account. Investors should confirm separately with any Intermediary whether there are any commissions, fees or expenses that will be applied by such Intermediary in connection with any application made through that Intermediary pursuant to the Intermediaries Offer.

Pursuant to the Intermediaries Terms and Conditions, in making an application, each Intermediary will also be required to represent and warrant that they are not located in the United States or a U.S. Person and are not acting on behalf of anyone located in the United States or a U.S. Person. Under the Intermediaries Offer, Ordinary Shares will be offered to non-U.S. Persons outside the United States in reliance on Regulation S under the Securities Act.

In addition, the Intermediaries may prepare certain materials for distribution or may otherwise provide information or advice to retail investors in the United Kingdom subject to the Intermediaries Terms and Conditions. Any such materials, information or advice are solely the responsibility of the relevant Intermediary and shall not be reviewed or approved by any of the Company, the AIFM, or Shore Capital. Any liability relating to such documents shall be for the Intermediaries only. Any Intermediary that uses this Prospectus must state on its website that it uses this Prospectus in accordance with the Company's consent and the conditions attached thereto. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer at the time of such offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. Any application made by investors to any Intermediary is also subject to the terms and conditions imposed by such Intermediary.

The publication of this Prospectus and any actions of the Company, the AIFM, Shore Capital, the Intermediaries or other persons in connection with the Issue or the Placing Programme should not be taken as any representation or assurance as to the basis on which the number of Ordinary Shares to be offered under the Intermediaries Offer or allocations within the Intermediaries Offer will be determined and all liabilities for such action or statement are hereby disclaimed by the Company, the AIFM and Shore Capital.

5. Subscriber warranties

Each subscriber of Ordinary Shares in the Issue and each subsequent investor in the Ordinary Shares will be deemed to have represented, warranted, acknowledged and agreed to the representations, warranties, acknowledgments and agreements set out in paragraphs 4 and 5 in Part 14 (*Terms and conditions of Application under the Placing and the Placing Programme*) to this Prospectus.

The Company, the AIFM, Shore Capital, and their respective directors, officers, members, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

6. Dealings and settlement

Application will be made to the London Stock Exchange for up to 400 million Ordinary Shares to be issued pursuant to the Issue and admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. It is expected that Admission will occur and that dealing in the Ordinary Shares will commence on 5 February 2020.

Subject to the Issue becoming unconditional, the Ordinary Shares are expected to be issued on 5 February 2020, fully paid and in registered form, and may be delivered into CREST or in certificated form. Applicants under the Offer for Subscription wishing to have their Ordinary Shares delivered to a CREST stock account in their own name, which is expected to take place on 5 February 2020, should include their CREST details in section 4 of the Application Form. Temporary documents of title will not be issued pending the despatch

of definitive certificate for Ordinary Shares issued in certificated form, which is expected to take place in the week commencing 10 February 2020. Dealings in the Ordinary Shares issued pursuant to the Issue will not be permitted prior to Admission. Subsequent to Admission, dealings in Ordinary Shares in advance of the crediting of the relevant CREST accounts or the issue of share certificates will be at the risk of the person concerned.

When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BKLGLS10 and SEDOL number BKLGLS1.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Ordinary Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares. Accordingly, the dealing price of the Ordinary Shares may not necessarily reflect changes in the Net Asset Value per Ordinary Share.

7. Announcements regarding the Initial Placing, Offer for Subscription and the Intermediaries Offer

The results of the Initial Placing, Offer for Subscription, the Intermediaries Offer and the basis of allocation are expected to be announced by the Company through a Regulatory Information Service on or around 31 January 2020 and, in any event, prior to Admission.

8. Conditions of the Issue

The Issue is conditional on, among other things, (i) the Placing Agreement not being terminated in accordance with its terms at any time prior to Admission and (ii) Admission occurring by 8:00 a.m. on 5 February 2020 (or such later date as the Company and Shore Capital may agree, being in any event not later than 8:00 a.m. on 28 February 2020). If either of these conditions is not met, the Issue will not proceed and an announcement to that effect will be made through a Regulatory Information Service.

The issue of Ordinary Shares pursuant to the Initial Placing, Offer for Subscription and Intermediaries Offer will be revoked if Admission has not occurred by 8:00 a.m. on 5 February 2020 (or such later date as the Company and Shore Capital may agree, being in any event not later than 8:00 a.m. on 28 February 2020) or, if earlier, on the date on which the Issue ceases to be capable of becoming conditional. Any such revocation will be announced by the Company through a Regulatory Information Service as soon as practicable after the Company has become aware of the occurrence of the event that has resulted in such revocation.

In the event that the Issue does not proceed for whatever reason, application monies will be returned, without interest, to investors by returning an investor's cheque or by crossed cheque in favour of the first named applicant, by post at the risk of the person entitled thereto.

9. Scaling back

The Directors are authorised to issue up to 400 million Ordinary Shares pursuant to the Issue. To the extent that aggregate demand exceeds 400 million Ordinary Shares, applications under the Initial Placing, Offer for Subscription and Intermediaries Offer will be scaled back on such basis as Shore Capital may determine (in consultation with the Company). The Company reserves the right to decline in whole or in part any application for Ordinary Shares pursuant to the Issue. Accordingly, applicants for Ordinary Shares may, in certain circumstances, not be allotted the number of Ordinary Shares for which they have applied.

There will be no priority given to applications under the Initial Placing, Offer for Subscription Applications or Intermediaries Offer pursuant to the Issue.

To the extent that the subscription monies received by the Company in relation to any application for Ordinary Shares through the Initial Placing, Offer for Subscription or Intermediaries Offer exceed the aggregate value, at the Issue Price, of the Ordinary Shares issued pursuant to such application, the Company will notify investors of the number of Ordinary Shares in respect of which their application has been successful and the balance of the subscription monies of such sum will be returned as soon as reasonably practicable

without interest by crossed cheque in favour of the first named applicant, sent by post to, and at the risk of the applicant concerned.

10. Pricing and Costs of the Issue

The Company is targeting the issue of up to 200 million Ordinary Shares under the Issue at the Issue Price to raise proceeds of up to £200 million. All Ordinary Shares issued pursuant to the Issue will be paid up to the Issue Price.

Since Rosenwald Capital has agreed to pay the costs of the Issue, if the Company achieves its target then the proceeds from the Issue will be £200 million.

11. Use of proceeds

The proceeds of the Issue will comprise cash received under the Initial Placing, the Offer for Subscription and Intermediaries Offer.

The Company intends to use the net cash proceeds of the Issue and Placing Programme for investment in accordance with its investment policy and to fund the Company's operational expenses.

12. Money laundering

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the United Kingdom, the Company and its agents, the AIFM, the Administrator, the Registrar, the Receiving Agent, Rising Sun, Shore Capital or the Intermediaries Adviser may require evidence of the identity of each investor in connection with any application for Ordinary Shares, including further identification of the applicant(s) before any Ordinary Shares are issued.

Each of the Company and its agents, including the AIFM, the Administrator, the Registrar, the Receiving Agent, Rising Sun, Shore Capital and the Intermediaries Adviser reserves the right to request such information as is necessary to verify the identity of a Shareholder or prospective Shareholder and (if any) the underlying beneficial owner or prospective beneficial owner of a Shareholder's Ordinary Shares. In the event of delay or failure by the Shareholder or prospective Shareholder to produce any information required for verification purposes, the Directors, in consultation with the Company's agents, including the AIFM, the Administrator, the Registrar, the Receiving Agent, Shore Capital and the Intermediaries Adviser may refuse to accept a subscription for Ordinary Shares.

13. US purchase and transfer restrictions

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company, Rising Sun.

The Company has elected to impose the restrictions described below on the issue and on the future trading of the Ordinary Shares so that the Company will not be required to register the offer and sale of the Ordinary Shares under the Securities Act, so that the Company will not have an obligation to register as an investment company under the Investment Company Act and related rules and to address certain ERISA, Tax Code, FATCA and other considerations. These transfer restrictions, which will remain in effect until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the Ordinary Shares to trade such securities. Due to the restrictions described below, potential investors in the United States and U.S. Persons are advised to consult legal counsel prior to making any offer, resale, exercise, pledge or other transfer of the Ordinary Shares. The Company and its agents will not be obligated to recognise any resale or other transfer of the Ordinary Shares made other than in compliance with the restrictions described below.

14. Restrictions due to lack of registration under the Securities Act and Investment Company Act restrictions

The Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Ordinary Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons. There will be no public offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold solely (i) outside the United States to persons who are not U.S. Persons in “offshore transactions” as defined in and pursuant to Regulation S under the Securities Act; and (ii) within the United States to, or to U.S. Persons that are, both QIBs and QPs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Moreover, the Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. The Ordinary Shares and any beneficial interests therein may only be transferred in an offshore transaction in accordance with Regulation S under the Securities Act (i) to a person outside the United States and not known by the transferor to be a U.S. Person, by pre-arrangement or otherwise; or (ii) to the Company or a subsidiary thereof.

15. General

Subject to their right of withdrawal pursuant to Article 23(2) of the Prospectus Regulation, in the event of the publication of a supplementary prospectus, applicants under the Offer for Subscription or Intermediaries Offer may not withdraw their applications for Ordinary Shares.

Applicants under the Offer for Subscription or Intermediaries Offer wishing to exercise their statutory right of withdrawal pursuant to Article 23(2) of the Prospectus Regulation after the publication of a supplementary prospectus must do so by lodging a written notice of withdrawal (which shall include a notice sent by any form of electronic communication) which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the Participant ID and Member Account ID of such CREST member by post or by hand (during normal business hours only) to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received by no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Registrar will not permit the exercise of withdrawal rights after payment by the relevant applicant of his, her or its subscription in full and the allotment of Ordinary Shares to such applicant becoming unconditional and in such event investors are recommended to seek independent legal advice.

PART 10

PLACING PROGRAMME

1. Introduction

The Company has made arrangements under which the Board has discretion to issue New Ordinary Shares and/or C Shares under the Placing Programme, provided that such number of Ordinary Shares (including New Ordinary Shares) and C Shares issued pursuant to the Issue and the Placing Programme and including the Company's existing subscriber share, may not exceed 400 million Shares in aggregate. The Placing Programme is intended to be flexible and may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares and/or C Shares over a period of time. The Placing Programme is intended to satisfy market demand for the Ordinary Shares and to raise further money for investment in accordance with the Company's investment policy.

2. Background to and reasons for the Placing Programme

The Company will have the flexibility to issue further Ordinary Shares or C Shares on a non-pre-emptive basis where there appears to be reasonable demand for Ordinary Shares in the market, for example if the Ordinary Shares trade at a premium to their Net Asset Value per Ordinary Share. In addition, any New Ordinary Shares issued under the Placing Programme will be issued at a price not less than the last published cum income Net Asset Value per Ordinary Share, as determined by the Directors. An issue of New Ordinary Shares under the Placing Programme may be used by the Company to reduce any premium over NAV at which its Shares may be trading.

It is expected that the Board will issue C Shares rather than New Ordinary Shares in circumstances where there is substantial investor demand such that an issue of New Ordinary Shares would have the potential to exert "cash drag" on the performance of the existing Ordinary Shares. The assets representing the net proceeds of an issue of C Shares would be accounted for as a separate pool, and the C Shares would bear a proportionate share of the Company's costs and expenses, until such pool is substantially invested in accordance with the Company's investment policy, following which the C Shares would be converted into New Ordinary Shares based on the respective NAV per Share.

For the purposes of assessing the conversion date of an issue of C Shares into New Ordinary Shares, a separate pool underlying an issue of C Shares will be deemed to have been substantially invested when at least 90 percent (or such other percentage as the Directors determine) of the pool has been invested.

The C Shares will carry voting rights at general meetings of the Company. The detailed terms of the C Shares are set out in paragraph 3.19 of Part 12 (*General Information*) of this Prospectus.

Shareholder authority to issue further Ordinary Shares and/or C Shares on a non-pre-emptive basis was granted on 6 January 2020. In utilising its discretion under the Placing Programme and seeking such authorities in the future the Directors intend to take into account relevant factors, including the desirability of limiting the premium to Net Asset Value at which the Ordinary Shares trade in order to ensure that Shareholders and new investors who acquire Ordinary Shares are not disadvantaged by being required to acquire additional Ordinary Shares at a high premium to NAV per Ordinary Share.

3. Benefits of the Placing Programme

The Directors believe that the issue of Ordinary Shares or C Shares pursuant to the Placing Programme should yield the following principal benefits:

- (a) maintain the Company's ability to issue New Ordinary Shares or C Shares, so as to better manage the premium at which the Ordinary Shares may trade to NAV per Ordinary Share;
- (b) enhance the NAV per Ordinary Share of existing Ordinary Shares through new share issuance of New Ordinary Shares, as New Ordinary Shares are intended to be issued at a premium of at least one per cent. to the last published cum income NAV per Ordinary Share;

- (c) grow the Company, thereby spreading operating costs over a larger capital base which should reduce the total expense ratio; and
- (d) improve liquidity in the market for the Ordinary Shares.

4. Voting dilution

If 200 million New Ordinary Shares or C Shares are issued pursuant to the Placing Programme, assuming the Issue has been subscribed as to 200 million Ordinary Shares, there would be a dilution of 50 per cent. in Shareholders' voting control of the Company immediately after the Issue (and prior to the conversion of any C Shares). The voting rights may be further diluted on conversion of any C Shares depending on the applicable conversion ratio. However, because no Ordinary Shares will be issued at a discount to prevailing NAV, there will be no dilution in the NAV per Ordinary Share as a result of any subsequent issue under the Placing Programme.

5. The Placing Programme

The Placing Programme will open on 6 February 2020 and will close on 6 January 2021. The maximum number of New Ordinary Shares and/or C Shares to be issued pursuant to the Placing Programme will be equal in aggregate to 400 million Shares less any Ordinary Shares issued pursuant to the Issue. No New Ordinary Shares will be issued at a discount to the Net asset Value per ordinary Share at the time of the relevant allotment. The Company will not issue any New Ordinary Shares at a discount of 10 per cent. or more to the middle market price of the Ordinary Share at the relevant time without further Shareholder approval.

The issue of New Ordinary Shares or C Shares under the Placing Programme is at the discretion of the Directors. Issues may take place at any time prior to the closing date of the Placing Programme. An announcement of each issue under the Placing Programme will be released through an RIS. Whilst it is expected that all New Ordinary Shares and C Shares (as applicable) issued pursuant to the Placing Programme will be issued in uncertificated form, if any New Ordinary Shares or C Shares are issued in certificated form it is expected that share certificates will be despatched within 10 Business Days after the relevant issue date.

Payment for any New Ordinary Shares issued under the Placing Programme should be made in accordance with settlement instructions provided to Placees by Shore Capital.

The Placing Programme is not being underwritten and, as at the date of this Prospectus, the actual number of New Ordinary Shares and/or C Shares to be issued under the Placing Programme is not known. The number of New Ordinary Shares and/or C Shares available under the Placing Programme should not be taken as an indication of the number of New Ordinary Shares and/or C Shares finally to be issued.

So far as the Directors are aware as at the date of this Prospectus, no major Shareholders or Directors intend to make a commitment for New Ordinary Shares or C Shares under the Placing Programme.

Applications will be made to the London Stock Exchange for the New Ordinary Shares and C Shares issued pursuant to the Placing Programme to be admitted to the Specialist Fund Segment of the London Stock Exchange. All New Ordinary Shares and C Shares issued pursuant to the Placing Programme will be issued conditionally on such Admission occurring. This Prospectus has been published in order that any New Ordinary Shares and C Shares issued pursuant to the Placing Programme may be admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. This will include any Ordinary Shares issued under the Directors' existing authority to issue Ordinary Shares and/or C Shares on a non-preemptive basis after the date of this Prospectus. Should the Board wish to issue New Ordinary Shares or C Shares in excess of the amount for which it is then authorised to issue, further authorities may be sought at an appropriate time by convening a General Meeting for this purpose.

The New Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant New Ordinary Shares).

The C Shares issued pursuant to the Placing Programme:

- (a) will not be entitled to any dividends payable in respect of the Ordinary Shares but on their conversion into New Ordinary Shares they will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the conversion of the C Shares);
- (b) will be entitled to any dividends payable in respect of the pool of assets attributable to the relevant C Shares. It is intended that dividends will be declared on the C Shares only in the event that there is material net income available for distribution to the C Shares, but the level of dividends (if any) declared on the C Shares will depend on the actual timing and terms of the deployment of the relevant C Share issue proceeds. In the event that any net income attributable to the C Shares is not distributed as dividend, such net income will be included in the value of the C Shares when calculating their entitlement for New Ordinary Shares upon their conversion.

The Placing Programme will be suspended at any time when the Company is unable to issue New Ordinary Shares and/or C Shares pursuant to the Placing Programme under any statutory provision or other regulation applicable to the Company or otherwise at the Directors' discretion.

In the event that there is any significant new factor, material mistake or material inaccuracy affecting any of the matters described in this Prospectus or where any significant new factor or significant change has arisen after the publication of this Prospectus and prior to the termination of the Placing Programme, the Company will publish a supplementary prospectus. Any supplementary prospectus published by the Company will give details of the significant change(s) or the significant new factors(s) material mistake or material inaccuracy.

6. Conditions

Each allotment and issue of Ordinary Shares and/or C Shares under the Placing Programme following the Issue, is conditional, among other things, on:

- (a) in the case of New Ordinary Shares, the Placing Programme Price being determined by the Directors as described below;
- (b) Admission of the New Ordinary Shares or C Shares being issued pursuant to such issue;
- (c) the Placing Agreement becoming otherwise unconditional in respect of the relevant issue of New Ordinary Shares and/or C Shares in all respects and not having been terminated on or before the date of such Admission; and
- (d) a valid supplementary prospectus being published by the Company if such is required by the Prospectus Regulation.

In circumstances where these conditions are not fully met, the relevant issue of New Ordinary Shares or C Shares pursuant to the Placing Programme will not take place.

7. Calculation of the Placing Programme Price

The Placing Programme Price of the New Ordinary Shares will be calculated by reference to the last published cum income Net Asset Value of each existing Ordinary Share together with a premium intended to at least cover the costs and expenses of the placing pursuant to the Placing Programme (including, without limitation, any placing commissions), such costs and expenses being estimated at approximately one per cent. of the amounts raised ("Subsequent Expenses"). The Directors will determine the Placing Programme Price on the basis described above so as to cover the costs and expenses of each placing of New Ordinary Shares under the Placing Programme and thereby avoid any dilution of the Net Asset Value of the existing Ordinary Shares held by Shareholders. By way of illustration, assuming an initial NAV of 100p per Ordinary Share, the Placing Programme Price per New Ordinary Share would be expected to be at least 101p, and the expenses indirectly borne by an investor in such New Ordinary Shares would be at least 1p per Ordinary Share.

The Placing Programme Price of any C Shares issued pursuant to the Placing Programme will be 100p per C Share and the costs of the relevant issue of such C Shares will be paid out of the proceeds of the issue and accordingly will be borne indirectly by investors in the relevant C Shares.

Fractions of New Ordinary Shares or C Shares will not be issued.

The net proceeds of the Placing Programme is dependent on the number of New Ordinary Shares and/or C Shares issued pursuant to the Placing Programme and the applicable Placing Programme Price of any New Ordinary Shares issued.

Where New Ordinary Shares or C Shares are issued, the total assets of the Company will increase by that number of New Ordinary Shares or C Shares issued multiplied by the applicable Placing Programme Price. It is not expected that there will be any material impact on the earnings and Net Asset Value per Ordinary Share, as the net proceeds resulting from any issue under the Placing Programme are expected to be invested in investments consistent with the investment objective and investment policy of the Company and the Placing Programme Price of the New Ordinary Shares is expected to represent a modest premium to the then prevailing Net Asset Value per Ordinary Share.

8. Subscriber warranties

Each subscriber of Shares in the Placing Programme and each subsequent investor in the Shares will be deemed to have represented, warranted, acknowledged and agreed to the representations, warranties, acknowledgements and arrangements set out in sections 4 and 5 in Part 14 (*Terms and conditions of Application under the Initial Placing and the Placing Programme*) of this Prospectus.

The Company, the AIFM, the Investment Adviser and Shore Capital, and their respective directors, officers, members, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

9. Settlement

Payment for New Ordinary Shares and C Shares issued under the Placing Programme will be made through CREST or through Shore Capital, in any such case in accordance with settlement instructions to be notified to Placees by Shore Capital. In the case of those subscribers not using CREST, monies received by and held in account by or on behalf of Shore Capital will not be held as client money within the meaning of the relevant provisions of the FCA Handbook, which therefore will not require Shore Capital to segregate such money, as that money will be held by Shore Capital under a banking relationship and not as trustee. To the extent that any placing commitment is rejected in whole or in part, any monies received will be returned without interest at the risk of the Placee.

10. Programme Admission and dealings

There will be no conditional dealings in Shares prior to each Programme Admission.

The ISIN number of the Ordinary Shares is GB00BKLGLS10 and the SEDOL code is BKLGLS1. The ISIN number of the C Shares is GB00BKLGLT27 and the SEDOL code is BKLGLT2.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Shares, nor does it guarantee the price at which a market will be made in the issue Shares. Accordingly, the dealing price of the Shares may not necessarily reflect changes in the Net Asset Value per Ordinary Share or C Share (as applicable).

The Shares are in registered form and can also be held in uncertificated form. Prior to the despatch of definitive share certificates in respect of any Shares which are held in certificated form, transfers of those Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

11. Costs of the Placing Programme

The costs and expenses of each subsequent issue of Ordinary Shares or C Shares under the Placing Programme will depend on subscriptions received. Assuming that £101 million are raised under the Placing Programme before expenses solely through the issue of New Ordinary Shares, a Placing Programme Price of 100p per New Ordinary Share and costs of the Placing Programme of approximately one per cent. of the gross proceeds, the gross proceeds would be £101 million, and the net proceeds of the Placing Programme would therefore be £100 million.

12. Use of proceeds

The net proceeds of the Placing Programme will be invested by Rising Sun on behalf of the Company in accordance with the Company's published investment policy or used to fund the Company's operational expenses.

13. Scaling back

The Directors are authorised to issue and allot up to 400 New Ordinary Shares and/or C Shares, less any Ordinary Shares issued pursuant to the Issue, pursuant to the Placing Programme. To the extent that commitments under the Placing Programme exceed 400 New Ordinary Shares and/or C Shares in aggregate, (inclusive of Ordinary Shares issued pursuant to the Issue), applications will be scaled back at Shore Capital's discretion (in consultation with the Company) and in such manner and amounts as it considers appropriate. Accordingly, applicants for Shares may, in certain circumstances, not be allotted the number of Shares for which they have applied.

The Company will notify investors of the number of Shares in respect of which their application has been successful and the results of each issue under the Placing Programme will be announced by the Company via an RNS announcement.

Subscription monies received in respect of unsuccessful applications (or to the extent scaled back) will be returned without interest at the risk of the applicant.

14. Money laundering

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the United Kingdom, the Company and its agents, the AIFM, the Administrator, the Registrar, the Receiving Agent, Rising Sun or Shore Capital may require evidence of the identity of each investor in connection with any application for New Ordinary Shares, including further identification of the applicant(s) before any New Ordinary Shares are issued.

Each of the Company and its agents, including the AIFM, the Administrator, the Registrar, the Receiving Agent, Rising Sun and Shore Capital reserves the right to request such information as is necessary to verify the identity of a Shareholder or prospective Shareholder and (if any) the underlying beneficial owner or prospective beneficial owner of a Shareholder's Ordinary Shares. In the event of delay or failure by the Shareholder or prospective Shareholder to produce any information required for verification purposes, the Directors, in consultation with the Company's agents, including the AIFM, the Administrator, the Registrar, the Receiving Agent and Shore Capital may refuse to accept a subscription for New Ordinary Shares.

15. US purchase and transfer restrictions

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, New Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company, Rising Sun or Shore Capital.

The Company has elected to impose the restrictions described below on the issue and on the future trading of the New Ordinary Shares so that the Company will not be required to register the offer and sale of the New Ordinary Shares under the Securities Act, so that the Company will not have an obligation to register as an investment company under the Investment Company Act and related rules and to address certain ERISA, Tax Code, FATCA and other considerations. These transfer restrictions, which will remain in effect

until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the New Ordinary Shares to trade such securities. Due to the restrictions described below, potential investors in the United States and U.S. Persons are advised to consult legal counsel prior to making any offer, resale, exercise, pledge or other transfer of the New Ordinary Shares. The Company and its agents will not be obligated to recognise any resale or other transfer of the New Ordinary Shares made other than in compliance with the restrictions described below.

16. Restrictions due to lack of registration under the Securities Act and Investment Company Act restrictions

The Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Ordinary Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons. There will be no public offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold solely (i) outside the United States to persons who are not U.S. Persons in “offshore transactions” as defined in and pursuant to Regulation S under the Securities Act; and (ii) within the United States to, or to U.S. Persons that are, both QIBs and QPs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Moreover, the Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. The Ordinary Shares and any beneficial interests therein may only be transferred in an offshore transaction in accordance with Regulation S under the Securities Act (i) to a person outside the United States and not known by the transferor to be a U.S. Person, by pre-arrangement or otherwise; or (ii) to the Company or a subsidiary thereof.

UNITED KINGDOM AND JAPANESE TAXATION

It summarises the UK and Japanese tax position of the Company and of Shareholders who are UK resident (except where indicated) and hold Shares as investments and who are not subject to special UK tax treatment by virtue of their status. Prospective investors who are in any doubt about their tax position are recommended to take professional advice.

1. The Company

The Company has obtained from HMRC approval as an investment trust. It is the intention of the Directors to conduct the Company's affairs so that it qualifies to receive approval as an investment trust and continues to be so approved. Neither the Adviser nor the Directors can guarantee that this approval will be granted or maintained. The following comments are made on the basis that the Company is approved as an investment trust and that, the approval is maintained.

Dividends from UK and non-UK companies should generally be exempt from UK tax in the hands of the Company (although not necessarily from withholding tax imposed by other jurisdictions).

However, to the extent that the Company receives qualifying interest income, then, as an investment trust, it will have the option of designating dividends paid by it as interest distributions. Insofar as the Company pays interest distributions it will generally be able to deduct that amount from its income in calculating its profit for corporation tax purposes.

Neither the Company nor the Adviser have sought a ruling from the Japanese tax authorities regarding any taxation matter summarized below.

Income or gains from the Company's underlying investments in Japan, anticipated to be primarily in the form of dividends and interest from Japanese companies and capital gains from the disposal of shares in Japanese companies, may be subject to withholding taxes or other taxes, as summarized below.

The Company should be treated as a foreign corporation for Japanese tax purposes and treated as directly investing in the underlying Japanese share investments.

RW-EP-01594 Gains ("UK-Japan tax treaty"), a UK tax resident refers to any person who, under the law of the UK, 836 of 945

is liable to tax by reason of his place of incorporation, place of head or main office, place of management or other criterion. In addition, to be entitled to the treaty benefits granted by the provisions under the articles of dividend, interest, royalty, capital gain and other income, the tax resident should be a qualified person, such as a company with the principal class of its shares being listed, registered or admitted to dealing on a recognised stock exchange (e.g. the London Stock Exchange).

Accordingly, the Company expects to be treated as both UK tax resident under the UK-Japan tax treaty and a qualified person and therefore entitled to relief under the UK-Japan tax treaty.

Dividends

The Company will be subject to withholding tax on dividends from Japanese companies. Under Japanese domestic law, the withholding tax rates on dividends from listed companies is 15.315 per cent. (inclusive of income surtax) and from private companies is 20.42 per cent. (inclusive of income surtax).

For a foreign corporation without a permanent establishment in Japan, this withholding tax is a final tax.

Under the UK-Japan tax treaty, the withholding tax on portfolio dividends can be reduced to 10 per cent. and further reduced to five per cent. if the Company owns (directly or indirectly) at least 10 per cent. of the voting power of the Japanese company paying the dividends. To qualify for this relief, the Company must not have any permanent establishment in Japan and must be the beneficial owner of the dividend. It will also be required to fulfil certain conditions and duly file application forms with the Japanese tax authorities when claiming this relief.

Interest distributions

The Company will be subject to withholding tax on interest from Japanese companies. The withholding tax rate on interest from bonds is generally 15.315 per cent. (inclusive of income surtax), unless a domestic exemption applies (for example, for certain government and corporate bond interest), whereas, the withholding tax rate on loan interest is 20.42 per cent. (inclusive of income surtax).

For a foreign corporation without a permanent establishment in Japan, this withholding tax is a final tax.

Nevertheless, any withholding tax on interest may be exempt under the UK-Japan tax treaty. To qualify for this exemption, the Company must not have any permanent establishment in Japan and must be the beneficial owner of the interest. It will also be required to fulfil certain conditions and duly file application forms with the Japanese tax authorities when claiming this relief.

Capital Gains or Sale of Shares

In general, a foreign corporation without a permanent establishment in Japan is not subject to Japanese taxation on the sale of shares except in the following cases (a) to (c) below. Where any of the rules described in (a) to (c) are triggered, a filing obligation will arise for the Company in Japan. The tax rate generally applicable for corporate investors (such as the Company) is approximately 25.59 per cent. (effective from fiscal years beginning on or after 1 October 2019) and where the tax is due by filing national tax returns within two months following the fiscal year of the Company in which the gain arose.

(a) 25/5 Rule

If the Company (together with special related persons) sells five per cent. or more of the shares in a Japanese company (that is, a company organized under the laws of Japan) in any fiscal year and, at any time during the fiscal year of sale or two prior years, owns or has owned (together with special related persons) 25 per cent. or more of the shares in such Japanese company, then the gain is subject to tax even if the Company does not have a permanent establishment in Japan ("25/5 Rule").

(b) Real Estate Holding Company Rule

If the Company (together with special related persons) owns more than five per cent. of the shares in a real estate holding company (broadly, a company, Japanese or not, whose gross assets consist 50 per cent. or more of real estate assets in Japan) as of the last day of the fiscal year prior to the year of sale, then any gain on the sale of those shares is subject to tax even if the Company does

not have a permanent establishment in Japan. If the real estate holding company is privately held (i.e., not listed), the aforementioned five per cent. threshold is reduced to 2 per cent.

(c) **Improper Market Manipulation**

If the Company engages in improper market manipulation, such as greenmail, then the gains from such market manipulation may be subject to tax in Japan.

Any capital gains made by the Company should be exempt from the Japanese corporate tax under the UK-Japan tax treaty, subject to the treaty requirements and tax filing, provided that the capital gain is not derived from the transfer of shares where the shares or the interest derive at least 50 per cent. of their value directly or indirectly from immovable property situated in Japan. The UK-Japan tax treaty overrides the domestic assessing rules as stated in (a) and (c) above.

Permanent Establishment

The determination of whether the Company is considered to have a permanent establishment in Japan is based on the relevant facts and circumstances. For instance, if a person other than an agent of an independent status (e.g., Dalton Advisory KK) is acting on behalf of the Company, habitually exercises an authority to conclude contracts on behalf of the Company in Japan, the Company shall be deemed to have permanent establishment in Japan. The Company intends to conduct its affairs with respect to Japan in such a way as to avoid being deemed or treated to have a permanent establishment in Japan. There can be no assurance, however, that the Japanese tax authorities will not seek to assert that the Company has a permanent establishment in Japan or that such an assertion will not be upheld.

If the Company were to have a permanent establishment in Japan, income of the Company, as well as any other income allocable to such permanent establishment under domestic attribution rules or as determined under an attribution clause in a tax treaty, would likely be subject to tax at full Japanese tax rates. In such case, the effective Japanese tax rates at which such income would be subject to tax would be approximately 30.62 per cent. (if the Company has a paid-up capital of over JPY100 million).

2. Shareholders

All distributions are paid without deduction on account of any UK tax and without any notional tax credit attached. Shareholders in the UK and other countries may be liable to account for tax to the tax authority in their country of residence. The following comments refer only to the UK tax liabilities of UK resident Shareholders and to UK withholding tax.

Dividends

Individual UK resident investors are entitled to an annual dividend allowance (currently £2,000). For dividends received in excess of the allowance the income tax rates are currently 7.5 per cent. for dividend income within the basic rate tax band, 32.5 per cent. for dividend income within the higher rate tax band and 38.1 per cent. for dividend income taxable in the additional rate tax band.

UK-resident companies should normally be exempt from corporation tax on dividends received from the Company.

Non-UK residents will not be subject to any UK withholding tax on dividends.

Interest Distributions

Generally, if the Company pays interest distributions then individual UK Shareholders should treat those distributions as interest received without any tax deducted. Individuals may be entitled to an annual savings allowance on interest depending on their highest marginal tax rate. (The allowance is currently £1,000 per year for basic and nil rate taxpayers, £500 per year for higher rate taxpayers and nil for additional higher rate taxpayers.) For interest and interest distributions received in excess of the savings allowance the income tax rates are currently 20 per cent. (basic rate), 40 per cent. (higher rate), and 45 per cent. (additional rate).

A UK resident company should treat an interest distribution received for corporation tax purposes as if it were interest on a creditor loan relationship.

Non-UK-residents will not be subject to any UK withholding tax on interest distributions. They may be taxed differently in their own jurisdiction or the distributions may be treated as dividends. Non-residents should confirm the position in their own jurisdiction.

Tax on Chargeable Gains

A disposal of Shares by a Shareholder may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

Individual UK resident shareholders with chargeable gains in excess of their annual allowance (£12,000 in tax year 2019-20) may be liable to capital gains tax at 10 per cent. (for a gain falling within the basic rate tax band) or 20 per cent. (higher and additional rate gains).

For UK resident companies any chargeable gain will be within the charge to corporation tax. Allowable losses may generally be set against chargeable gains in the same or a later period.

ISAs and SIPPs

As it is a listed company, it is expected that Shares in the Company will be qualifying assets for stocks and shares ISAs and permitted investments for SIPPs.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The following comments are intended as a guide to the general stamp duty and SDRT position in relation to Shares and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No UK stamp duty or SDRT will be payable on the issue of Shares. Transfers on sale of Shares outside of CREST will generally be subject to UK stamp duty, normally payable by the purchaser at the rate of 0.5 per cent. of the consideration given for the transfer, rounded up to the nearest £5. An exemption from stamp duty is available for instruments transferring shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by it does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

An agreement to transfer Shares will normally give rise to a charge to stamp duty reserve tax ("SDRT") for the purchaser at the rate of 0.5 per cent. of the amount or value of the consideration therefor. If a duly stamped transfer executed in pursuance of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled.

Paperless transfers of Ordinary Shares within the CREST system will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. Such SDRT will generally be collected through the CREST system. Deposits of Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

Transfers of Shares to a company connected with the transferor may be subject to UK stamp duty or SDRT (as applicable) on the market value of the Ordinary Shares transferred, if this is higher than the consideration.

Reporting requirements

Under legislation implementing the UK's obligations under various intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including but not limited to the international Common Reporting Standard,) the Company may be required to collect and report information about Shareholders and their investments to HMRC, including information to verify their identity and tax residence. When requested to do so by the Company or its agent, Shareholders must provide information to be passed on to HMRC, and, by them, to any relevant overseas tax authorities.

On request from HMRC the Company must provide details of interest distributions and recipients.

THE PRECEDING DISCUSSION IS NOT A FULL DESCRIPTION OF THE COMPLEX TAX RULES RELEVANT TO AN INVESTMENT IN THE COMPANY. THE TAX AND OTHER MATTERS DESCRIBED HEREIN DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE TO PROSPECTIVE SHAREHOLDERS. EACH PROSPECTIVE SHAREHOLDER SHOULD CONSULT WITH ITS OWN PROFESSIONAL TAX ADVISOR WITH RESPECT TO THE TAX ASPECTS OF AN INVESTMENT IN THE COMPANY.

OTHER JURISDICTIONS

Prospective purchasers of Shares should consult their own professional tax advisers as to the tax consequences of the purchase, ownership and disposal of Shares. Any person who is in any doubt as to his, her or its tax position in consequence of acquiring, holding or disposing of Shares, or requires more detailed information than the general outline above should consult his, her or its own independent professional advisers.

PART 12

GENERAL INFORMATION

1. The Company

1.1 *Incorporation and administration*

- (a) The Company was incorporated in England and Wales on 22 October 2019 with the name “NAVF plc” and registered number 12275668 as a public company limited by shares under the Act. On 15 November 2019 the Company changed its name to “Nippon Active Value Fund plc”. The Company is registered as an investment company under section 833 of the Act. The Company has an indefinite life.
- (b) The principal legislation under which Ordinary Shares have been created and the Company operates is the Companies Act 2006. As a listed investment company, the Company will not be regulated as a collective investment scheme by the FCA. However, from the Admission, the Ordinary Shares will be admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. The principal legislation under which the Company operates is the Act. The Company will also be subject to the Prospectus Regulation, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules, the Takeover Code, the Market Abuse Regulations and the rules of the London Stock Exchange. The Company is domiciled in England and Wales. The Company is an alternative investment fund pursuant to the AIFM Rules.
- (c) The Directors confirm that, since the date of incorporation of the Company, the Company has not commenced operations, has no material assets or liabilities, and therefore no financial statements have been made up as at the date of this Prospectus. The Company’s accounting period will terminate on 31 December of each year. The first accounting period will run from the Company’s incorporation, ending on 31 December 2020.
- (d) The Company is in the process of appointing its statutory auditor and expects to appoint its preferred firm, PricewaterhouseCoopers LLP, which is a member of the Institute of Chartered Accountants in England and Wales, shortly following First Admission. The annual report and accounts will be prepared according to accounting standards laid out under IFRS.
- (e) The address of the registered office and principal place of business of the Company is Mermaid House, 2 Puddle Dock, London EC4V 3DB with telephone number +44 (0)20 7653 9690.
- (f) The Company has no employees, all the Directors are appointed on a non-executive basis and most of its day-to-day activities are delegated to third parties.
- (g) As at the date of this Prospectus, the Company has not commenced operations and no financial statements in respect of the Company have been made up.
- (h) The Company has no subsidiary or parent undertakings, associated companies and neither owns nor leases any premises.
- (i) Rising Sun Management Ltd has been appointed by the Company and the AIFM as investment adviser. Rising Sun Management Ltd is a limited liability company incorporated with indefinite life in the Cayman Islands, on 18 October 2019. The registered address and principal place of business of Rising Sun Management Ltd is c/o Appleby Global Services (Cayman) Limited, 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands and the telephone number is +1 345 769 4900.
- (k) On 12 November 2019, the Company was granted a certificate under section 761 of the Act entitling it to commence business and to exercise its borrowing powers.

2. Share capital

2.1 *Set out below is the issued share capital of the Company as at the date of this Prospectus:*

	<i>Nominal value (£)</i>	<i>Number</i>
Redeemable Preference Shares	1.00	50,000
Ordinary Shares	0.01	1

The Ordinary Share and the Redeemable Preference Shares were issued on incorporation of the Company. The Ordinary Share is fully paid up and is held by Rising Sun. To enable the Company to obtain a certificate of entitlement to conduct business and to borrow under Section 761 of the Act, 50,000 Redeemable Preference Shares were allotted to Rising Sun. On 6 January 2020, 50,000 Redeemable Preference Shares were transferred by Rising Sun for nil value to Kings Bay Investment Company Ltd, a company affiliated to a member of the Rising Sun Management Team.

The Redeemable Preference Shares are paid up as to one quarter of their nominal value. Conditional upon but effective immediately prior to First Admission, the Redeemable Preference Shares will be sub-divided and redesignated as Ordinary Shares pursuant to the Share Conversion. The Company has received an undertaking from Kings Bay Investment Company Ltd that on the Share Conversion becoming effective they will pay up the amount on each new Ordinary Share created by the Share Conversion to 100 pence per Ordinary Share. The payment to the Company by Kings Bay Investment Company Ltd therefore represents Kings Bay Investment Company Ltd's participation in the Initial Placing at the Issue Price and application will be made for these Ordinary Shares to be admitted to trading together with all the other Ordinary Shares in issue at First Admission.

2.2 Set out below is the issued share capital of the Company as it will be immediately following the Issue (assuming that the Issue is subscribed as to £200 million):

	<i>Nominal value (£)</i>	<i>Number</i>
Ordinary Shares	2,000,000.01	200,000,001

All Ordinary Shares will be fully paid.

2.3 By ordinary and special resolutions of the Company passed on 6 January 2020:

- (a) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot up to 400 million Ordinary Shares, less the number of Ordinary Shares equal to the number of Ordinary Shares created by the Share Conversion, in connection with the issue of Ordinary Shares pursuant to the conditional placing by Shore Capital of Ordinary Shares described in this Prospectus and the offer for subscription to the public in the UK of Ordinary Shares, in each case on the terms and subject to the conditions set out in the Prospectus, such authority to expire immediately following the date of Admission in respect of the Issue (unless sooner revoked or varied by the Company in a general meeting), save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired.
- (b) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot up to 400 million Ordinary and/or C Shares in aggregate, including within such limit any Ordinary Shares issued under the authority in paragraph a) above or created pursuant to the Share Conversion following Admission, such authority to expire on the day prior to the first anniversary of the publication date of the Prospectus (unless sooner revoked or varied by the Company in a general meeting), save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired.

- (c) THAT, on the expiry of the authorities in paragraphs (a) and (b), the Directors be and are generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Ordinary Shares and/or C Shares with a nominal value of up to 20 per cent. of the aggregate nominal value of the Company's issued share capital immediately following Admission, to such persons and at such times and on such terms as they think proper, such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2021 (unless sooner revoked or varied by the Company in a general meeting), save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired.
- (d) THAT the Company be and is hereby authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of the issued Ordinary Shares immediately following Admission in respect of the Issue. The minimum price which may be paid for an Ordinary Share is £0.01. The maximum price which may be paid for an Ordinary Share shall be the higher of:
 - (i) five per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made (where "Business Days" is any day on which the London Stock Exchange is open for business and banks are open for business in London (excluding Saturdays and Sundays); and
 - (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time.

Such authority will expire on the earlier of the conclusion of the first annual general meeting of the Company and the date which is 18 months after the date on which the resolution was passed that the Company may contract to purchase its Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority and may purchase its Ordinary Shares in pursuance of such contract.

- (e) THAT the Directors be and are hereby generally empowered (pursuant to section 570 of the Act) to allot Ordinary Shares for cash pursuant to the authority referred to in paragraph (a) above as if section 561 of the Act did not apply to any such allotment, such power to expire immediately following Admission in respect of the Issue, save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired.
- (f) THAT the Directors be and are hereby generally empowered (pursuant to section 570 and 573 of the Act) to allot Ordinary Shares and C Shares and to sell Ordinary Shares from treasury for cash pursuant to the authority referred to in paragraph (b) above as if section 561 of the Act did not apply to any such allotment or sale, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at an time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold from treasury after the expiry of such power, and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or an agreement as if such power had not expired.
- (g) THAT the Directors be and are hereby generally empowered (pursuant to section 570 and 573 of the Act) to allot Ordinary Shares and/or C Shares and to sell Ordinary Shares from treasury for cash pursuant to the authority referred to in paragraph (c) above as if section 561 of the Act did not apply to any such allotment or sale, such power to expire at the conclusion of the annual general meeting of the Company to be held in 2021 (unless sooner revoked or varied by the Company in a general meeting), save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares and/or C Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired.

- (h) THAT, subject to and with effect from immediately prior to Admission, in accordance with section 618 of the Companies Act 2006, the 50,000 Redeemable Preference Shares of £1.00 each in the issued share capital of the Company be sub-divided into 5,000,000 Redeemable Preference Shares of £0.01 each (the “**Sub-Division**”), such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the existing Redeemable Preference Shares of £1.00 each in the capital of the Company as set out in the Company's articles of association for the time being.
 - (i) THAT, subject to and with effect from immediately prior to Admission but only effective immediately following the Sub-Division authorised pursuant to the resolution set out in paragraph f), each of the 5,000,000 Redeemable Preferences of £0.01 each in issue in the capital of the Company be re-designated Ordinary Shares of £0.01 each, such Ordinary Shares having the respective rights set out in the articles of association of the Company for the time being.
 - (j) THAT conditional upon Admission and subject to the confirmation of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the Issue be cancelled, and the amount of the share premium account so cancelled be credited to a reserve.
 - (k) THAT new articles of association are approved and adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.
- 2.4 The provisions of section 561 of the Act (which, to the extent not disapplied pursuant to section 570 or section 573 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment or sale of equity securities for cash) shall apply to any unissued share capital of the Company, except to the extent disapplied by the resolutions referred to in paragraphs (d), (e) and (f) above.
- 2.5 The Directors are entitled to exercise all powers of the Company to issue Shares in the Company under the Articles and are expected to resolve to do so prior to First Admission in respect of the Ordinary Shares to be issued pursuant to the Issue.
- 2.6 As at the date of this Prospectus:
- (a) no subscriptions, issues or options are to be given by the Company, or are already existing, in respect of any securities of the Company, including any that have a prior right over the Ordinary Shares to a distribution of the profits or assets of the Company;
 - (b) no shares which do not represent capital have been issued by the Company and remain outstanding;
 - (c) no shares are held by or on behalf of the Company in treasury or otherwise;
 - (d) no convertible securities, exchangeable securities or securities with warrants have been issued by the Company and remain outstanding; and
 - (e) save in connection with the Issue there are no acquisition rights and/or obligations over any of the Company's authorised but unissued capital and no undertakings to increase the Company's capital.
- 2.7 Since the Company's incorporation, save for the Ordinary Shares issued to Rising Sun referred to in paragraph 3.1 of this Part and the Redeemable Preference Shares issued to obtain the trading certificate, no share or loan capital of the Company has been issued or, save in connection with the Issue, agreed to be issued.

3. Articles of Association

A summary of the main provisions of the Articles is set out below.

3.1 Objects

The Articles do not provide for any objects of the Company and accordingly the Company's objects are unrestricted.

3.2 **Variation of rights**

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class (excluding any shares of that class held as treasury shares). At every such separate general meeting the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (again, excluding any shares of that class held as treasury shares) (but at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum). At such separate general meeting, any holder of shares of the class present in person or by proxy may demand a poll and every such holder shall on a poll have one vote for every share of the class held by him.

3.3 **Alteration of share capital**

The Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger nominal value than is fixed by its constitution or was fixed by the resolution creating the existing shares;
- (b) sub-divide its existing shares, or any of them, into shares of smaller nominal value than its existing shares; and
- (c) determine that, as between the shares resulting from such a sub-division, one or more shares may, as compared with the others, may be given a preference, advantage, restriction or disadvantage as regards dividends, capital or voting.

3.4 **Issue of shares**

Subject to the provisions of the Act and without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions, and on such terms as the as the Directors may determine (provided such terms are consistent with the Articles)).

3.5 **Dividends**

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the Shareholders but no dividends shall exceed the amount recommended by the Directors. The Directors may pay interim dividends, or dividends payable at a fixed rate, if it appears to them that they are justified by the profits of the Company available for distribution. If the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

Subject to the Act and the rights of persons (if any) entitled to shares with preferential or special rights as to dividend, all dividends shall be paid *pro rata* according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

3.6 **Voting rights**

Subject to any rights or restrictions attached to any shares, on a show of hands every Shareholder present in person has one vote, every proxy present who has been duly appointed by a Shareholder entitled to vote has one vote and every corporate representative present who has been duly authorised by a corporation has the same voting rights as the corporation would be entitled to. On a poll every Shareholder (whether present in person or by proxy or by corporate representative) has one vote for every share of which he is the holder. A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way. In the case of joint holders, the vote of the person whose name appears before the names of the other joint holder(s) on the Register in respect of the share and who tenders a vote shall be accepted to the exclusion of the vote of the other joint holders.

No Shareholder shall have any right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

3.7 **Transfer of shares**

A share in certificated form may be transferred by an instrument of transfer, which may be in any usual form or in any other form approved by the Directors, executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. A share in uncertificated form may be transferred by means of the relevant electronic system concerned.

The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any Share in certificated form or uncertificated form (subject to the Articles) which is not fully paid and on which the Company has a lien provided that this would not prevent dealings in the Shares of that class from taking place on an open and proper basis on the London Stock Exchange.

In addition, the Board may refuse to register a transfer of Shares if (i) in the case of certificated Shares (a) it is in respect of more than one class of Shares, (b) it is in favour of more than four joint transferees, (c) it is not duly stamped or duly certificated to the satisfaction of the Board as being exempt from stamp duty, (d) it is delivered for registration to the registered office of the Company or such other place as the Board may decide or (e) is not accompanied by the certificate for the Shares to which it relates and such other evidence of title as the Board may reasonably require.

The Board may decline to register a transfer of an uncertificated share which is traded through the CREST UK system in accordance with the CREST Regulations where, in the case of a transfer to joint holders, the number of joint holders to whom uncertificated shares is to be transferred exceeds four.

In addition, if at any time the holding or beneficial ownership of any Shares in the Company by any person (whether on its own or taken with other Shares), in the opinion of the Directors:

- (i) would cause the assets of the Company to be treated as “plan assets” of any benefit plan investor under Section 3(42) of ERISA or the U.S. Code;
- (ii) would or might result in the Company and/or its Shares and/or any of its appointed investment managers or investment advisers being required to be registered or qualified under the Investment Company Act and/or the U.S. Investment Advisers Act of 1940 and/or the Securities Act and/or the Exchange Act and/or any similar legislation (in any jurisdiction) that regulates the offering and sale of securities;
- (iii) may cause the Company not to be considered a “**Foreign Private Issuer**” under the Exchange Act;
- (iv) may cause the Company to be a “controlled foreign corporation” for the purpose of the U.S. Code; or
- (v) may cause the Company to become subject to any withholding tax or reporting obligation under FATCA or any similar legislation in any territory or jurisdiction, or to be unable to avoid or reduce any such tax or to be unable to comply with any such reporting obligation (including by reason of the failure of the shareholder concerned to provide promptly to the Company such information and documentation as the Company may have requested to enable the Company to avoid or minimise such withholding tax or to comply with such reporting obligation),

then the Board may declare the Shareholder in question a “**Non-Qualified Holder**” and the Board may require that any Shares held by such Shareholder (“**Prohibited Shares**”) shall (unless the Shareholder concerned satisfies the Board that he is not a Non-Qualified Holder) be transferred to another person who is not a Non-Qualified Holder, failing which the Company may itself dispose of such Prohibited Shares at the best price reasonably obtainable and pay the net issue proceeds to the former holder.

If the Directors refuse to register or authorise the registration of a transfer of a share, they shall send notice of refusal to the transferee together with reasons for the refusal as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company or the registrar.

No fee shall be charged for the registration of any instrument of transfer or other document or instruction relating to or affecting the title to any share.

3.8 ***Distribution of assets on a winding-up***

If the Company is wound up, with the sanction of a special resolution, the liquidator may divide among the Shareholders in specie or kind the whole or any part of the assets of the Company and for that purpose may value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. With the like sanction, the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as he may determine, but no Shareholder shall be compelled to accept any shares or other securities upon which there is a liability.

3.9 ***Restrictions on rights: failure to respond to a Section 793 notice or other notice***

If a Shareholder, or any other person appearing to be interested in shares held by that Shareholder, fails to provide the information requested in a notice given to him under section 793 of the Act by the Company in relation his interest in shares (the "Default Shares") within the period of compliance specified in the notice (being not less than 14 days from the date of the service of the notice) and where the default shares represent at least 0.25 per cent. of their class, sanctions shall apply unless the Directors determine otherwise. The sanctions available are the suspension of the right to attend or vote (whether in person or by representative or proxy) at any general meeting or any separate meeting of the holders of any class or on any poll and, where the default shares represent at least 0.25 per cent. of their class (excluding treasury shares), the withholding of any dividend payable in respect of those shares and the restriction of the transfer of those shares.

In addition to the right to serve a Section 793 notice, the Board has the right under the Articles to serve notice on any member requiring that member to promptly provide the Company with any information, representations, certificates, waivers or forms relating to such member that the Board determines from time to time necessary or appropriate for the Company to have in order to (a) satisfy any diligence requirements and any reporting requirements imposed under or in relation to FATCA or the requirements of any similar laws or regulations to which the Company may be subject enacted from time to time by any other jurisdiction, (b) avoid or reduce any tax otherwise imposed by FATCA or other applicable laws or (c) permit the Company to enter into, comply with, or prevent a default under or termination of, an agreement of the type described in section 1471(b) of U.S. Internal Revenue Code of 1986 or under any other applicable laws. The Company shall be entitled to process such information that it receives from its members for the purposes of carrying out the business of the Company and the administration and protection of its interests.

In the event that a member does not supply the requested information within the time frame specified (which shall not be less than 10 business days from the date of notice) then the Board may by notice to such member, declare him to be a Non-Qualified Holder for the purposes of the Articles and declare that the Shares which are held by the member are Prohibited Shares. The Board may also declare a member to be a Non-Qualified Holder and that his shares are Prohibited Shares if in the Board's opinion, the holding or beneficial ownership of any shares in the Company by any person would constitute an 'onerous obligation'. (These onerous obligations under the Articles relate primarily to the status or tax liabilities of the Company).

In the event that a member is deemed a Non-Qualified Holder, the Board can require him either (1) to provide such information as they deem necessary to evidence that he should not be a Non-Qualified Holder and that his shares should not be considered Prohibited Shares or (2) to sell or transfer his Prohibited Shares to a person who is not a Non-Qualified Holder within 21 days of service of a notice of the Board. If a Non-Qualified Holder does not sell or transfer of his shares as instructed, the Board may dispose of his shares as they so determine.

3.10 ***Untraced Shareholders***

Subject to various notice requirements, the Company may sell any of a Shareholder's shares if, during a period of 12 years, at least three dividends on such shares have become payable and no cheque for amounts payable in respect of such shares has been presented and no warrant has been effected and no communication has been received by the Company from the Shareholder or person concerned.

3.11 **Appointment of Directors**

Unless the Company determines otherwise by ordinary resolution, the Company must have not less than two and not more than 10 Directors.

Subject to the Articles, the Company may by ordinary resolution appoint a person who is willing to act as, and is permitted by law to do so, to be a Director either to fill a vacancy or as an additional Director. The Directors may appoint a person who is willing to act, and is permitted by law to do so, to be a Director, either to fill a vacancy or as an additional Director. A person appointed as a Director by the other Directors is required to retire at the Company's next annual general meeting and shall then be eligible for reappointment.

Subject to the Articles, at each AGM, every Director shall retire from office. A Director who retires at an AGM may, if willing to continue to act, be elected or re-elected at that meeting. If he is elected or re-elected he is treated as continuing in office throughout. If he or she is not elected or re-elected, he or she shall remain in office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place. In the event that no Directors are re-appointed, then two of the Directors who retired at the AGM shall be deemed to be continuing until such time as a general meeting can be called to appoint further Directors. Which Directors shall continue shall be decided by ordinary resolution.

The office of a Director shall be vacated:

- (a) if he resigns his office by giving written notice signed by him sent to or deposited at the Company's registered office or tendered at a meeting of the Board;
- (b) if a registered medical practitioner who is treating him gives a written opinion to the Company that he has become mentally or physically incapable of acting as a director and may remain so for more than three months;
- (c) he is suffering from mental or physical ill health and the Directors resolve at a meeting of the Directors that his office be vacated;
- (d) if he absents himself from meetings of the Board for a consecutive period of six months without permission of the Directors and the Board resolves that his office shall be vacated;
- (e) if he becomes bankrupt or applies for an interim order pursuant to section 253 of the Insolvency Act 1986 or enters into any voluntary arrangement with within the definition contained in that section or has an interim receiver appointed under section 286 of the Act;
- (f) if he is prohibited by law from being a Director or ceases to be a Director by the Act; (g) if he is removed from office by written notice signed by all of the other Directors; or
- (g) if the Company by ordinary resolution shall declare that he shall cease to be a Director.

3.12 **Powers of Directors**

The business of the Company shall be managed by the Directors who, subject to the provisions of the Articles and to any directions given by ordinary resolution to take, or refrain from taking, specified action, may exercise all the powers of the Company.

Any Director may appoint any other Director, or any other person approved by resolution of the Directors and willing to act and permitted by law to do so, to be an alternate Director.

3.13 **Borrowings**

Subject to the Company's published investment policy from time to time, the Board on behalf of the Company may exercise all the powers of the Company to borrow or raise money, to mortgage or charge its undertaking, property, assets and uncalled capital and to issue debentures and other securities, and to give security whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.14 ***Voting at board meetings***

No business shall be transacted at any meeting of the Directors unless a quorum is present and the quorum may be fixed by the Directors; unless so fixed at any other number the quorum shall be two. A Director shall not be counted in the quorum present in relation to a matter or resolution on which he is not entitled to vote but shall be counted in the quorum present in relation to all other matters or resolutions considered or voted on at the meeting. An alternate Director who is not himself a Director shall, if his appointor is not present, be counted in the quorum.

Questions arising at a meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

3.15 ***Restrictions on voting***

Subject to any other provision of the Articles, a Director shall not vote at a meeting of the Directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company) unless his interest arises only because the case falls within certain limited categories specified in the Articles.

3.16 ***Directors' interests***

Subject to the provisions of the Statutes and provided that the Director has disclosed to the other Directors the nature of any interest of his, a Director, notwithstanding his office, may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is interested.

3.17 ***Indemnity***

Subject to the provisions of the Statutes, the Company may indemnify any person who is a director, alternate director, former director, secretary or other officer of the Company (other than an auditor) of the Company, against any liability whether in connection with any negligence, default, breach of duty or breach of trust by him in relation to anything done or omitted to be done or alleged to have been done or omitted to be done by him as a director of the Company or any associated company. The Directors may purchase and maintain, at the cost of the Company, insurance for any person who is a director, alternate director, former director, secretary, or other officer of the Company or an associated company in relation to anything done or omitted to be done or alleged to have been done or omitted to be done as director, alternate director, secretary or officer.

3.18 ***General meetings***

In the case of the annual general meeting, 21 clear days' notice at the least shall be given to all the members and to the auditors. All other general meetings shall also be convened by not less than 14 clear days' notice in writing to all the members.

No business other than the appointment of the chairman of the meeting shall be transacted at any meeting unless a quorum is present. One person where there is only a single member of the Company and two persons where there is more than one member of the Company entitled to vote upon the business to be transacted, each being a Shareholder or a proxy for a Shareholder or a duly authorised representative of a corporation which is a Shareholder, shall be a quorum.

A Shareholder is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company (provided such notice of proxy is made in writing). A Shareholder may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. Subject to the provisions of the Act, any corporation (other than the Company itself) which is a Shareholder may, by resolution of its directors or other governing body, authorise such person(s) to act as its representative(s) at any meeting of the Company, or at any separate meeting of the holders of any class of shares.

Delivery of an appointment of proxy shall not prevent a Shareholder from attending and voting at the meeting or at any adjournment of it.

Directors may attend and speak at general meetings and at any separate meeting of the holders of any class of shares, whether or not they are Shareholders.

A poll on a resolution may be demanded at a general meeting before or on the declaration of the result of the show of hands by the chairmen or those members entitled under the Act to demand a poll.

3.19 **C Shares and Deferred Shares**

The rights and restrictions attaching to the C Shares and the Deferred Shares arising on their conversion are summarised below.

(a) The following definitions apply for the purposes of this paragraph 3.19 only:

"Calculation Date" means in relation to any tranche of C Shares the earliest of the:

- (i) close of business on the date to be determined by the Directors occurring not more than 10 Business Days after the day on which the Investment Adviser shall have given notice to the Directors that at least 90 per cent. of the proceeds of the Issue (or such other percentage as the Directors and the AIFM may agree) shall have been invested; or
- (ii) close of business on the date falling 9 calendar months after the allotment of the C Shares or if such a date is not a Business Day the next following Business Day; or
- (iii) close of business on the day on which the Directors resolve that Force Majeure Circumstances have arisen or are imminent;

"Conversion" means conversion of any tranche of C Shares into Ordinary Shares and Deferred Shares in accordance with paragraph (g);

"Conversion Date" means in relation to any tranche of C Shares the close of business on such Business Day as may be selected by the Directors falling not more than 10 Business Days after the Calculation Date of such tranche of C Shares;

"Conversion Ratio" is the ratio of the net asset value per C Share to the net asset value per Ordinary Share, which is calculated as:

$$\text{Conversion Ratio} = \frac{A}{B}$$

$$A = \frac{C-D}{E}$$

$$B = \frac{F-C-I-G+D+J}{H}$$

Where:

C is the aggregate of:

- (i) the value of the investments of the Company attributable to the C Shares of the relevant tranche, calculated as at the Calculation Date in accordance with the valuation policy adopted by the Company from time to time; and
- (ii) the amount which, in the Directors' opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company attributable to the relevant tranche of C Shares (excluding the investments valued under (i) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature), calculated in accordance with the valuation policy adopted by the Company from time to time;

D is the amount (to the extent not otherwise deducted from the assets attributable to the relevant tranche of C Shares) which, in the Directors' opinion, fairly reflects the amount of the liabilities of

the Company attributable to the relevant tranche of C Shares on the Calculation Date (including the amounts of any declared but unpaid dividends in respect of such Shares);

E is the number of C Shares of the relevant tranche in issue on the Calculation Date;

F is the aggregate of:

- (i) the value of all the investments of the Company, as at the Calculation Date in accordance with the valuation policy adopted by the Company from time to time; and
- (ii) the amount which, in the Directors' opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company (excluding the investments valued under (i) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature), calculated in accordance with the valuation policy adopted by the Company from time to time;

G is the amount (to the extent not otherwise deducted in the calculation of **F**) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company on the Calculation Date (including the amounts of any declared but unpaid dividends);

H is the number of Ordinary Shares in issue on the Calculation Date (excluding any Ordinary Shares held in treasury);

I is the aggregate of:

- (i) the value of the investments of the Company attributable to all other tranches of C Shares in issue other than the tranche of C Shares as referred to in C above (the "**Other Tranches of C Shares**"), calculated as at the Calculation Date in accordance with any valuation policy adopted by the Company from time to time; and
- (ii) the amount which, the Directors' opinion, fairly reflect, on the Calculation Date, the value of the current assets of the Company attributable to the Other Tranches of C Shares (excluding the investments valued under (i) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature), calculated in accordance with any valuation policy adopted by the Company from time to time; and

J is the amount (to the extent not otherwise deducted from the assets attributable to the Other Class(es) of C Shares) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company attributable to the Other Class(es) of C Shares on the Calculation Date,

provided that the Directors shall make such adjustments to the value or amount of **A** and **B** as either the auditors shall report to be appropriate or in the event that the auditors are unwilling to act, as the Directors consider appropriate, in either case having regard among other things, to the assets of the Company immediately prior to the date on which the Company first receives the Net Proceeds relating to the relevant class of C Shares and/or to the reasons for the issue of the relevant class of C Shares;

"Deferred Shares" means deferred shares of £0.01 each in the capital of the Company and having the rights and being subject to the restrictions set out in the Articles arising on Conversion;

"Existing Ordinary Shares" means the Ordinary Shares in issue immediately prior to Conversion;

"Force Majeure Circumstances" means (i) any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable; (ii) the issue of any proceedings challenging, or seeking to challenge, the power of the Company and/or its Directors to issue the C Shares of the relevant tranche with the rights proposed to be attached to them and/or to the persons to whom they are, and/or the terms upon which they are proposed to be issued; or (iii) the giving of notice of any general meeting of the Company at which a resolution is to be proposed to wind up the Company, whichever shall happen earliest; and

"Net Proceeds" means the net cash proceeds of the issue of the C Shares (after deduction of those commissions and expenses relating thereto and payable by the Company).

References to ordinary shareholders, C Shareholders and deferred shareholders should be construed as references to holders for the time being of Ordinary Shares, C Shares and Deferred Shares respectively.

(b) The holders of the Ordinary Shares, the Redeemable Preference Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights to be paid dividends:

- (i) the Deferred Shares (to the extent that any are in issue and extant) shall entitle the holders thereof to a cumulative annual dividend at a fixed rate of one per cent. of the nominal amount thereof, the first such dividend (adjusted *pro rata* temporis) (the “**Deferred Dividend**”) being payable on the date six months after the Conversion Date on which such Deferred Shares were created (the “**Relevant Conversion Date**”) and on each anniversary of such date payable to the holders thereof on the register of members on that date as holders of Deferred Shares but shall confer no other right, save as provided herein, on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the date six months after the Conversion Date and shall then only be payable to those holders of Deferred Shares registered in the register of members of the Company as holders of Deferred Shares on that date. It should be noted that given the proposed repurchase of the Deferred Shares as described below, it is not expected that any dividends will accrue or be paid on such shares;
- (ii) the holders of any tranche of C Shares shall be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of net assets attributable to that tranche of C Shares and from income received and accrued which is attributable to that tranche of C Shares;
- (iii) a holder of Redeemable Preference Shares shall be entitled (in priority to any payment of dividend on any other class of share) to a fixed cumulative preferential dividend of 0.01 per cent. per annum on the nominal amount of the Redeemable Preference Shares held by him, such dividend to accrue annually and to be payable in respect of each accounting reference period of the Company within 21 days of the end of such period. Such dividend will be payable in priority to the payment of a dividend to the holders of any other class of shares but, for so long as there are shares of any other class in issue, the Redeemable Preference Shares shall not confer any further right to participate in the profits of the Company;
- (iv) the Ordinary Shares shall confer the right to dividends declared in accordance with the Articles out of the assets attributable to, and the profits available for distribution which are attributable to, the Ordinary Shares;
- (v) the Ordinary Shares into which C Shares shall convert shall rank *pari passu* with the Existing Ordinary Shares for dividends and other distributions made or declared by reference to a record date falling after the Calculation Date; and
- (vi) no dividend or other distribution shall be made or paid by the Company on any of its shares (other than any Deferred Shares for the time being in issue) between the Calculation Date and the Conversion Date relating to any tranche of C Shares (both dates inclusive) and no such dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).

(c) The holders of the Ordinary Shares, the Redeemable Preference Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights as to capital:

- (i) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when any C Shares are for the time being in issue and prior to the Conversion Date relating to such C Shares, be applied as follows:
 - (A) first, an amount equivalent to (C-D) in respect of each tranche of C Shares in issue using the methods of calculation of C and D given in the definition of Conversion Ratio set out above save that the “**Calculation Date**” shall be such date as the liquidator may determine, which amount attributable to each class shall be applied amongst the C Shareholders of the relevant tranche *pro rata* according to the nominal capital paid up on their holdings of C Shares,

- (B) second, amongst the Redeemable Preference Shareholders *pro rata* according to the nominal capital paid up on their holdings of Redeemable Preference Shares;
 - (C) third, if there are any Deferred Shares in issue, in paying to the holders of the Deferred Shares one pence in aggregate in respect of every one million Deferred Shares (or part thereof) of which they are the respective holders; and
 - (D) fourth amongst the existing Ordinary Shareholders *pro rata* according to the nominal capital paid up on their holdings of Existing Ordinary Shares
- provided however that the holders of the Redeemable Preference Shares shall only receive an amount up to the capital paid up on such Redeemable Preference Shares and the Redeemable Preference Shares shall not confer the right to participate in any surplus remaining following payment of such amount; and
- (ii) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when no tranche of C Shares is for the time being in issue be applied as follows:
 - (A) first, the surplus shall be divided, first, amongst the holders of Redeemable Preference Shares *pro rata* according to the nominal capital paid up on their holdings of Redeemable Preference Shares
 - (B) second, if there are Deferred Shares in issue, in paying to the deferred shareholders £0.01 in aggregate in respect of every 1,000,000 Deferred Shares (or part thereof) of which they are respectively the holders; and
 - (C) third, amongst the Ordinary Shareholders *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares

provided always, however that the holders of the Redeemable Preference Shares shall only receive an amount up to the capital paid up on such Redeemable Preference Shares and neither the Redeemable Preference Shares nor the Deferred Shares shall not confer the right to participate in any surplus remaining following payment of such amount.
- (d) As regards voting:
 - (i) The Ordinary Shares and each tranche of C Shares shall carry the right to receive notice of and to attend and vote at any general meeting of the Company. The voting rights of holders of any tranche of C Shares will be the same as those applying to holders of Existing Ordinary Shares as set out in the Articles as if the C Shares and Existing Ordinary Shares were a single class.
 - (ii) For so long as there are shares of any other class in issue, the holders of the Redeemable Preference Shares shall have no right to receive notice of, or vote at, any general meeting of the Company. If there are no shares of any other class in issue, the holders of the Redeemable Preference Shares shall be entitled to receive notice of, and vote at, any general meeting of the Company and each holder of Redeemable Preference Shares who is present in person, or, if a corporation, by representative (or in either case, by proxy) at a general meeting shall, have one vote on a show of hands and shall have no vote in respect of each Redeemable Preference Share held by him on a poll.
 - (iii) The Deferred Shares shall not carry any right to receive notice of nor to attend or vote at any general meeting of the Company.
 - (e) The following shall apply to the Deferred Shares:
 - (i) the C Shares of any tranche shall be issued on such terms that the Deferred Shares arising upon Conversion (but not the Ordinary Shares arising on Conversion) may be repurchased by the Company in accordance with the terms set out in the Articles;
 - (ii) subject to the Company having sufficient distributable reserves and the Conversion occurring on a date which is not more than five years after the date of incorporation of the Company, immediately upon Conversion, the Company shall repurchase all of the Deferred Shares which arise as a result of Conversion for an aggregate consideration of £0.01 for

every 1,000,000 Deferred Shares and the notice referred to in paragraph (g) (b) below shall be deemed to constitute notice to each C Shareholder (and any person or persons having rights to acquire or acquiring C Shares on or after the Calculation Date) that the Deferred Shares shall be repurchased immediately upon Conversion for an aggregate consideration of £0.01 for each holding of 1,000,000 Deferred Shares. On repurchase, each Deferred Share shall be treated as cancelled in accordance with section 706 of the Act without further resolution or consent. In the event of any Deferred Shares arising on a Conversion which occurs on or after the fifth anniversary of the incorporation of the Company, the Deferred Shares shall not be repurchased unless and until the Company has, in general meeting, approved the buyback of such Deferred Shares in accordance with the Act; and

- (iii) the Company shall not be obliged to: (i) issue share certificates to the deferred shareholders in respect of the Deferred Shares; or (ii) account to any deferred shareholder for the repurchase moneys in respect of such Deferred Shares.
- (f) If there are in issue at the same time C Shares carrying different rights, each shall be deemed to be a separate class of shares. The Directors may, if they so decide, designate each Class of C Shares in such manner as they see fit in order that each class of C Shares can be separately identified. For so long as any tranche of C Shares are for the time being in issue, until the Conversion of such tranche of C Shares and without prejudice to its obligations under applicable laws the Company shall:
- (i) procure that the Company's records, bank and custody accounts shall be operated so that the assets attributable to the C Shares of that tranche can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to applicable laws, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to each tranche of C Shares in issue;
 - (ii) allocate to the assets attributable to the C Shares of that tranche such proportion of the income, expenses and liabilities of the Company incurred or accrued between the date on which the Company first receives the Net Proceeds and the Calculation Date relating to such tranche of C Shares (both dates inclusive) as the Directors consider to be attributable to the C Shares; and
 - (iii) give or procure the giving of appropriate instructions to the AIFM to manage the Company's assets so that such undertakings can be complied with by the Company.
- (g) A tranche of C Shares for the time being in issue shall be sub-divided and converted into Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the following provisions of this paragraph (g):
- (i) the Directors shall procure that as soon as reasonably practicable and in any event within one month of the Calculation Date:
 - (A) the Conversion Ratio as at the Calculation Date and the numbers of Ordinary Shares and Deferred Shares to which each C Shareholder shall be entitled on Conversion shall be calculated; and
 - (B) the auditors shall be requested to confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the Articles and are arithmetically accurate whereupon such calculations shall become final and binding on the Company and all holders of the Company's shares and any other securities issued by the Company which are convertible into the Company's shares, subject to the proviso immediately after the definition of J in paragraph (a).
 - (ii) The Directors shall procure that, as soon as practicable following such confirmation and in any event within one month of the Calculation Date, a notice is sent to each C Shareholder advising such C Shareholder of the Conversion Date, the Conversion Ratio and the numbers of Ordinary Shares and Deferred Shares to which such C Shareholder will be entitled on Conversion.

- (iii) On conversion each C Share shall automatically subdivide into 10 conversion shares of £0.01 each and such conversion shares of £0.01 each shall automatically convert into such number of Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such Conversion being completed:
 - (A) the aggregate number of Ordinary Shares into which the same number of conversion shares of £0.01 each are converted equals the number of C Shares of the relevant tranche in issue on the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole Ordinary Share); and
 - (B) each conversion share of £0.01 which does not so convert into an Ordinary Share shall convert into one Deferred Share.
- (iv) The Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former C Shareholders *pro rata* according to their respective former holdings of C Shares of the relevant tranche (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any Ordinary Shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).
- (v) Forthwith upon Conversion, the share certificates relating to the C Shares shall be cancelled and the Company shall issue to each former C Shareholder new certificates in respect of the Ordinary Shares which have arisen upon Conversion to which he is entitled. Share certificates in respect of the Deferred Shares will not be issued.
- (vi) The Directors may make such adjustments to the terms and timing of Conversion as they in their discretion consider are fair and reasonable having regard to the interests of all Shareholders.
- (h) Without prejudice to the generality of the Articles, for so long as any tranche of C Shares are for the time being in issue it shall be a special right attaching to the Existing Ordinary Shares as a class and to that tranche of C Shares as a separate class that without the sanction or consent of such holders given in accordance with the Company's Articles:
 - (i) no alteration shall be made to the Articles;
 - (ii) no allotment or issue will be made of any security convertible into or carrying a right to subscribe for any share capital of the Company other than the allotment or issue of further C Shares; and
 - (iii) no resolution of the Company shall be passed to wind-up the Company.
- (i) For the avoidance of doubt but subject to the rights or privileges attached to any other class of shares, the previous sanction of a special resolution of the holders of Existing Ordinary Shares and any tranche of C Shares, as described above, shall not be required in respect of: (i) the issue of further Ordinary Shares ranking *pari passu* in all respects with the Existing Ordinary Shares (otherwise than in respect of any dividend or other distribution declared, paid or made on the Existing Ordinary Shares by the issue of such further Ordinary Shares); or (ii) the sale of any shares held as treasury shares (as such term is defined in section 724 of the Act) in accordance with sections 727 and 731 of the Act or the purchase or redemption of any shares by the Company (whether or not such shares are to be held in treasury).
- (j) The Company may by notice in writing and upon tendering to a registered holder of Redeemable Preference Shares the amount of capital paid up thereon, redeem any Redeemable Preference Shares at any time (subject to the provisions of the Acts) and such holder shall be bound to deliver up any certificate which may have been representing the same. Upon redemption, the name of the registered holder shall be removed from the Register. Each Redeemable Preference Share which is redeemed shall thereafter be cancelled. None of the Ordinary Shares or the C Shares shall be redeemable by the Company.

3.20 **Duration**

The Directors shall procure that there is proposed at the annual general of the Company to be held in 2025 and at every second annual general meeting of the Company thereafter an ordinary resolution providing that the Company should continue as an investment trust for a further period of two years. If any such resolution is not put forward or is defeated, the Directors shall be obliged to draw up proposals for the voluntary liquidation, unitisation, reorganisation or other reconstruction of the Company for submission to the Shareholders at a general meeting convened for a date not later than six months after the above mentioned annual general meeting. Implementation of any such proposals shall require the approval of the Shareholders by ordinary resolution.

4. **The Takeover Code**

4.1 **Mandatory bid**

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if:

- (a) a person acquires an interest in shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (b) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interests in the shares by the acquirer or its concert parties during the previous 12 months.

4.2 **Compulsory acquisition**

Under sections 974 to 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises its rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

4.3 **Prohibition on frustrating actions**

Pursuant to Rule 21.1 of the Takeover Code, where the offeree board has received an approach or has reason to believe an offer might be imminent, the board of the offeree company must not, without shareholder consent first being obtained in general meeting:

- (a) take any action which may result in any offer or *bona fide* possible offer being frustrated; or the shareholders of the offeree company being denied the opportunity to decide on the merits of any offer or *bona fide* possible offer; or
- (b) amongst other matters, issue any shares, or issue or grant any options in respect of unissued shares, or create any securities carrying rights of conversion into shares, or sell or dispose of any asset of a material amount, or enter into contracts otherwise than in the ordinary course of business.

5. Interests of Directors, major shareholders and related party transactions

5.1 *Directors' interests*

- (a) Save as disclosed in the table below, immediately following First Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

The following Directors intend to subscribe for the following number of Ordinary Shares under the Offer for Subscription:

<i>Director</i>	<i>Ordinary Shares</i>
Rosemary Morgan*	40,000
Chetan Ghosh	30,000
Rachel Hill	40,000

Alicia Ogawa and Ayako Weissman have expressed an intention to acquire 27,000 Ordinary Shares each in the secondary market shortly after First Admission.

*20,000 Ordinary Shares will be registered in the name of Rosemary Morgan and 20,000 Ordinary Shares will be registered in the name of Rosemary Morgan's husband.

- (b) No Director of the Company has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company which was effected by the Company since its incorporation.
- (c) No share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- (d) There are no outstanding loans granted by the Company to any of the Directors nor is any guarantee provided by the Company for the benefit of any of the Directors.

5.2 *Directors' contracts with the Company*

All the Directors of the Company are non-executive and are engaged under a letter of appointment. It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director may be removed without notice in certain circumstances (including upon a failure to be re-elected at the Company's annual general meeting) and that no compensation will be due on leaving office.

Conditional upon First Admission of the Ordinary Shares to be issued pursuant to the Issue, the Directors will be entitled to aggregate annual remuneration (including any contingent or deferred compensation but excluding expenses) payable and benefits in kind granted as follows:

<i>Director</i>	<i>Fees</i>
Rosemary Morgan	£35,000
Chetan Ghosh	£30,000
Rachel Hill	£27,000
Alicia Ogawa	£27,000
Ayako Weissman	£27,000
Total	£146,000

The aggregate amount of remuneration (including any contingent or deferred compensation but excluding expenses) payable and benefits in kind granted to the Directors for the current financial period ending 31 December 2020 is estimated to be approximately £146,000.

The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. There is no amount set aside or accrued by the Company in respect of contingent or deferred compensation payments or any benefits in kind payable to the Directors. The Directors shall however, be entitled to remuneration for any additional services provided by them which are beyond the scope of the services required pursuant to the terms of their letter of appointment, subject always to any overall cap on Directors' remuneration set out in the Articles.

The Articles specify that any new Directors appointed during the year must stand for election at the first annual general meeting following their appointment. Thereafter, each of the Directors is obliged to retire and if they wish, offer themselves for re-election annually.

5.3 **Directors' other interests**

Over the five years preceding the date hereof, the Directors have held the following directorships (apart from their directorships of the Company) and/or partnerships:

	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
Rosemary Morgan	Schroder AsiaPacific Fund plc JPMorgan Indian Investment Trust plc	Landau Forte Charitable Trust The London Library Pension Trustee Limited
Chetan Ghosh	None	None
Rachel Hill	Dragon Capital Markets (Europe) Limited DC Developing Market Strategies PLC Quaero Capital Funds (Lux) Talos Investment Fund SICAV	Dalton Asia (Offshore Feeder) Fund Ltd.
Alicia Ogawa	Misaki Engagement Fund Misaki Engagement Fund II	None
Ayako Weissman	Toshiba Corporation	SBI Holdings, Inc

Alicia Ogawa is currently a director of two funds operated by Misaki Capital Inc. Misaki Capital Inc. has an investment policy of investing in small cap Japanese companies and aims to achieve returns by working collaboratively with management to improve the business and therefore achieve value appreciation. Mrs Ogawa's principal responsibility for these funds is to oversee compliance and regulatory policies and she has no role in day-to-day investment decisions. Therefore, it is not anticipated that Mrs Ogawa's position as a director of Misaki Engagement Fund and Misaki Engagement Fund II will create a conflict of interest with her office as a Director.

Other than as discussed above, as at the date of this Prospectus there are no potential conflicts of interest between any of the Directors' duties to the Company and their private interests and/or other duties.

5.4 **The Directors in the five years before the date of this Prospectus:**

- do not have any convictions in relation to fraudulent offences;
- have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and
- do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

The Company shall maintain directors' and officers' liability insurance on behalf of the Company at the expense of the Company.

5.5 **Major Shareholders**

As at the date of this Prospectus there are no persons known to the Company who, directly or indirectly, will be interested in three per cent. or more of the Company's issued share capital or voting rights on First Admission.

Pending the allotment of Ordinary Shares pursuant to the Issue, the Company is controlled by Rising Sun, which directly holds the Company's only issued Ordinary Share and therefore 100 per cent. of the voting rights in the Company. On First Admission, the Company is not aware of any person who will directly or indirectly, jointly or severally, exercise or could exercise control over the Company. The Company is not aware of any arrangement, the operation of which may at a subsequent date result in a change of control of the Company.

The Disclosure Guidance and Transparency Rules provide that certain persons (including Shareholders) will be obliged to notify the Company if the proportion of the Company's voting rights which they own reaches, exceeds or falls below specific thresholds (the lowest of which is currently three per cent.).

Major shareholders will not have any different voting rights from other shareholders.

5.6 **Related party transactions**

As at the date of this Prospectus, save for the Directors' appointment letters, the Investment Advisory Agreement and the participations in the Issue by the Directors and members of the Rising Sun Management Team described below, the Company is not a party to, nor has any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No. 1606/2002).

The Directors and members of the Rising Sun Management Team have agreed to acquire Ordinary Shares in the Issue, or have expressed an intention to acquire Ordinary Shares in the secondary market shortly after First Admission, in the amounts set out in paragraph 5.1 and paragraph 4.2 respectively of this Part 12.

6. **Material contracts**

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company is a party or which contains any provision under which the Company has any obligation or entitlement which is material to it at the date of this Prospectus.

6.1 **Investment Advisory Agreement**

The Company, the AIFM and Rising Sun entered into the Investment Advisory Agreement on 7 January 2020, pursuant to which Rising Sun will provide investment advisory services to the AIFM and the Company, and shall be entitled to receive from the Company, in respect of the services provided under the Investment Advisory Agreement, a fee as described in further detail below.

A summary of the key terms of the Investment Advisory Agreement is as follows:

- (a) the Company may terminate the Investment Advisory Agreement without cause by providing at least 12 months' written notice to Rising Sun, provided that no such notice may be given within the first four years from First Admission. The Company may also terminate the Investment Advisory Agreement by giving at least three months' written notice if James B. Rosenwald, III ceases to be engaged by Rising Sun or is otherwise unable to continue his role as head of Rising Sun's investment team and Rising Sun fails to appoint a replacement, satisfactory to the Company, within a period of 60 days;
- (b) Rising Sun may terminate the Investment Advisory Agreement without cause by providing at least 12 months' written notice to the AIFM and the Company, provided that no such notice may be given within the first four years from First Admission;

- (c) the Company and/or the AIFM may terminate the appointment of Rising Sun under the Investment Advisory Agreement with immediate effect for cause (including where Rising Sun has committed a material breach of any obligation of the Investment Advisory Agreement (including the service standards provided for therein) where such breach is capable of remedy and has not been remedied within 60 days, where Rising Sun is guilty of wilful misfeasance, gross negligence or fraud or becomes subject to insolvency proceedings);
- (d) Rising Sun may terminate the Investment Advisory Agreement on three months' notice in the event of a change of control of the Company or a material change in the Company's investment policy which has not been approved by Rising Sun;
- (e) Rising Sun is entitled, with effect from First Admission, to receive an annual fee to be calculated as 0.85 per cent. of Net Asset Value of the Company, based on the latest available Net Asset Value on the first Business Day of the relevant quarter, exclusive of VAT and paid quarterly in advance. The Company will also reimburse Rising Sun for expenses properly incurred by Rising Sun in the performance of its obligations under the Investment Advisory Agreement however Rising Sun will pay any amounts due to Dalton Advisory KK for the provision of research and data analysis services to Rising Sun;
- (f) the Company has also granted Rising Sun and certain other indemnified parties, a customary indemnity against losses which may arise in relation to Rising Sun's performance of its duties under the Investment Advisory Agreement;
- (g) Rising Sun has agreed to exercise such skill and care in performing and observing its duties and obligation under the Investment Advisory Agreement as could reasonably be expected of a person or firm experienced and skilled in the provision of investment advice relating to acquisition of investments in Japan which are consistent with the Company's investment policy from time to time. In particular, Rising Sun will use commercially reasonable efforts to ensure that it has a suitably qualified senior management team which has appropriate experience; and
- (h) the Investment Advisory Agreement is governed by the laws of England and Wales.

6.2 **AIFM Agreement**

The Company and the AIFM entered into the AIFM Agreement on 7 January 2020, pursuant to which the AIFM was appointed as the alternative investment fund manager to the Company, as defined in the AIFM Directive.

A summary of the key terms of the AIFM Agreement is as follows:

- (a) International Fund Management Limited is entitled with effect from First Admission, to an annual fee calculated at a rate of 0.04 per cent. per annum of Net Asset Value up to £250 million, plus 0.025 per cent. per annum of Net Asset Value in excess of £250 million. The AIFM Fee is subject to a minimum fee of £70,000 per annum.
- (b) the AIFM will also be entitled to be reimbursed for out-of-pocket expenses reasonably and properly incurred by it at the request of the Company in the performance of its duties. However, the AIFM will be responsible for the payment of its expenses relating to overhead costs and compensation of its employees;
- (c) the AIFM Agreement shall continue in force until terminated by either the AIFM or the Company by giving to the other no less than six months' prior written notice, provided that such notice may not be served earlier than the date being 12 months from the date of the AIFM Agreement. The AIFM Agreement may be terminated earlier by either party with immediate effect in certain circumstances, including, if the other party shall go into liquidation or an order shall be made or a resolution shall be passed to put the other party into liquidation or the other party has committed a material breach of any obligation the AIFM Agreement, and in the case of a breach which is capable of remedy fails to remedy it within 30 days;
- (d) the AIFM shall maintain, at its cost, professional indemnity insurance to cover any professional liability which it may incur under the AIFM Agreement, with a limit not less than £5,000,000
- (e) the Company has granted to the AIFM and certain other indemnified parties, a customary indemnity against losses which may arise in relation to the AIFM's performance of its duties under the AIFM Agreement; and

- (f) the AIFM Agreement is governed by the laws of England and Wales.

6.3 **Administration Agreement**

The Company is a party to an Administration Agreement with PraxisIFM Fund Services (UK) Limited dated 7 January 2020 pursuant to which the Administrator provides day-to-day administration of the Company and acts as company secretary and administrator to the Company including: company secretarial and administrative services; assistance with the implementation of corporate governance and other compliance requirements; daily calculation of Net Asset Value of the Shares; maintenance of adequate accounting records and management information; preparation of the audited annual financial statements and the unaudited interim report and publication of the same through a Regulatory Information Service; assisting with the preparation and submission of necessary tax returns; and provision of registered office services.

A summary of the key terms of the Administration Agreement is as follows:

- (a) the Administrator is entitled to an annual administration fee calculated at a rate of 0.06 per cent. per annum of Net Asset Value up to, and including, £100 million plus 0.035 per cent. per annum of Net Asset Value in excess of £100 million. The administration fee is subject to a minimum fee of £5,000 per month. In respect of its role as company secretary, the Administrator is entitled to receive an annual company secretarial fee of £55,000. The Administrator will also be entitled to fees in connection with the launch of the Company of £20,000. All fees are stated exclusive of VAT;
- (b) the Administrator may, in addition, be entitled to additional fees in connection with each additional secondary raise (including issues of C Shares);
- (c) the Administrator will also be entitled to reimbursement of reasonable and properly incurred third party expenses;
- (d) either party may terminate the Administration Agreement on six months' written notice. The agreement is also subject to immediate termination on the occurrence of certain events, including material and continuing breach or insolvency;
- (e) the Company has granted to the Administrator and certain other indemnified parties, a customary indemnity against losses which may arise in relation to the Administrator's performance of its duties under the Administration Agreement; and
- (f) the Administration Agreement is governed by English law.

6.4 **Placing Agreement**

In connection with the Initial Placing and any Subsequent Placing, the Company, the Directors, Rising Sun, Rosenwald Capital and Shore Capital entered into the Placing Agreement on 7 January 2020. The Placing Agreement is conditional on, among other things, First Admission taking place on 5 February 2020 or such later date (not being later than 8:00 a.m. on 28 February 2020) as the Company and Shore Capital may agree.

The principal terms of the Placing Agreement are as follows:

- (a) Shore Capital has agreed, as agent of the Company, to use its reasonable endeavours to procure Placees to subscribe for Ordinary Shares under the Initial Placing at the Issue Price and any Subsequent Placing at the relevant Placing Programme Price. The Initial Placing and the Placing Programme are not being underwritten;
- (b) provided the Placing Agreement becomes unconditional, Shore Capital shall be entitled to receive a corporate finance fee and a placing commission (each of which will be calculated by reference to the gross proceeds of the Issue and each Subsequent Placing);
- (c) Shore Capital shall be reimbursed by Rosenwald Capital for certain of their properly incurred costs and expenses of and incidental to the Issue and related arrangements together with any applicable VAT;
- (d) although Rosenwald Capital have agreed to pay the corporate finance fee, the placing commission and the expenses incurred by Shore Capital in connection with the Issue, Shore Capital are entitled to deduct such amounts from the placing proceeds received by Shore Capital

in respect of the Issue. Accordingly, to ensure that the net proceeds from the Issue are 100p per Ordinary Share, Rosenwald Capital has undertaken to reimburse the Company for any amounts deducted by Shore Capital in accordance with the Placing Agreement;

- (e) the Company has given certain warranties to Shore Capital as to the accuracy of the information in this Prospectus and as to other matters relating to the Company. Rising Sun has also given certain warranties to Shore Capital as to certain information in this Prospectus and as to itself and the Directors have given certain warranties in relation to themselves. The Company has given an indemnity to Shore Capital in respect of any losses or liabilities arising out of the proper performance by Shore Capital of its duties under the Placing Agreement. Rising Sun has given an indemnity to Shore Capital in respect of its obligations. In addition, the Company and Rising Sun have given an indemnity to Shore Capital in respect of any increased liability of Shore Capital and its affiliates to any third party that would not have arisen had any of the Company or Rising Sun not entered into any agreement or arrangement with any third party adviser in connection with the Issue, the terms of which provide that the liability of that adviser to the Company or Rising Sun (as the case may be) is excluded or limited in any manner, and Shore Capital has joint or joint and several liability with such adviser;
- (f) Shore Capital may terminate the Placing Agreement in certain circumstances, including for a material breach of the warranties referred to above; and
- (g) the Placing Agreement is governed by the laws of England and Wales.

6.5 Registrar's Agreement

The Registrar's Agreement dated 16 December 2019 between the Company and the Registrar whereby the Registrar has agreed to provide registrar services to the Company. The fees payable to the Registrar are based on the number of transactions plus properly incurred expenses, subject to a minimum basic annual registration fee of £4,800. The Registrar's Agreement contains certain standard indemnities from the Company in favour of the Registrar and from the Registrar in favour of the Company. The Registrar's liabilities under the Registrar's Agreement are subject to a financial limit. The Registrar's Agreement is governed by the laws of England and Wales.

6.6 Receiving Agent Agreement

The receiving agent agreement is dated 16 December 2019 between the Company and the Receiving Agent whereby the Receiving Agent has agreed to act as Receiving Agent to the Offer for Subscription. The fees payable to the receiving agent are based on the number of applications received and are subject to a minimum fee. The agreement contains certain standard indemnities from the Company in favour of the Receiving Agent and from the Receiving Agent in favour of the Company. The Receiving Agent's liability under the agreement is subject to a financial limit. The Receiving Agent Agreement is governed by the laws of England and Wales.

6.7 Custodian Agreement

The Custodian Agreement is dated 24 December 2019 between the Company and The Northern Trust Company pursuant to which the Custodian is appointed as the custodian of the Company's cash and securities.

The principal terms of the Custodian Agreement are as follows:

- (a) the Custodian shall hold and safeguard the assets and collect distributions, principal and other monetary and non-monetary rights and advantages when due;
- (b) the Custodian may register, or procure the registration of, legal title to securities in the name of a nominee company, the Custodian, an agent, any settlement system, clearing agency, central depository, federal entry account system or similar system, or such other name as the Custodian considers appropriate;
- (c) the Custodian may appoint as its agent one or more sub-custodians located in any part of the world to hold the assets of any separate account established by the Company for investment in foreign securities. The Custodian shall exercise due skill, care and diligence in the selection, appointment and periodic review of sub-custodians and arrangements for the holding and safekeeping of the Company's assets;

- (d) the Custodian is entitled to be paid customary fees as set out in paragraph 5 of Part 7 (*Directors, Management and Administration*), which will be invoiced monthly in arrear;
- (e) the Company shall reimburse the Custodian for all expenses the Custodian reasonably incurs in connection with the proper performance of its duties;
- (f) the Custodian has agreed to indemnify the Company in respect of losses which are a direct result of the negligence, wilful default or fraud of the Custodian or a sub-custodian;
- (g) the Company has agreed to indemnify the Custodian, its affiliates and respective directors, officers and employees from all losses and claims arising out of or in connection with any matter which per the terms of the Custodian Agreement the Custodian is protected, not liable or not responsible, or otherwise in respect of any act or omission of the Custodian in the absence of the Custodian's bad faith, negligence, wilful default or fraud;
- (h) the Custodian Agreement is terminable upon 30 days' written notice from one party to the other; and
- (i) the Custodian Agreement is governed by the laws of England and Wales.

6.8 **Prime Brokerage Agreement**

The Prime Brokerage agreement is dated 7 January 2020 between the Company and J.P. Morgan Securities PLC whereby J.P. Morgan Securities PLC has agreed to act as prime broker to the Company.

J.P. Morgan, will provide international prime brokerage services to the Company under the terms of the Prime Brokerage Agreement entered into between the Company and the Prime Broker for itself and as agent and trustee for certain other members of the J.P. Morgan group of companies (the "**J.P. Morgan Entities**"). These services may include the provision to the Company of clearing, settlement and share borrowing facilities. The Company may also utilise the Prime Broker, other J.P. Morgan Entities and other brokers and dealers for the purposes of executing transactions for the Company.

The Prime Broker will also provide a custody service for the safe keeping of assets provided under or pursuant to the terms of the Prime Brokerage Agreement and/or may arrange for such assets to be held by an affiliate or third party as custodian or sub-custodian, on the terms set out in the Prime Brokerage Agreement.

Where J.P. Morgan acts as custodian it will open, or cause to be opened in its books and records one or more prime brokerage account(s) for the recording of the Company's assets. The title to such prime brokerage account(s) will make clear that assets recorded in the prime brokerage account(s) belong to the Company and are segregated from J.P. Morgan's own assets. J.P. Morgan will register or record legal title to the Company's assets in any name permitted by the rules of the FCA. In the event that any of the Company's investments are registered in the name of the Prime Broker where, due to the nature of the law or market practice of jurisdictions outside the United Kingdom, it is in the Company's best interests so to do or it is not feasible to do otherwise, such investments may not be segregated from the Prime Broker's own investments and in the event of the Prime Broker's default may not be as well protected.

Where the Prime Broker holds or receives on the Company's behalf cash as margin it will not be treated by the Prime Broker as client money and will not be subject to the client money protections conferred by the FCA's Client Money Rules. As a consequence, the Company's cash will not be segregated from the Prime Broker's own cash and will be used by the Prime Broker in the course of its investment business, and the Company will therefore rank as one of the Prime Broker's general creditors in relation thereto. The Company may from time to time call for the redelivery of cash provided it meets the margin requirements.

As continuing security for the due payment and discharge by the Company of its obligations under the Prime Brokerage Agreement the Company has agreed to charge by way of first fixed charge, and assign by way of security, in J.P. Morgan's favour for itself and as agent and trustee for each other J.P. Morgan Entity with full title guarantee and free from any adverse interest whatsoever and in priority to all other security whatsoever, certain rights, title and interests, including all rights, title and interests in any property held by the Prime Broker or any other J.P. Morgan Entity. JP Morgan may also apply

any cash or assets credited to the Company's accounts with the Prime Broker or any other J.P. Morgan Entity as margin, collateral or credit support.

The Company's assets transferred to J.P. Morgan may be borrowed, lent or otherwise used by the Prime Broker for its own purposes or for the account of J.P. Morgan's clients to the extent permitted under applicable law, whereupon such investments will become the absolute property of the Prime Broker (or that of its transferee) and the Company will have a right against the Prime Broker for the return of equivalent assets. In the event of J.P. Morgan's insolvency the Company will accordingly be a general unsecured creditor of J.P. Morgan in respect of J.P. Morgan's obligation to return equivalent assets and the Company may not therefore be able to obtain such equivalent assets in full.

Neither the Prime Broker nor any J.P. Morgan Entity nor any of their affiliates, directors officers or employees will be liable for any loss suffered by the Company under or in connection with the Prime Brokerage Agreement unless and to the extent such loss is caused directly by the gross negligence, fraud or wilful default of the Prime Broker or such J.P. Morgan Entity, affiliate, officer or employee. The Company has agreed to reimburse, hold harmless and indemnify the Prime Broker, each J.P. Morgan Entity, their affiliates and each of their respective directors, officers and employees for any and all losses arising out of or in connection with the Prime Brokerage Agreement and unless and to the extent that the gross negligence, fraud or wilful default of the Prime Broker or such J.P. Morgan Entity has caused such loss.

J.P. Morgan and the Company are each entitled to terminate the Prime Brokerage Agreement upon not less than 30 calendar days' prior notice and J.P. Morgan may terminate the Prime Brokerage Agreement with immediate effect upon the occurrence of an event of default or the good faith determination of J.P. Morgan that the performance of an action would be unlawful, provided, however, that the termination of the Prime Brokerage Agreement shall be without prejudice, amongst other matters, to the accrued rights and obligations of the parties under the Prime Brokerage Agreement.

The Prime Broker is a service provider to the Company and is not responsible for the preparation of this Prospectus or the activities of the Company and therefore accepts no responsibility for any information contained in this Prospectus. The Prime Broker will not participate in the investment decision-making process. The Prime Brokerage Agreement is governed by English law.

7. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had, in the recent past, significant effects on the Company or the Company's financial position or profitability since the Company's incorporation.

8. No Significant change

As at the date of this Prospectus, there has been no significant change in the financial position or financial performance of the Company since its incorporation.

9. Third party information and consents

Shore Capital, as sole bookrunner, has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which it appears.

International Fund Management Limited as AIFM, has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which it appears.

Rising Sun as Investment Adviser has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which it appears.

The Investment Adviser accepts responsibility for the information contained in Part 8 (*Investment Approach, Strategy and Process*), and paragraph 3 of Part 7 (*Directors, Management and Administration*) of this Prospectus, and declares that, having taken all reasonable care to ensure that such is the case, the information attributed to it in this document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. All such information is included in this document, in the form and context in which it appears, with the consent of the Investment Adviser.

published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

10. General

The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

No application is being made for the Shares to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange.

The publication or delivery of this Prospectus shall not under any circumstances imply that the information contained in this Prospectus is correct as at any time subsequent to the date of this Prospectus or that there has not been any change in the affairs of the Company since that date.

As at the date of the Prospectus the Company has no subsidiaries but intends to form one or more subsidiaries for the purposes of its business.

11. Working capital

In the Company's opinion, taking into account the minimum net proceeds raised from the Issue will be £100 million, the working capital is sufficient for the Company's present requirements (that is for at least 12 months following the date of this Prospectus).

12. Capitalisation and indebtedness

Details of capitalisation are set out in paragraph 2 of this Part. As at the date of this Prospectus, the Company had no guaranteed and unguaranteed, secured and unsecured indebtedness.

There are no indirect or contingent liabilities.

The following table shows the Company's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) and the Company's unaudited capitalisation as at the date of this Prospectus.

	7 January 2020
	£
<i>Total current debt</i>	0
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
Total current debt	0
<i>Non-current debt (excluding current portion of long-term debt)</i>	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
Total non-current debt	0

7 January 2020
£

Shareholders' equity

Share capital	50,000.01
Legal reserve	0
Other reserves	0
Total Shareholders' equity	<u>50,000.01</u>

As at the date of this Prospectus, there has been no material change in the unaudited capitalisation of the Company.

7 January 2020
£

A Cash	0
B Cash equivalent	0
C Trading Securities	0
D Liquidity	0
E Current financial receivables	0
F Current bank debt	0
G Current position of non-current debt	0
H Other current financial debt	0
I Current financial debt (F) + (G) + (H)	0
J Net current financial indebtedness (I) – (E) – (D)	0
K Non-current bank loans	0
L Bonds issued	0
M Other non-current loans	0
N Non-current loans (K) + (L) + (M)	0
O Net financial indebtedness (J) + (N)	0

There are no indirect or contingent liabilities.

13. Availability of Prospectus

A copy of this Prospectus will be available for inspection at The National Storage Mechanism which is located at <http://www.morningstar.co.uk/uk/nsm> and for as long as Shares are available for issue under this Prospectus, copies of this Prospectus are available for collection, free of charge from the Company's registered office. The Prospectus will also be available on the Company's website – www.nipponactivevaluefund.com.

14. Documents on display

The following documents will be available for inspection between 9:00 a.m. and 5:00 p.m. on any day (Saturdays, Sundays and public holidays excepted) at the offices of Mills & Reeve LLP, 24 King William Street, London EC4R 9AT, from the date of this Prospectus until the end of the Placing Programme:

- (a) this Prospectus; and
- (b) the Memorandum and Articles.

These documents will also be available on the Company's website.

15. Intermediaries

The intermediaries authorised as at the date of this Prospectus to use this Prospectus in connection with the Intermediaries Offer are:

1. AJ Bell Securities Limited
2. Albert E Sharp LLP
3. Equiniti Financial Services Ltd
4. iDealing.com Ltd
5. Interactive Investor Services Limited

Any new information with respect to Intermediaries unknown at the time of approval of this Prospectus, including in respect of any Intermediaries who are appointed after the date of this Prospectus, will be made available on the Company's website, www.nipponactivevaluefund.com.

PART 13

DEFINITIONS AND INTERPRETATION

1. Definitions

In this Prospectus, unless the context otherwise requires, the expressions as set out below shall bear the following meanings:

Act	Companies Act 2006, as amended from time to time;
Administration Agreement	the company secretarial and administration agreement between the Company and the Administrator, a summary of which is set out in paragraph 6.3 of Part 12 (<i>General Information</i>) of this Prospectus;
Administrator	PraxisIFM Fund Services (UK) Limited;
Admission	the date on which admission of Ordinary Shares issued pursuant to the Issue or, if the context so requires, of New Ordinary Shares or C Shares issued pursuant to the Placing Programme to trading on the Specialist Fund Segment first becomes effective;
AGM	an annual general meeting of the Company;
AIC	the Association of Investment Companies;
AIC Code	the Association of Investment Companies' Code of Corporate Governance, as amended from time to time;
AIF	alternative investment fund, as defined in the AIFM Directive;
AIFM	alternative investment fund manager, as defined in the AIFM Directive;
AIFM Agreement	the agreement between the Company and the AIFM, a summary of which is set out in paragraph 6.2 of Part 12 (<i>General Information</i>) of this Prospectus;
AIFM Directive*	the Alternative Investment Fund Managers Directive (2011/61/ EU);
AIFM Regulations	the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773);
AIFM Rules	the AIFM Directive, the EU Regulation and all applicable rules and regulations implementing the AIFM Directive in the UK, including without prejudice to the generality of the foregoing the AIFM Regulations and all relevant provisions of the FCA Rules;
Application Form	the application form for use in connection with the Offer for Subscription set out in the Appendix to this Prospectus;
Articles or Articles of Association	the articles of association of the Company, a summary of which is set out in paragraph 3 of Part 12 (<i>General Information</i>) of this Prospectus;
Audit Committee	the audit committee of the of the Company as described in paragraph 7.3 of Part 7 (<i>Directors, Management and Administration</i>) of this Prospectus;

Board or Directors	the directors of the Company whose names are set out in the paragraph headed “ Directors ” in paragraph 1 of Part 7 (<i>Directors, Management and Administration</i>) of this Prospectus;
Business Days	any day on which the London Stock Exchange is open for business and banks are open for business in London (excluding Saturdays and Sundays);
C Shares	C Shares of £0.10 each in the capital of the Company having the rights and restrictions set out in paragraph 3.19 of Part 12 (<i>General Information</i>) of this Prospectus;
Company	Nippon Active Value Fund plc;
Corporate Governance Code	the UK Corporate Governance Code dated July 2018 (as amended from time to time);
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755);
Dalton	Dalton Investments LLC;
Dalton Clients	has the meaning given to it in paragraph 5 of Part 6 (<i>Information on the Company</i>);
Default Shares	has the meaning given to it in paragraph 3.9 of Part 12 (<i>General Information</i>) of this Prospectus;
Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules made by the FCA under section 72 of FSMA;
DP Act	the Data Protection Act 2018, as amended;
EEA State	the member states of the European Economic Area from time to time;
ERISA	the United States Employee Retirement Income Security Act of 1974, as amended;
EU or European Union	the European Union first established by the treaty made at Maastricht on 7 February 1992;
EU Regulation	the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFM Directive, with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision;
Euroclear UK & Ireland Limited	(a company incorporated in England and Wales with registered number 02878738, being the operator of CREST);
European Economic Area or EEA	the European Union, Iceland, Norway and Liechtenstein;
Exchange Act	the United States Securities Exchange Act of 1934, as amended;
Exit Opportunity	the exit opportunity which the Directors intend to offer Shareholders around the fifth anniversary of First Admission;

FATCA	the U.S. Foreign Account Tax Compliance Act of 2010;
FCA	the Financial Conduct Authority;
FCA Rules	the handbook of rules and guidance of the FCA, as amended;
First Admission	the date on which admission of Shares issued pursuant to the Issue to trading on the Specialist Fund Segment first becomes effective;
FSA	the Financial Services Agency, the regulator responsible for the regulation of the financial sector in Japan;
FSMA	Financial Services and Markets Act 2000, as amended;
GDPR	the General Data Protection Regulation (EU) 2016/679;
Gross Asset Value	the value of the gross assets of the Company as determined in accordance with the accounting principles adopted by the Company from time to time;
HMRC	Her Majesty's Revenue and Customs;
IFRS	International Financial Reporting Standards, as adopted by the European Union;
Initial Placing	the conditional placing by Shore Capital of Ordinary Shares (including the Ordinary Shares to be held by Kings Bay Investment Company Ltd pursuant to and following the Share Conversion) described in this Prospectus in connection with the Company's IPO, on the terms and subject to the conditions set out in the Placing Agreement and this Prospectus;
Intermediaries Booklet	the booklet containing, among other things, the Intermediaries Terms and Conditions;
Intermediaries	the entities listed in paragraph 15 of Part 12 (<i>General Information</i>) of this Prospectus, together with any other intermediary (if any) that is appointed by the Company in connection with the Intermediaries Offer after the date of this Prospectus and "Intermediary" shall mean any one of them;
Intermediaries Offer	the offer of Ordinary Shares by the Intermediaries to retail investors in the UK;
Intermediaries Terms and Conditions	the terms and conditions agreed between the Company, Shore Capital and the Intermediaries in relation to the Intermediaries Offer and contained in the Intermediaries Booklet;
Investment Advisory Agreement	the Investment Advisory Agreement between the Company, the AIFM and Rising Sun, a summary of which is set out in paragraph 6.1 of Part 12 (<i>General Information</i>) of this Prospectus;
Investment Company Act	the United States Investment Company Act of 1940, as amended;
IPO	initial public offering;
IRR	internal rate of return;
ISA	an investment plan for the purposes of chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 and the Individual Savings Account Regulations 1998 (SI 1998/1870), as amended;

Issue	the issue of Ordinary Shares pursuant to the Initial Placing, the Offer for Subscription and the Intermediaries Offer in each case at the Issue Price together with the new Ordinary Shares created pursuant to the Share Conversion;
Issue Expenses	the costs, commissions, fees and expenses incidental to the formation of the Company and the completion of the Issue which will be borne and paid by Rosenwald Capital on or around First Admission;
Issue Price	100p per Ordinary Share;
IT Regulations	Investment Trust (Approved Company) (Tax) Regulations 2011;
Key Information Document	the key information document dated on or around the date of this Prospectus relating to the Company produced pursuant to the PRIIPs Regulation, as amended from time to time;
Listing Rules	the listing rules made by the FCA pursuant to Part VI of FSMA;
London Stock Exchange	London Stock Exchange plc;
Main Market	the Main Market of the London Stock Exchange;
Management Engagement Committee	the management engagement committee of the Company as described in paragraph 7.4 of Part 7 (<i>Directors, Management and Administration</i>) of this Prospectus;
Market Abuse Regulation*	the Market Abuse Regulation (EU) No. 596/2014;
Memorandum	the memorandum of incorporation of the Company;
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (“ MiFID ”) and Regulation (EU) No 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/ 2012 (“ MiFIR ”, and together with MiFID, “ MiFID II ”);
MiFID II Product Governance Requirements	has the meaning given in Part 2 (Important Information) of this Prospectus;
Net Asset Value or NAV	in relation to an Ordinary Share, its net asset value, in relation to Ordinary Shares, the net asset value per Ordinary Share multiplied by the number of shares of that class in issue (excluding, for the avoidance of doubt, any Ordinary Shares held in treasury), in relation to a C Share, its net asset value, in relation to C Shares the net asset value per C Share multiplied by the number of shares of that class in issue (excluding, for the avoidance of doubt, any C Shares held in treasury) and in relation to the Company, the net asset value of the Company as a whole, in each case calculated in accordance with the Company’s normal reporting policies from time to time;
New Ordinary Shares	the new Ordinary Shares to be issued pursuant to the Placing Programme or arising upon conversion of any C Shares issued pursuant to the Placing Programme;
OECD Member State	means a member of the Organisation for Economic Co-operation and Development;

Offer for Subscription	the offer for subscription to the public in the UK for Ordinary Shares on the terms and subject to the conditions set out in this Prospectus;
Official List	the Official List maintained by the FCA pursuant to Part VI of FSMA;
Ordinary Shares	ordinary shares of £0.01 each in the capital of the Company;
Panel	the UK Panel on Takeovers and Mergers;
Placee	any investor with whom Shares are placed by Shore Capital, as agent of the Company, pursuant to the Initial Placing or the Placing Programme;
Placing Agreement	the conditional placing and offer agreement between the Company, Rising Sun, the Directors and Shore Capital, details of which are set out in paragraph 6.4 of Part 12 (<i>General Information</i>) of this Prospectus;
Placing Programme	the proposed programme of placings in the 12 month period from the publication of this Prospectus of an aggregate number of New Ordinary Shares and/or C Shares equal in aggregate to 400 million less the number of Ordinary Shares issued under the Issue as described in this document;
Placing Programme Price	in the case of New Ordinary Shares, such price at which the New Ordinary Shares will be issued to placees under the Placing Programme, being the last published cum income Net Asset Value per Ordinary Share at the time that the proposed issue is agreed as shall be determined by the Directors in accordance with paragraph 6 of Part 10 (<i>Placing Programme</i>) of this Prospectus, plus a premium intended to at least cover the associated issue costs and in the case of C Shares, 100p per C Share;
Portfolio	the Company's portfolio of Investments;
PRIIPs Regulation	Regulation EU No. 1286/2014 on key information documents for packaged retail and insurance-based products;
Prime Broker or J.P. Morgan	J.P. Morgan Securities PLC;
Prime Brokerage Agreement	the international prime brokerage agreement between the Company and JP Morgan, a summary of which is set out in paragraph 6.8 of Part 12 (General Information) of this Prospectus;
Programme Admission	the date on which any admission of Shares issued pursuant to the Placing Programme to trading on the Specialist Fund Segment first becomes effective;
Prospectus	this prospectus;
Prospectus Regulation*	Regulation 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended from time to time;
Prospectus Regulation Rules	the prospectus regulation rules made by the FCA under section 73A of FSMA;
QIB	qualified institutional buyer as defined in Rule 144A;

QP	qualified purchaser as defined in section 2(a)(51) of the Investment Company Act;
Receiving Agent	Computershare Investor Services PLC;
Receiving Agent's Agreement	the receiving agent's agreement between the Company and the Receiving Agent, a summary of which is set out in paragraph 6.5 of Part 12 (<i>General Information</i>) of this Prospectus;
Redeemable Preference Shares	redeemable preference shares of £1.00 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles, which are summarised in paragraph 3 of Part 12 (<i>General Information</i>) of this Prospectus;
Registrar	Computershare Investor Services PLC;
Registrar's Agreement	the registrar's agreement between the Company and the Receiving Agent, a summary of which is set out in paragraph 6.6 of Part 12 (<i>General Information</i>) of this Prospectus;
Regulation S	Regulation S under the Securities Act;
Regulatory Information Service or RIS	a regulatory information service that is on the list of regulatory information services maintained by the FCA;
Reporting Accountant	PricewaterhouseCoopers LLP;
Rising Sun or Investment Adviser	Rising Sun Management Ltd;
Rising Sun Management Team	Rising Sun's investment professionals and the senior team members responsible for providing the investment advisory services, whose profiles are set out in paragraph 3.3 of Part 7 (<i>Directors, Management and Administration</i>);
Rosenwald Associates	James B. Rosenwald, III (together with his family and related trusts), the Dalton Clients, certain members of the Rising Sun Management Team and their associates or connected persons together with group companies of Shore Capital;
Rosenwald Capital	Rosenwald Capital Management, Inc.
Rule 144A	Rule 144A under the Securities Act;
Securities Act	the United States Securities Act of 1933, as amended;
Share Conversion	the sub-division and redesignation of the 50,000 Redeemable Preference Shares in issue as at the date of this Prospectus into 5,000,000 Ordinary Shares to take place conditional upon, and effective immediately prior to, First Admission;
Shareholder	holder of Shares;
Shares	Ordinary Shares and/or C Shares as the context requires;
Shore Capital	Shore Capital & Corporate Limited (the Company's financial adviser) and/or Shore Capital Stockbrokers Limited (the Company's bookrunner and stockbroker);
SIPP	self-invested personal pension;

SORP	the Statement of Recommended Practice for Financial Statements of Investment Trust Companies issued by the Association of Investment Trust Companies, as amended from time to time;
Specialist Fund Segment	the specialist fund segment of the Main Market;
SPV	special purpose vehicle;
Subsequent Expenses	has the meaning given in paragraph 6 of Part 10 (The Placing Programme) of this Prospectus;
Subsequent Placing	a placing of Shares pursuant to the Placing Programme;
SSAS	small self-administered pension scheme;
Statutes	the Act as amended and every other statute for the time being in force concerning companies and affecting the Company;
Takeover Code	the City Code on Takeovers and Mergers, as amended from time to time;
Target Market Assessment	has the meaning given in Part 2 (Important Information) of this Prospectus;
United States or U.S.	the United States of America, its possessions or territories, any State of the United States of America and the district of Columbia or any area subject to its jurisdiction or any political subdivision thereof;
USE Instruction	an instruction created through CREST;
U.S. Person	a U.S. person as defined in Regulation S;
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland;
UK Listing Authority	the FCA as the competent authority for the approval of Prospectuses in the United Kingdom;
VAT	value added tax; and
Website	www.nipponactivevaluefund.com .

2. Interpretation

In this Prospectus, any reference to Ordinary Shares being issued and/or allotted in connection with the Issue shall include Ordinary Shares being created upon the Share Conversion which shall become effective conditional upon, and immediately prior to, First Admission.

With effect from the date and time on which the UK formally ceases to be a member of the EU, if the UK has not entered into any agreement with the EU pursuant to Article 50 of the Treaty of Lisbon to set out the terms of the UK's withdrawal from the EU, references to terms marked with an asterisk in this Part shall be taken to refer to the equivalent or replacement law applying to persons in the UK.

PART 14

TERMS AND CONDITIONS OF APPLICATION UNDER THE INITIAL PLACING AND THE PLACING PROGRAMME

1. Introduction

Each investor which confirms its agreement to subscribe for Placing Shares under the Initial Placing and/or any Subsequent Placing (as applicable) to Shore Capital (for the purposes of this Part 14, a **"Placee"**) will be bound by these terms and conditions and will be deemed to have accepted them.

Each of the Company and/or Shore Capital, as applicable, may require a Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter (for the purposes of this Part 14, a **"Placing Letter"**). The terms of this Part 14 will, where applicable, be deemed to be incorporated into that Placing Letter.

2. Agreement to Subscribe for Placing Shares

Conditional on, amongst other things: (i) First Admission occurring and becoming effective by 8:00 a.m. (London time) on or prior to 5 February 2020 (or such later time and/or date, not being later than 8:00 a.m. on 28 February 2020 as the Company, the Investment Adviser and Shore Capital may agree) or the relevant Programme Admission occurring in respect of any Subsequent Placing not later than 8:00 a.m. on such date as may be agreed between the Company, the Investment Adviser and Shore Capital prior to the closing of the relevant placing, not being later than 6 January 2021; (ii) in the case of the Initial Placing, the minimum net proceeds of £100 million being raised pursuant to the Issue; (iii) in the case of any issue under a Subsequent Placing, to the extent required by Article 23(1) of the Prospectus Regulation, a valid supplementary prospectus being published by the Company; (iv) the Placing Agreement becoming otherwise unconditional in all respects (other than in respect of any condition regarding First Admission) in relation to the relevant issue and not having been terminated in accordance with its terms on or before 8:00 a.m. on the date of First Admission or the relevant Programme Admission, as applicable; and (v) Shore Capital confirming to the Placees their allocation of Ordinary Shares or C Shares, as applicable, a Placee agrees to become a member of the Company and agrees to subscribe for those Ordinary Shares and/or C Shares allocated to it by Shore Capital at the Issue Price or the applicable Placing Programme Price (as the case may be). To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

Multiple applications or suspected multiple applications on behalf of a single investor are liable to be rejected.

Fractions of shares will not be issued.

3. Payment for Ordinary Shares/C Shares

Each Placee undertakes to pay in full the Issue Price or the Placing Programme Price, as applicable, for the Ordinary Shares or C Shares issued to such Placee in the manner and by the time directed by Shore Capital. In the event of any failure by a Placee to pay as so directed and/or by the time required by Shore Capital, as applicable, the relevant Placee shall be deemed hereby to have irrevocably and unconditionally appointed Shore Capital, as applicable, or any nominee of Shore Capital as its agent to use its reasonable endeavours to sell (in one or more transactions) any or all of the Ordinary Shares or C Shares (as applicable) in respect of which payment shall not have been made as directed, and to indemnify Shore Capital and its respective affiliates on demand in respect of any liability for stamp duty and/or stamp duty reserve tax or any other liability whatsoever arising in respect of any such sale or sales.

A sale of all or any of such Ordinary Shares or C Shares shall not release the relevant Placee from the obligation to make such payment for relevant Ordinary Shares or C Shares to the extent that Shore Capital or its nominee has failed to sell such Ordinary Shares or C Shares at a consideration which, after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned, is equal to or exceeds the Issue Price or Placing Programme Price.

4. Representations, Warranties and Undertakings

- 4.1 By agreeing to subscribe for Ordinary Shares or C Shares (as applicable), each Placee which enters into a commitment to subscribe for Ordinary Shares or C Shares (as applicable) (for the purposes of this Part 14, a **"Placing Commitment"**) will (for itself and for any person(s) procured by it to subscribe for Ordinary Shares or C Shares and any nominee(s) for any such person(s)) be deemed to acknowledge, understand, undertake, represent and warrant to each of the Company, the Investment Adviser, the Registrar and Shore Capital, that:
- 4.1.1 in agreeing to subscribe for Ordinary Shares or C Shares (as applicable) under the Initial Placing and/or Subsequent Placing, it is relying solely on this Prospectus and any supplementary prospectus issued by the Company prior to First Admission or the relevant Programme Admission (as applicable) and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the Ordinary Shares, the C Shares or the Initial Placing and/or any Subsequent Placing. It agrees that none of the Company, the Investment Adviser, the Registrar or Shore Capital, nor any of their respective officers, agents, employees or affiliates, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have against any such persons in respect of any other information or representation;
 - 4.1.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Ordinary Shares or C Shares under the Initial Placing or any Subsequent Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any such territory or jurisdiction and that it has not taken any action or omitted to take any action which will or might reasonably be expected to result in the Company, the Investment Adviser, the Registrar or Shore Capital, or any of their respective officers, agents, employees or affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Initial Placing or any Subsequent Placing.
 - 4.1.3 it has carefully read and understands this Prospectus and any supplementary prospectus issued by the Company prior to First Admission or the relevant Programme Admission (as applicable) in its entirety and acknowledges that it is acquiring Ordinary Shares or C Shares on the terms and subject to the conditions set out in this Part 14 and, as applicable, in the contract note or oral or email placing confirmation, as applicable, referred to in paragraph 4.1.11 of this Part 14 (for the purposes of this Part 14, the **"Contract Note"** or the **"Placing Confirmation"**) and the Placing Letter (if any) and the Articles as in force at the date of First Admission or the relevant Programme Admission (as applicable);
 - 4.1.4 it has not relied on Shore Capital, or any person affiliated with Shore Capital in connection with any investigation of the accuracy of any information contained in this Prospectus;
 - 4.1.5 the content of this Prospectus and any supplementary prospectus issued by the Company is exclusively the responsibility of the Company and its Directors and neither Shore Capital, the Investment Adviser, the Registrar, nor any person acting on their behalf nor any of their affiliates are responsible for or shall have any liability for any information, representation or statement contained in this Prospectus (and any such supplementary prospectus issued by the Company) or any information previously published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Initial Placing and/or any Subsequent Placing based on any information, representation or statement contained in this Prospectus or otherwise;
 - 4.1.6 no person is authorised in connection with the Initial Placing and/or any Subsequent Placing to give any information or make any representation other than as contained in this Prospectus and any supplementary prospectus issued by the Company prior to the date of First Admission or the relevant Programme Admission and, if given or made, any information or representation must not be relied upon as having been authorised by Shore Capital, the Company, the Investment Adviser or the Registrar;
 - 4.1.7 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;

- 4.1.8 the price per Ordinary Share and/or C Share is fixed at the Issue Price or the Placing Programme Price (which shall be £1.00 in respect of any C Shares) as applicable and is payable to Shore Capital on behalf of the Company in accordance with the terms of this Part 14 and, as applicable, in the Contract Note or Placing Confirmation and the Placing Letter (if any);
- 4.1.9 it has the funds available to pay in full for the Ordinary Shares or C Shares for which it has agreed to subscribe pursuant to its Placing Commitment and that it will pay the total subscription in accordance with the terms set out in this Part 14 and, as applicable, as set out in the Contract Note or Placing Confirmation and the Placing Letter (if any) on the due time and date;
- 4.1.10 its commitment to acquire Ordinary Shares and/or C Shares under the Initial Placing or any Subsequent Placing (as applicable) will be agreed orally or in writing (which shall include by email) with Shore Capital as agent for the Company and that a Contract Note or Placing Confirmation will be issued by Shore Capital as soon as possible thereafter. That oral or written agreement will constitute an irrevocable, legally binding commitment upon that person (who at that point will become a Placee) in favour of the Company and Shore Capital to subscribe for the number of Ordinary Shares and/or C Shares (as applicable) allocated to it and comprising its Placing Commitment at the Issue Price or the Placing Programme Price (as applicable) on the terms and conditions set out in this Part 14 and, as applicable, in the Contract Note or Placing Confirmation and the Placing Letter (if any) and in accordance with the Articles in force as at the date of First Admission or the relevant Programme Admission (as applicable). Except with the consent of Shore Capital such oral or written commitment will not be capable of variation or revocation after the time at which it is made;
- 4.1.11 its allocation of Ordinary Shares and/or C Shares under the Initial Placing and/or the Placing Programme (as applicable) under the Placing will be evidenced by Contract Note or Placing Confirmation, as applicable, confirming: (i) the number of Ordinary Shares and/or C Shares that such Placee has agreed to acquire; (ii) the aggregate amount that such Placee will be required to pay for such Ordinary Shares and/or C Shares; and (iii) settlement instructions to pay Shore Capital as agent for the Company. The terms of this Part 14 will be deemed to be incorporated into that Contract Note or Placing Confirmation;
- 4.1.12 settlement of transactions in the Ordinary Shares and/or C Shares following First Admission or the relevant Programme Admission (as applicable), will take place in CREST but Shore Capital reserves the right in its absolute discretion to require settlement in certificated form if, in its opinion, delivery or settlement is not possible or practicable within the CREST system within the timescales previously notified to the Placee (whether orally, in the Contract Note or Placing Confirmation, in the Placing Letter or otherwise) or would not be consistent with the regulatory requirements in any Placee's jurisdiction;
- 4.1.13 none of the Ordinary Shares or C Shares have been or will be registered under the laws of any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), the United States, Canada, Japan, Australia, the Republic of South Africa or any other jurisdiction where the extension or availability of the Initial Placing and/or any subsequent Placing would breach any applicable law. Accordingly, neither the Ordinary Shares nor the C Shares may be offered, sold, issued or delivered, directly or indirectly, within any of the following: any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), the United States, Canada, Japan, Australia, the Republic of South Africa or any other jurisdiction where the extension or availability of the Initial Placing and/or any subsequent Placing would breach any applicable law unless an exemption from any registration requirement is available;
- 4.1.14 it: (i) is entitled to subscribe for the Ordinary Shares and/or C Shares under the laws of all relevant jurisdictions; (ii) has fully observed the laws of all relevant jurisdictions; (iii) has the requisite capacity and authority and is entitled to enter into and perform its obligations as a subscriber for Ordinary Shares and/or C Shares and will honour such obligations; and (iv) has obtained all necessary consents and authorities to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto;
- 4.1.15 if it is within the United Kingdom, it is (a) (i) a qualified investor within the meaning of Article 2(e) of the Prospectus Regulation; and (ii) a person who falls within Articles 49(2)(a) to (d), 19(1) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or is a

person to whom the Ordinary Shares or C Shares may otherwise lawfully be offered whether under such Order or otherwise; or (b) if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Ordinary Shares or C Shares may be lawfully offered under that other jurisdiction's laws and regulations;

- 4.1.16 if it is a resident in a EEA State (other than the United Kingdom), it is (a) a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation; and (b) otherwise permitted to be marketed to in accordance with the provisions of the AIFM Directive as implemented in the relevant Member State in which it is located;
- 4.1.17 in the case of any Ordinary Shares or C Shares acquired by a Placee as a financial intermediary within the meaning of Article 5(1) of the Prospectus Regulation: (i) the Ordinary Shares or C Shares acquired by it in the Initial Placing and/or any subsequent Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant Member State other than qualified investors, as that term is defined in the Prospectus Regulation, or in circumstances in which the prior consent of Shore Capital has been given to the offer or resale; or (ii) where Ordinary Shares or C Shares have been acquired by it on behalf of persons in any relevant Member State other than qualified investors, the offer of those Ordinary Shares or C Shares to it is not treated under the Prospectus Regulation as having been made to such persons;
- 4.1.18 if it is outside the United Kingdom, neither this Prospectus (and any supplementary prospectus issued by the Company) nor any other offering, marketing or other material in connection with the Initial Placing and/or any Subsequent Placing or the Ordinary Shares or C Shares (for the purposes of this Part 14, each a "**Placing Document**") constitutes an invitation, offer or promotion to, or arrangement with, it or any person for whom it is procuring to subscribe for Ordinary Shares or C Shares pursuant to the Initial Placing and/or any Subsequent Placing unless, in the relevant territory, such offer, invitation, promotion or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Ordinary Shares or C Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 4.1.19 (i) the Ordinary Shares and C Shares have not been and will not be registered under the Securities Act and are being offered solely (a) outside the United States to non-U.S. Persons in "offshore transactions" as defined in and pursuant to Regulation S; or (b) within the United States to, or to U.S. Persons to are, both QIBs and QPs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; (ii) the Company has not registered, and does not intend to register, as an investment company under the Investment Company Act; and the Ordinary Shares and C Shares may only be transferred in circumstances which will not result in the Company being required to register under the Investment Company Act; and (iii) that, in each case, it agrees to sell, transfer, assign, pledge or otherwise dispose of the Ordinary Shares and C Shares in offshore transactions in compliance with Regulation S (which includes, for the avoidance of doubt, any *bona fide* sale on the Main Market) or in transactions that are exempt from registration under the Securities Act and do not require the Company to register under the Investment Company Act;
- 4.1.20 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Ordinary Shares or C Shares under the Initial Placing and/or any Subsequent Placing, that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any such territory or jurisdiction and that it has not taken any action or omitted to take any action which will or might reasonably be expected to result in the Company, the Investment Adviser, the Registrar or Shore Capital, or any of their respective officers, agents, employees or affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Initial Placing and/or any Subsequent Placing;
- 4.1.21 If (a) it is a U.S. Person, it is a QIB that is also a QP, and has acknowledged and complied with all of the requirements set forth in section 5 below, including the delivery of a signed Investor Representation Letter to the Company and Shore Capital and (b) if it is not a U.S. Person, that (i) neither the Ordinary Shares nor the C Shares have been or will be registered under the

Securities Act and are being offered outside the United States in compliance with Regulation S and that it is purchasing such Shares outside the United States in compliance with such regulations; (ii) the Company has not registered, and does not intend to register, as an investment company under the Investment Company Act and the Ordinary Shares and C Shares may only be transferred under circumstances which will not result in the Company being required to register under the Investment Company Act and (iii) that, in each case, it agrees to sell, transfer, assign, pledge or otherwise dispose of the Shares in offshore transactions in compliance with Regulation S (which includes, for the avoidance of doubt, any *bona fide* sale on the Main Market) or in transactions that are exempt from registration under the Securities Act and do not require the Company to register under the Investment Company Act.

- 4.1.22 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus (and any supplementary prospectus issued by the Company) or any other Placing Document to any persons within the United States or to any U.S. Person, nor will it do any of the foregoing;
- 4.1.23 it does not have a registered address in, and is not a citizen, resident or national of any EEA State (other than any EEA member state, including the United Kingdom, where the Shares are lawfully marketed), Canada, Japan, Australia, the Republic of South Africa or any other jurisdiction in which it is unlawful to make or accept an offer of the Ordinary Shares or C Shares and it is not acting on a non-discretionary basis for any such person;
- 4.1.24 if the Placee is a natural person, such Placee is not under the age of majority (18 years of age in the United Kingdom) on the date of such Placee's agreement to subscribe for Ordinary Shares and/or C Shares under the Initial Placing and/or any Subsequent Placing and will not be any such person on the date that such subscription is accepted;
- 4.1.25 (i) it has communicated or caused to be communicated and will communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) relating to the Ordinary Shares and C Shares only in circumstances in which section 21(1) of the FSMA does not require approval of the communication by an authorised person; and (ii) that no Placing Document is being issued by Shore Capital in its capacity as an authorised person under section 21 of the FSMA and the Placing Documents may not therefore be subject to the controls which would apply if the Placing Documents were made or approved as a financial promotion by an authorised person;
- 4.1.26 it is aware of and acknowledges that it is required to comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the in, from or otherwise involving, the United Kingdom;
- 4.1.27 it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, the Market Abuse Regulation and the Proceeds of Crime Act 2002 and confirms that it has and will continue to comply with those obligations;
- 4.1.28 no action has been taken or will be taken in any jurisdiction other than the United Kingdom that would permit a public offering of the Ordinary Shares or C Shares or possession of this Prospectus (and any supplementary prospectus issued by the Company), in any country or jurisdiction where action for that purpose is required;
- 4.1.29 neither Shore Capital, nor any of its affiliates nor any person acting on their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Initial Placing and/or any Subsequent Placing or providing any advice in relation to the Initial Placing and/or Subsequent Placing and participation in the Initial Placing and/or any Subsequent Placing is on the basis that it is not and will not be a client of Shore Capital and that Shore Capital has no duties or responsibilities to it for providing the protections afforded to its clients or for providing advice in relation to the Initial Placing and/or Subsequent Placing nor, if applicable, in respect of any representations, warranties, undertaking or indemnities contained in any Placing Letter;
- 4.1.30 that, save in the event of fraud on the part of Shore Capital, none of Shore Capital, its ultimate holding companies, any direct or indirect subsidiary undertakings of such holding Company, any of its respective directors, members, partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of Shore Capital's role as sponsor, broker or otherwise in connection with the Initial Placing and/or Subsequent Placing

and that where any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients, will immediately and irrevocably waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;

- 4.1.31 that where it is subscribing for Ordinary Shares or C Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Ordinary Shares or C Shares for each such account; (ii) to make on each such account's behalf the undertakings, acknowledgements, representations, warranties and agreements set out in this Prospectus; and (iii) to receive on behalf of each such account any documentation relating to the Initial Placing and/or any subsequent Placing in the form provided by the Company and Shore Capital. It agrees that the provision of this paragraph shall survive any resale of the Ordinary Shares or C Shares by or on behalf of any such account;
- 4.1.32 it irrevocably appoints any Director and any director or duly authorised employee or agent of Shore Capital to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Ordinary Shares and/or C Shares comprising its Placing Commitment in the event of its own failure to do so;
- 4.1.33 if the Initial Placing and/or any Subsequent Placing does not proceed or the relevant conditions under the Placing Agreement are not satisfied or the Ordinary Shares or C Shares for which valid applications are received and accepted are not admitted to listing on the Official List and to trading on the Main Market for any reason whatsoever then none of Shore Capital, the Company, the Investment Adviser and persons controlling, controlled by or under common control with any of them, and any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- 4.1.34 in connection with its participation in the Initial Placing and/or any Subsequent Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and terrorist financing and that its application for Ordinary Shares or C Shares under the Initial Placing and/or any Subsequent Placing is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied for Ordinary Shares and/or C Shares. In addition, it warrants that it is a person: (i) subject to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 in force in the United Kingdom (the **"Money Laundering Regulations"**); or (ii) subject to the Money Laundering Directive (2015/849/EC of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Regulations;
- 4.1.35 due to anti-money laundering requirements, Shore Capital and the Company may require proof of identity and verification of the source of the payment before the application for Ordinary Shares or C Shares under the Initial Placing and/or any Subsequent Placing can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, Shore Capital and the Company may refuse to accept the application and the subscription monies relating thereto. It holds harmless and will hold harmless and indemnify Shore Capital and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been requested has not been provided by it in a timely manner;
- 4.1.36 it acknowledges and agrees that information provided by it to the Company or the Registrar will be stored both on the Registrar's and the Company Secretary's computer system and manually. It acknowledges and agrees that for the purposes of the Data Protection Legislation, the Registrar, the Company Secretary and Shore Capital are each required to specify the purposes for which they will hold personal data. For the purposes of this Part 14 "Data Protection Legislation" means any law applicable from time to time relating to the processing of personal data and/or privacy, as in force at the date of this Agreement or as re-enacted, applied, amended, superseded, repealed or consolidated, including without limitation, the UK Data Protection Act 2018, the General Data Protection Regulation (EU) 2016/679, and the Privacy

and Electronic Communications (EC Directive) Regulations 2003, in each case including any legally binding regulations, direction and orders issued from time to time under or in connection with any such law. The Registrar, the Company Secretary and Shore Capital will only use such information for the purposes set out below (collectively, the “**Purposes**”), being to:

- (a) process its personal data (including special categories of personal data (as defined in applicable Data Protection Legislation)) as required for or in connection with the holding of Ordinary Shares and/or C Shares, including processing personal data in connection with credit and money laundering checks on it and effecting the payment of dividends and other distributions to Shareholders;
- (b) communicate with it as necessary in connection with the proper running of its business affairs and generally in connection with the holding of Ordinary Shares and/or C Shares;
- (c) provide personal data to such third parties as are or shall be necessary in connection with the proper running of its business affairs and generally in connection with the holding of Ordinary Shares and/or C Shares or as the Data Protection Legislation may require, including to third parties outside the United Kingdom or the European Economic Area (subject to the use of a transfer mechanism which is approved at the relevant time by the European Commission or any other regulatory body which has or acquires the right to approve methods of transfer of personal data outside the UK); and
- (d) process its personal data for the purpose of their internal record-keeping and reporting obligations.

4.1.37 in providing Shore Capital, the Registrar and the Company Secretary with information, and to the extent that such information relates to a third party procured by a Placee to subscribe for Ordinary Shares and/or C Shares and any nominee for any such persons, it hereby represents and warrants to Shore Capital, the Registrar and the Company Secretary that it has obtained any necessary consents of any data subject whose data it has provided, to Shore Capital, the Registrar and the Company Secretary and their respective associates holding and using their personal data for the Purposes (including, where required, the explicit consent of the data subjects for the processing of any personal data (including special categories of personal data (as defined in applicable Data Protection Legislation)) for the Purposes set out in paragraph 4.1.34 above) and will make the list of “Purposes” for which the Shore Capital, the Registrar and the Company Secretary will process the data (as set out in paragraph 4.1.36) of this Agreement) available to all data subjects whose personal data may be shared by it in the performance of this Agreement. For the purposes of this Part 14, “data subject”, “data controller”, “data processor”, “personal data” and “sensitive personal data” shall have the meanings attributed to them in the Data Protection Legislation;

4.1.38 Shore Capital is entitled to exercise any of its rights under the Placing Agreement (including, without limitation, rights of termination) or any other right in its absolute discretion without any liability whatsoever to it;

4.1.39 the representations, undertakings and warranties contained in this Part 14 and, as applicable, in the Contract Note or Placing Confirmation and the Placing Letter (if any), are irrevocable. It acknowledges that Shore Capital and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings and it agrees that if any of the representations or warranties or undertakings made or deemed to have been made by its subscription of the Ordinary Shares and/or C Shares under the Initial Placing and/or any Subsequent Placing are no longer accurate, it shall promptly notify Shore Capital and the Company;

4.1.40 where it or any person acting on behalf of it is dealing with Shore Capital any money held in an account with Shore Capital on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Shore Capital to segregate such money, as that money will be held by Shore Capital under a banking relationship and not as trustee;

4.1.41 any of its clients, whether or not identified to Shore Capital will remain its sole responsibility and will not become clients of Shore Capital for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;

- 4.1.42 the allocation of Ordinary Shares or C Shares in respect of the Initial Placing and/or any Subsequent Placing shall be determined by Shore Capital in its absolute discretion (in consultation with the Company and the Investment Adviser) and that Shore Capital may scale back any Placing Commitment on such basis as it may determine (which may not be the same for each Placee);
- 4.1.43 time shall be of the essence as regards its obligations to settle payment for the Ordinary Shares or C Shares subscribed under the Initial Placing and/or any Subsequent Placing and to comply with its other obligations under the Initial Placing and/or any Subsequent Placing;
- 4.1.44 it authorises Shore Capital to deduct from the total amount subscribed under the Initial Placing and/or any Subsequent Placing, as applicable, the aggregate commission (if any) (calculated at the rate agreed with the Placee) payable on the number of Ordinary Shares or C Shares allocated under the Initial Placing and/or any Subsequent Placing, as applicable;
- 4.1.45 in the event that a supplementary prospectus is required to be produced pursuant to Article 23(1) of the Prospectus Regulation and in the event that it chooses to exercise any right of withdrawal pursuant to Article 23(2) of the Prospectus Regulation, such Placee will immediately re-subscribe for the Ordinary Shares and/or C Shares previously comprising its Placing Commitment;
- 4.1.46 the Initial Placing will not proceed if the proceeds would be less than £100 million; and
- 4.1.47 the commitment to subscribe for Ordinary Shares and/or C Shares on the terms set out in this Part 14 and, as applicable, in the Contract Note or Placing Confirmation and the Placing Letter (if any) will continue notwithstanding any amendment that may in the future be made to the terms of the Initial Placing and/or any Subsequent Placing and that it will have no right to be consulted or require that its consent be obtained with respect to the Company's conduct of the Initial Placing or any Subsequent Placing.

The Company, the Investment Adviser, the Registrar and Shore Capital will rely upon the truth and accuracy of the foregoing representations, warranties, undertakings and acknowledgements. You agree to indemnify and hold each of the Company, the Investment Adviser, the Registrar and Shore Capital and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach of the representations, warranties, undertakings, agreements and acknowledgements in this Part 14.

5. Purchase and Transfer Restrictions for U.S. Persons

- 5.1 By participating in the Initial Placing or any Subsequent Placing, each Placee located within the U.S. or is, or is acting for the account or benefit of, a U.S. Person, acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Ordinary Shares or C Shares and any nominee(s) for any such person(s)) be further deemed to acknowledge, understand, undertake, represent and warrant to each of the Company, the Investment Adviser, the Registrar and Shore Capital that:
 - 5.1.1 it is a QIB, as defined in Rule 144A under the Securities Act, that is also a QP, as defined in Section 2(a)(51) of the Investment Company Act and has delivered to the Company and Shore Capital a signed Investor Representation Letter;
 - 5.1.2 it confirms that: (i) it was not formed for the purpose of investing in the Company; and (ii) it is acquiring an interest in the Ordinary Shares or C Shares for its own account as principal, or for the account of one or more other persons who are able to and who shall be deemed to make all of the representations and agreements in this section 5 and in the Investor Representation Letter and for whom it exercises sole investment discretion;
 - 5.1.3 It understands that the Ordinary Shares and any C Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons absent registration except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
 - 5.1.4 it acknowledges that the Company has not registered, and does not intent to register, as an investment company under the Investment Company Act and that the Company has put in place transfer and offering restrictions with respect to persons located in the United States

and U.S. persons (as defined in Regulation S) described herein so that the Company will qualify for the exemption provided under Section 3(c)(7) of the Investment Company Act and to ensure that the Company will not be required to register as an investment company;

- 5.1.5 it will not be entitled to the benefits of the U.S. Investment Company Act;
- 5.1.6 it is knowledgeable, sophisticated and experienced in business and financial matters and it fully understands the limitations on ownership and transfer and the restrictions on sales of the Ordinary Shares or C Shares;
- 5.1.7 it is able to bear the economic risk of its investment in the Ordinary Shares and/or C Shares and is currently able to afford the complete loss of such investment and is aware that there are substantial risks incidental to the purchase of the Ordinary Shares, and/or C Shares including those summarised under the heading "Risk Factors" in this Prospectus;
- 5.1.8 unless the Company expressly consents in writing otherwise, no portion of the assets used to purchase, and no portion of the assets used to hold, the Ordinary Shares or C Shares or any beneficial interest therein constitutes or will constitute the assets of: (i) an "employee benefit plan" as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974 as amended (for the purposes of this Part 14, "**ERISA**") that is subject to Title I of ERISA; (ii) a "plan" as defined in Section 4975 of the United States Internal Revenue Code of 1986, as amended (for the purposes of this Part 14, the "**U.S. Internal Revenue Code**"), including an individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code. In addition, if a Placee is a governmental, church, non-U.S. or other employee benefit plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code, its purchase, holding, and disposition of the Ordinary Shares or C Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- 5.1.9 any Ordinary Shares or C Shares delivered to the Placee in certificated form will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

"THE SECURITY OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS SECURITY, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON, IF EITHER (1) AT THE TIME THE BUY ORDER ORIGINATED THE TRANSFEREE WAS OUTSIDE THE UNITED STATES, OR THE TRANSFEROR AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVED THE TRANSFEREE WAS OUTSIDE THE UNITED STATES OR (2) THE SALE IS MADE IN A TRANSACTION EXECUTED IN A DESIGNATED OFFSHORE SECURITIES MARKET, AND TO A PERSON NOT KNOWN TO THE TRANSFEROR TO BE A U.S. PERSON BY PRE-ARRANGEMENT OR OTHERWISE, AND UPON CERTIFICATION TO THAT EFFECT BY THE TRANSFEROR IN WRITING IN AN OFFSHORE TRANSACTION LETTER (IN THE FORM OF ANNEX I TO THE INVESTOR REPRESENTATION LETTER) OR ANOTHER FORM ACCEPTABLE TO THE ISSUER. THE TERMS "US PERSON", "OFFSHORE TRANSACTION" AND "DESIGNATED OFFSHORE SECURITIES MARKET" HAVE THE MEANINGS SET FORTH IN REGULATION S. NIPPON ACTIVE VALUE FUND PLC HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

THE HOLDER OF THIS SECURITY AND ANY SUBSEQUENT TRANSFEREE WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) IT IS NOT, AND IS NOT ACTING ON

BEHALF OF, A BENEFIT PLAN INVESTOR UNLESS IT ACQUIRES THE SECURITY ON OR PRIOR TO ADMISSION WITH THE WRITTEN CONSENT OF THE COMPANY, AND (II) (A) IF IT IS, OR IS ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR, ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH SECURITY DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986 (THE "CODE") AND (B) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), (1) IT IS NOT, AND FOR SO LONG AS IT HOLDS SUCH SECURITY OR INTEREST THEREIN WILL NOT BE, SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT COULD CAUSE THE UNDERLYING ASSETS OF THE COMPANY TO BE TREATED AS ASSETS OF A SHAREHOLDER BY VIRTUE OF ITS INTEREST IN THE SECURITY AND THEREBY SUBJECT THE COMPANY (OR ANY PERSONS RESPONSIBLE FOR THE INVESTMENT AND OPERATION OF THE COMPANY'S ASSETS) TO ANY SIMILAR LAW AND (2) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH SECURITY WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION OF ANY SIMILAR LAW AND (III) IT WILL AGREE TO CERTAIN TRANSFER RESTRICTIONS REGARDING ITS INTEREST IN SUCH SECURITIES. A "BENEFIT PLAN INVESTOR" MEANS (1) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (2) A PLAN TO WHICH SECTION 4975 OF THE CODE APPLIES, OR (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY.";

- 5.1.10 if in the future the Placee decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares or C Shares, it will do so only in an offshore transaction in compliance with Regulation S, provided it executes an Offshore Transaction Letter, and under circumstances which will not require the Company to register under the U.S. Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles (as amended from time to time);
- 5.1.11 the Company reserves the right to make inquiries of any holder of the Ordinary Shares and/or the C Shares or interests therein at any time as to such person's status under the U.S. federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the U.S. securities laws to transfer such Ordinary Shares and/or C Shares, or interests in accordance with the Articles (as amended from time to time);
- 5.1.12 the Company is required to comply with FATCA and any regulations made thereunder or associated therewith and that the Company will follow FATCA's extensive reporting and withholding requirements. The Placee agrees to furnish any information and documents which the Company may from time to time request, including but not limited to information required under FATCA;
- 5.1.13 it is entitled to acquire the Ordinary Shares and/or C Shares, under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and/or C Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Investment Adviser, the Registrar, Shore Capital or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Issue or its acceptance of participation in the Initial Placing and/or any Subsequent Placing;
- 5.1.14 it has received, carefully read and understands this Prospectus (and any supplementary prospectus issued by the Company), and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus (and any supplementary prospectus issued by the Company) or any other presentation or offering materials concerning the Ordinary

Shares and/or the C Shares to or within the United States or to any U.S. Persons, nor will it do any of the foregoing; and

- 5.1.15 it understands that this Prospectus (and any supplementary prospectus issued by the Company) has been prepared according to the disclosure requirements of the United Kingdom, which are different from those of the United States.

6. Supply and Disclosure of Information

If Shore Capital, the Registrar or the Company or any of their agents request any information about a Placee's agreement to subscribe for Ordinary Shares or C Shares under the Initial Placing and/or any Subsequent Placing, such Placee must promptly disclose it to them and ensure that such information is complete and accurate in all respects.

7. Miscellaneous

The rights and remedies of Shore Capital, the Registrar, the Investment Adviser and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, if a Placee is an individual, that Placee may be asked to disclose in writing or orally, his nationality. If a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Initial Placing and/or any subsequent Placing will be sent at the Placee's risk. They may be sent by post to such Placee at an address notified by such Placee to Shore Capital.

Each Placee agrees to be bound by the Articles (as amended from time to time) once the Ordinary Shares or C Shares, as applicable, which the Placee has agreed to subscribe for pursuant to the Initial Placing and/or any Subsequent Placing, have been acquired by the Placee. The contract to subscribe for Ordinary Shares or C Shares under the Initial Placing and/or any Subsequent Placing and the appointments and authorities mentioned in this Prospectus and all disputes and claims arising out of or in connection with its subject matter or formations (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Shore Capital, the Company, the Investment Adviser and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against a Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for Ordinary Shares or C Shares under the Initial Placing and/or any Subsequent Placing, references to a "Placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.

Shore Capital and the Company expressly reserve the right to modify the Initial Placing and/or any Subsequent Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined. The Initial Placing and/or any Subsequent Placing are subject to the satisfaction of the conditions contained in the Placing Agreement and to the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in Part 14 of this Prospectus.

PART 15

TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION

1. Introduction

If you apply for Ordinary Shares under the Offer for Subscription, you will be agreeing with the Company, Shore Capital, the Registrar and the Receiving Agent as set out in this Part 15.

2. Terms and conditions for Applicants using the Offer for Subscription Application Form

2.1 *Offer to acquire Ordinary Shares under the Offer for Subscription*

Your application must be made on the Application Form set out at the Appendix to this Prospectus or as may be otherwise published by the Company. By completing and delivering an Application Form, you, as the applicant, and, if you complete and sign an Application Form on behalf of another person or a corporation, that person or corporation:

- (a) offer to subscribe for the Ordinary Shares specified in section 1 of your Application Form (being a minimum of £5,000 or such lesser number for which your application is accepted, and thereafter in multiples of £1.00) at the Issue Price per Share on the terms, and subject to the conditions, set out in this Prospectus (including this Part 15) and the Articles;
- (b) agree that in respect of any Ordinary Shares for which you wish to subscribe under the Offer for Subscription you will submit payment in Sterling;
- (c) agree that, in consideration of the Company and Shore Capital agreeing that they will not, prior to First Admission, offer for subscription any Ordinary Shares to any person other than by means of the procedures referred to in this Prospectus, your application may not be revoked (subject to any legal right to withdraw your application which arises as a result of any supplementary prospectus being published by the Company subsequent to the date of this Prospectus and prior to First Admission) and that this paragraph (c) shall constitute a collateral contract between you, the Company and Shore Capital which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by the Receiving Agent of your Application Form;
- (d) undertake to pay the amount specified in section 1 of your Application Form in full on application and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to have any Ordinary Shares applied for in uncertificated form credited to a CREST account or to receive a share certificate for any Ordinary Shares applied for in certificated form or to enjoy or receive any rights in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall not constitute an acceptance of your offer under the Offer for Subscription and shall be in its absolute discretion and on the basis that you indemnify the Company and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) void the agreement to allot such Ordinary Shares and may allot them to some other person(s), in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you at your risk of any proceeds of the remittance, once honoured, which accompanied your Application Form, without interest);
- (e) agree that the crediting to a CREST account of any Ordinary Shares in uncertificated form to which you may become entitled may be delayed by, and that any share certificate in respect of any Ordinary Shares in certificated form to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled and monies returnable may be retained by, the Receiving Agent:
 - (i) pending clearance of your remittance;

- (ii) pending investigation of any suspected breach of the warranties contained in subparagraphs 2.6(a), 2.6(e), 2.6(g) or 2.6(h) of this Part 15 or any other suspected breach of the terms and conditions of application set out in this Part 15; or
- (iii) pending any verification of identity which is, or which the Company, Shore Capital or the Receiving Agent considers may be, required for the purposes of their respective money laundering obligations under the Money Laundering Legislation and any other regulations applicable thereto,

and any interest accruing on such retained monies shall accrue to and for the sole benefit of the Company;

- (f) agree, on the request of the Company, Shore Capital and/or the Receiving Agent, to disclose promptly in writing to them such information as the Company, Shore Capital and/or the Receiving Agent may request in connection with your application and authorise the Company, Shore Capital and the Receiving Agent to disclose any information relating to your application which they may consider appropriate;
- (g) agree that, if evidence of identity satisfactory to the Company, and/or the Receiving Agent is not provided to the Receiving Agent within a reasonable time in the opinion of Shore Capital, the Receiving Agent or the Company following a request therefor, the Company or Shore Capital may terminate the agreement with you to allot Ordinary Shares and, in such case, the Ordinary Shares which would otherwise have been allotted to you may be re-allotted or sold to same other party and your application monies will be returned to the bank or other account on which the cheque or other remittance accompanying the application was drawn, or from which any electronic interbank transfer (CHAPS) was made, without interest and at your risk;
- (h) agree that you are not applying on behalf of a person engaged in money laundering;
- (i) undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certificate by a solicitor or notary) is enclosed with your Application Form;
- (j) undertake to pay interest at the rate described in paragraph 2.2(c) of this Part 15 if the remittance accompanying your Application Form is not honoured on first presentation;
- (k) authorise the Receiving Agent to credit the CREST account specified in section 5 of the Application Form with the number of Ordinary Shares for which your application is accepted or, if that section is not completed, send a definitive certificate in respect of the number of Ordinary Shares for which your application is accepted by post to your address (or that of the first-named applicant) as set out in your Application Form;
- (l) agree that, in the event of any difficulties or delays in the admission of the Ordinary Shares to CREST or the use of CREST in relation to the Issue, the Company and Shore Capital may agree that all of the Ordinary Shares should be issued in certificated form;
- (m) authorise the Receiving Agent to send a crossed cheque for any monies returnable (without interest) by post to your address (or that of the first-named applicant) as set out in your Application Form at your risk;
- (n) acknowledges that it has been informed that, pursuant to the General Data Protection Regulation 2016/679 (the "DP Legislation") the Company and/or the Registrar will following First Admission, hold personal data (as defined in the DP Legislation) relating to past and present Shareholders. Personal data, such as name, postal address and email address will be retained on record for a period exceeding five years after it is no longer used (subject to any limitations on retention periods set out in applicable law). The Registrar (acting as data processor of the Company) will process such personal data at all times in compliance with DP Legislation and shall only process for the purposes set out in the Company's privacy notice (the "Purposes") which is available for consultation on the Company's website at www.nipponactivevaluefund.com (the "Privacy Notice") which include to:
 - (i) process its personal data to the extent and in such manner as is necessary for the performance of its obligations under its service contract, including as required by or in connection with its holding of Ordinary Shares, including processing personal data in connection with credit and anti-money laundering checks on it;

- (ii) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares;
- (iii) comply with the legal and regulatory obligations of the Company and/or the Registrar;
- (iv) process its personal data for internal administration; and
- (v) agree that your Application Form is addressed to the Company and Shore Capital.

2.2 **Acceptance of Applications**

- (a) In respect of those Ordinary Shares for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company, or Shore Capital on behalf of the Company either:
 - (i) by notifying the London Stock Exchange of the basis of allocation (in which case the acceptance will be on that basis); or
 - (ii) by notifying acceptance thereof to the Receiving Agent.
- (b) The basis of allocation will be determined by the Company in consultation with Shore Capital. The right is reserved notwithstanding the basis so determined to reject in whole or in part and/or scale down any application. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application under the Offer for Subscription or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with it in some other manner to apply in accordance with the terms and conditions of application in this Part 15. The Company reserves the right (but shall not be obliged) to accept Application Forms and accompanying remittances which are received through the post after 1:00 p.m. on 28 January 2020.
- (c) The right is reserved to present all cheques for payment on receipt by the Receiving Agent and to retain documents of title and surplus application monies pending clearance of successful applicant's cheques. The Company may require you to pay interest or its other resulting costs (or both) if any payment accompanying your application is not honoured on first presentation. If you are required to pay interest, you will be obliged to pay the amount determined by the Company to be the interest on the amount of the payment from the date on which the basis of allocation under the Offer for Subscription is publicly announced until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Company plus two per cent. per annum.
- (d) Multiple applications are liable to be rejected. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.
- (e) Payments must be made by cheque or banker's draft in Sterling drawn on a branch in the United Kingdom of a bank or building society that is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or that has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of an individual applicant where they have sole or joint title to the funds, should be made payable to "CIS PLC RE: NAVF OFS ACCOUNT" and crossed "A/C Payee". Third party cheques may not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect.
- (f) Payment by CHAPS must be accompanied by a personalised payment reference number which may be obtained by contacting the Registrar directly by email at OFSPaymentQueries@Computershare.co.uk for full bank details or telephone the Shareholder

helpline for further information. The Registrar will then provide you with a unique reference number which must be used when sending payment.

- (g) Applicants choosing to settle via CREST (i.e. by delivery versus payment (“DVP”)), will need to match their instructions to the Registrar’s participant account 8RA15 by no later than 1:00 p.m. on 4 February 2020, allowing for the delivery and acceptance of Ordinary Shares to be made against payment of the Issue Price, following the CREST matching criteria set out in the Application Form.

2.3 **Conditions**

The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon:

- (a) First Admission occurring and becoming effective by 8:00 a.m. on 5 February 2020 (or such later time or date, not being later than 8:00 a.m. on 28 February 2020, as the Company and Shore Capital may agree); and
- (b) the Placing Agreement referred to in paragraph 6.4 of Part 12 (*General Information*) of this Prospectus becoming unconditional and the obligations of Shore Capital thereunder not being terminated prior to First Admission.

2.4 **Governing Law**

- (a) Unless otherwise stated, statements made in this Prospectus are based on the law and practice currently in force in England and Wales and are subject to changes therein.
- (b) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

2.5 **Return of application moneys**

If any application is not accepted in whole, or is accepted in part only (as a result of any scaling back of any part of an application), or if any contract created by acceptance does not become unconditional, the application moneys or, as the case may be, the balance of the amount paid on application will be returned as soon as reasonably practicable without interest by returning your cheque, or by crossed cheque in favour of the first-named applicant, by post at the risk of the person(s) entitled thereto. In the meantime, application moneys will be retained by the Receiving Agent in a separate account.

2.6 **Warranties**

By completing an Application Form, you:

- (a) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation and that such other person or corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in this Part 15 and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- (b) confirm that, in making an application, you are relying solely on this Prospectus and any supplementary prospectus issued by the Company prior to First Admission of the Ordinary Shares issued pursuant to the Issue and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the Ordinary Shares and/or the Issue. You agree that none of the Company, the Investment Adviser, Shore Capital or the Registrar, nor any of their respective officers, agents employees, will have any liability for any other information or representation. You irrevocably and unconditionally waive any rights you may have in respect of any other information or representation;
- (c) acknowledge that the Key Information Document prepared pursuant to the PRIIPs Regulation can be provided to you in paper or by means of a website, but that where you are applying under the Offer for Subscription directly and not through an adviser or other intermediary unless requested in writing otherwise, the lodging of an Application Form represents your consent to being

provided the Key Information Document via the website at www.nipponactivevaluefund.com, or on such other website as has been notified to you. Where your application is made on an advised basis or through another intermediary, the terms of your engagement should address the means by which the Key Information Document will be provided to you.

- (d) agrees that, having had the opportunity to read the Prospectus and the Key Information Document, it shall be deemed to have had notice of all information and representations concerning the Company and the Ordinary Shares contained therein;
- (e) acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this Prospectus and any supplementary prospectus issued by the Company prior to First Admission of the Ordinary Shares issued pursuant to the Issue and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, Shore Capital or the Investment Adviser;
- (f) warrant that you are not under the age of 18 on the date of your application;
- (g) agree that all documents and moneys sent by post to, by or on behalf of the Company, Shore Capital or the Receiving Agent will be sent at your risk and, in the case of documents and returned moneys to be sent to you, may be sent to you at your address (or, in the case of joint applicants, the address of the first-named applicant) as set out in your Application Form;
- (h) warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipt and clearance services);
- (i) acknowledge and understand that the Company may be required to comply with international regimes for the automatic exchange of information to improve the compliance (including FATCA and the CRS) and that the Company will comply with requirements to provide information to Her Majesty's Revenue & Customs tax authority which may be passed on to other relevant tax authorities. You agree to furnish any information and documents the Company may from time to time request, including but not limited to information required; and
- (j) agree that you are capable, or the underlying client(s) in the case of applications on behalf of professionally-advised investors are capable themselves, of evaluating the merits and risks of an investment in the Company and have sufficient resources both to invest in potentially illiquid securities and to be able to bear any losses (which may equal the whole amount invested) that may result from the investment; and
- (k) warrant that you, or your underlying client(s) in the case of applications on behalf of professionally-advised investors are, institutional, professional, professionally advised and knowledgeable investors who understand, or who have been advised of, the potential risk of investing in companies admitted to the Specialist Fund Segment.

2.7 **Money laundering**

You agree that, in order to ensure compliance with the Money Laundering Legislation and any other regulations applicable thereto the Company and/or the Receiving Agent may, at its/their absolute discretion, require verification of identity from any person lodging an Application Form who either:

- (a) tenders payment by way of banker's draft or cheque or money order drawn on, or by way of telegraphic transfer or similar electronic means from, an account in the name of another person or persons (in which case verification of your identity may be required); or
- (b) appears to the Receiving Agent to be acting on behalf of some other person (in which case verification of or identity of any persons on whose behalf you appear to be acting may be required).

Failure to provide the necessary evidence or identity may result in application(s) being rejected or delays in the despatch of documents or CREST accounts being credited.

Without prejudice to the generality of this Part 15, verification of the identity of applicants will be required if the value of the Ordinary Shares applied for, whether in one or more applications, exceeds EUR 15,000 (or the Sterling equivalent). If the amount you wish to subscribe for Ordinary Shares,

whether in one or more applications, exceeds EUR 15,000 (or the Sterling equivalent) you must ensure that section 6.A., 6.B., or 6.C. (as appropriate) of the Application Form is completed.

2.8 **Overseas Investors**

The attention of investors who are not resident in, or citizens of, countries other than the United Kingdom is drawn to paragraph (a) to (d) below:

- (a) The offer of Ordinary Shares under the Offer for Subscription to persons who are resident in, or citizens of, countries other than the United Kingdom may be affected by the law of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to subscribe for Ordinary Shares under the Offer for Subscription. It is the responsibility of all such persons receiving this Prospectus and/or wishing to subscribe for Ordinary Shares under the Offer for Subscription, to satisfy themselves as to full observance of the laws of any relevant territory or jurisdiction in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities requiring to be observed and paying any issue, transfer or other taxes due in such territories.
- (b) No person receiving a copy of this Prospectus in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him, unless in the relevant territory such an offer can lawfully be made to him without compliance with any further registration or other legal requirements.
- (c) Persons (including, without limitation, nominees and trustees) receiving this Prospectus should not distribute or send it to any U.S. Person or in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, their respective territories or possessions or any other jurisdiction where to do so would or might contravene local securities laws or regulations.
- (d) The Company reserves the right to treat as invalid any agreement to subscribe for Ordinary Shares pursuant to the Offer for Subscription if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

2.9 **Miscellaneous**

- (a) To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Offer for Subscription.
- (b) The rights and remedies of the Company, Shore Capital and the Receiving Agent, pursuant to this Part 15 are in addition to any rights and remedies, which would otherwise be available to any of them, and the exercise or partial exercise of one will not prevent the exercise of others.
- (c) The Company reserves the right to delay the closing time of the Offer for Subscription from 1:00 p.m. on 28 January 2020 by giving notice to the London Stock Exchange. In this event, the revised closing time will be published in such manner as Shore Capital, in consultation with the Company, determines subject and having regard, to the Prospectus Rules and any requirements of the London Stock Exchange.
- (d) The Company may terminate the Offer for Subscription in its absolute discretion at any time prior to First Admission of the Ordinary Shares issued under the Issue. If such right is exercised, the Offer for Subscription will lapse and any monies will be returned to you without interest.
- (e) You agree that Shore Capital is acting for the Company in connection with the Issue and for no-one else and that Shore Capital will not treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of Ordinary Shares or concerning the suitability of Ordinary Shares for you or otherwise in relation to the Offer for Subscription.

- (f) You authorise the Company, the Receiving Agent, Shore Capital or any person authorised any of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by you into your name(s) and authorise any representatives of the Company, the Receiving Agent Shore Capital to execute and/or complete any document required therefor.
- (g) You agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription and any non-contractual obligations arising under or in connection therewith shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company, Shore Capital or the Receiving Agent to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances and contracts in any other manner permitted by law or in any court of competent jurisdiction.
- (h) The dates and times referred to in this Part 15 may be altered by the Company so as to be consistent with the Placing Agreement (as the same may be altered from time to time in accordance with its terms).
- (i) Save where the context requires otherwise, terms used in this Part 15 bear the same meaning as where used elsewhere in this Prospectus.

2.10 **Joint applicants**

If you make a joint application, you will not be able to transfer your Ordinary Shares into an ISA, SIPPS or SSAS. If you are interested in transferring your Ordinary Shares into an ISA, SIPPS or SSAS, you should apply in your name only.

If you do wish to apply jointly, you may do so with up to three other persons. Sections 2 and 3 of the Application Form must be completed by one applicant. All other persons who wish to join in the application must complete and sign section 3 of the Application Form.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) must be enclosed for inspection. Certificates, cheques and other correspondence will be sent to the address set out in the first paragraph of the Application Form.

2.11 **Contact telephone number**

Insert in section 7 of the Application Form a daytime contact telephone number, including area code, (and, if different, from the person named in section 2 of the Application Form, the name of the person to contact) in the case of any queries regarding your application.

2.12 **Verification of identity**

Sections 5 and 6 of the Application Form only applies if the Ordinary Shares which you are applying for, whether in one or more applications, exceeds EUR 15,000 (or the Sterling equivalent). If section 6 applies to your application, you must ensure that section 6.A., 6.B., 6.C. or 6.D. (as appropriate) is completed.

(a) *Professional adviser or intermediary*

You should complete section 5 of the Application Form if you are a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if outside the United Kingdom, another appropriately authorised independent financial adviser acting on behalf of a client.

(b) *Applicant identity information*

Section 6.3 of the Application Form need only be completed where the amount you wish to subscribe for the Ordinary Shares, whether in one or more applications, exceeds EUR 15,000 (or the Sterling equivalent) and neither sections 6.1 nor 6.2 of the Application Form can be completed.

Notwithstanding that the declaration set out in section 6.2 of the Application Form has been completed and signed, the Receiving Agent, Shore Capital and the Company reserve the right to request of you the identity documents listed in section 6.3 of the Application Form and/or to seek verification of identity of each holder and payer (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time, your application might be rejected or revoked.

Where certified copies of documents are requested in section 6.3 of the Application Form, such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

2.13 *Instructions for delivery of completed Application Forms*

The completed Application Form should be returned, by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH or (during normal business hours only) by hand to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by no later than 1:00 p.m. on 28 January 2020. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after 1:00 p.m. on 28 January 2020 may be rejected and returned to the first-named applicant.

APPLICATION FORM

NIPPON ACTIVE VALUE FUND PLC (the "Company")

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

All applicants must complete the Application Form.

Applications should be returned so as to be received no later than 1:00 p.m. (London time) on 28 January 2020.

HELP DESK: If you have a query concerning completion of the Application Form please call the Receiving Agent on 03707 020 000 or from outside the UK on +44 370 702 0000.

1. APPLICATION

Fill in (in figures) in Box 1 the number of Ordinary Shares you wish to subscribe for at the Issue Price being 100 pence per Ordinary Share. Financial intermediaries who are investing on behalf of clients should make separate applications or, if making a single application for more than one client, provide details of all clients in respect of whom application is made.

2A. HOLDER DETAILS

Fill in (in block capitals) the full name and address of each holder. Applications may only be made by persons aged 18 or over. In the case of joint holders only the first named may bear a designation reference and the address given for the first named will be entered as the registered address for the holding on the share register and used for all future correspondence. A maximum of four joint holders is permitted. All holders named must sign the Application Form at section 3.

2B. CREST

If you wish your Ordinary Shares to be deposited in a CREST account in the name of the holders given in section 2A enter in section 2B the details of that CREST account. Where it is requested that Ordinary Shares be deposited into a CREST account please note that payment for such Ordinary Shares must be made prior to the day such Ordinary Shares might be allotted and issued. It is not possible for an applicant to request that Ordinary Shares be deposited in their CREST account on an against payment basis. Any Application Form received containing such a request will be rejected.

3. SIGNATURE

All holders named in section 2A must sign section 3 and insert the date. The Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

4. SETTLEMENT

4A. *Cheque/Banker's Draft*

Payments must be made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they

have a sole or joint title to the funds should be made payable to "CIS PLC RE: NAVF OFS ACCOUNT" and crossed "A/C Payee". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the cheque/banker's draft to such effect.

The account name should be the same as that shown on the application.

4B. **Electronic Bank Transfers**

For applicants sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by no later than 1:00 p.m. on 28 January 2020. Applicants wishing to make a CHAPS payment should contact the Registrar by email at OFSPaymentQueries@Computershare.co.uk for full bank details. Applicants will be provided with a unique reference number which must be used when making the payment.

4C. **CREST Settlement**

The Company will apply for the Ordinary Shares issued pursuant to the Offer for Subscription in uncertificated form to be enabled for CREST transfer and settlement with effect from First Admission (the "Settlement Date"). Accordingly, settlement of transactions in the Ordinary Shares will normally take place within the CREST system.

The Application Form in the Appendix contains details of the information which the Receiving Agent will require from you in order to settle your application within CREST, if you so choose. If you do not provide any CREST details or if you provide insufficient CREST details for the Receiving Agent to match to your CREST account, the Receiving Agent will deliver your Ordinary Shares in certificated form provided payment has been made in terms satisfactory to the Company.

The right is reserved to issue your Ordinary Shares in certificated form should the Company, having consulted with the Receiving Agent, consider this to be necessary or desirable. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST or any part of CREST or on the part of the facilities and/or system operated by the Receiving Agent in connection with CREST.

The person named for registration purposes in your Application Form (which term shall include the holder of the relevant CREST account) must be: (i) the person procured by you to subscribe for or acquire the relevant Ordinary Shares; or (ii) yourself; or (iii) a nominee of any such person or yourself, as the case may be. Neither the Receiving Agent nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. The Receiving Agent, on behalf of the Company, will input a DVP instruction into the CREST system according to the booking instructions provided by you in your Application Form. The input returned by you or your settlement agent/custodian of a matching or acceptance instruction to our CREST input will then allow the delivery of your Ordinary Shares to your CREST account against payment of the Issue Price per New Share through the CREST system upon the Settlement Date.

By returning the Application Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian's CREST account allows for the delivery and acceptance of Ordinary Shares to be made prior to 8:00 a.m. on 5 February 2020 against payment of the Issue Price per Ordinary Share. Failure by you to do so will result in you being charged interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling plus two per cent. per annum.

To ensure that you fulfil this requirement it is essential that you or your settlement agent/custodian follow the CREST matching criteria set out below:

Trade Date:	3 February 2020
Settlement Date:	5 February 2020
Company:	Nippon Active Value Fund plc
Security Description:	Ordinary Shares of £0.01 each
SEDOL:	BKLGSL1
ISIN:	GB00BKLGSL10

Should you wish to settle DVP, you will need to match your instructions to the Registrar's Participant account 8RA15 by no later than 1:00 p.m. on 4 February 2020.

You must also ensure that you or your settlement agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.

In the event of late CREST settlement, the Company, after having consulted with the Registrar, reserves the right to deliver Ordinary Shares outside CREST in certificated form provided payment has been made in terms satisfactory to the Company and all other conditions in relation to the Offer for Subscription have been satisfied.

5. RELIABLE INTRODUCER DECLARATION

Applications will be subject to the UK's verification of identity requirements. This will involve you providing the verification of identity documents listed in section 6 of the Application Form UNLESS you can have the declaration provided at section 5 of the Application Form given and signed by a firm acceptable to the Receiving Agent. In order to ensure your application is processed timely and efficiently all applicants are strongly advised to have the declaration provided in section 5 of the Application Form completed and signed by a suitable firm.

6. IDENTITY INFORMATION

Applicants need only consider section 6 of the Application Form if the declaration in section 5 cannot be completed. Notwithstanding that the declaration in section 5 has been completed and signed the Receiving Agent reserves the right to request of you the identity documents listed in section 6 and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time your application might be rejected or revoked. Where certified copies of documents are provided such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

7. CONTACT DETAILS

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person the Receiving Agent may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in section 5, the Receiving Agent will contact the regulated person. If no details are entered here and no regulated person is named in section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

INSTRUCTIONS FOR DELIVERY OF COMPLETED APPLICATION FORMS

Completed Application Forms should be returned, by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours), to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received no later than 1:00 p.m. on 28 January 2020, together with payment in full in respect of the application. If you post your Application Form you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.

Scanned Applications Forms in advance of originals will be accepted and should be emailed to: OFSpaymentqueries@computershare.co.uk.

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APPENDIX – OFFER FOR SUBSCRIPTION APPLICATION FORM

Please send this completed form by post to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received no later than 1:00 p.m. (London time) on 28 January 2020. Scanned copies emailed to: OFSpaymentqueries@computershare.co.uk will be accepted in advance of originals by post.

FOR OFFICIAL USE ONLY

Log No.

The Directors may, with the prior approval of Shore Capital, alter such date and thereby shorten or lengthen the offer period. In the event that the offer period is altered, the Company will notify investors of such change.

Box 1

Important: Before completing this form, you should read the Prospectus dated 7 January 2020 and the Terms and Conditions of Application under the Offer for Subscription set out in the Prospectus and accompanying notes to this form.

To: Nippon Active Value Fund plc and the Receiving Agent

1. APPLICATION

I/We the person(s) detailed in section 2A below offer to subscribe the amount shown in Box 1 (above) for Ordinary Shares subject to the Terms and Conditions of Application under the Offer for Subscription set out in the Prospectus dated 7 January 2020 and subject to the articles of association of the Company in force from time-to-time.

2A. DETAILS OF HOLDER(S) IN WHOSE NAME(S) ORDINARY SHARES WILL BE ISSUED

(BLOCK CAPITALS)

1	Mr, Mrs, Ms or Title:	Forenames (in full):

Surname/Company name:

Address (in full):

Postcode

Designation (if any):

2	Mr, Mrs, Ms or Title:	Forenames (in full):

Surname/Company name:

Address (in full):

Postcode

Designation (if any):

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3	Mr, Mrs, Ms or Title:	Forenames (in full):

Surname/Company name:

Address (in full):

Postcode	Designation (if any):

4	Mr, Mrs, Ms or Title:	Forenames (in full):

Surname/Company name:

Address (in full):

Postcode	Designation (if any):

2B. CREST ACCOUNT DETAILS INTO WHICH ORDINARY SHARES ARE TO BE DEPOSITED (IF APPLICABLE)

Only complete this section if Ordinary Shares allotted are to be deposited in a CREST Account which must be in the same name as the holder(s) given in Section 2A.

(BLOCK CAPITALS)

CREST Participant ID:

CREST Member Account ID:

3. SIGNATURE(S): ALL HOLDERS MUST SIGN

By completing box 3 below you are deemed to have read the Prospectus and agreed to the terms and conditions in Part 16 (*Terms and Conditions of Application under the Offer for Subscription*) of the Prospectus and to have given the warranties, representations and undertakings set out therein.

First Applicant Signature:	Date:
Second Applicant Signature:	Date:
Third Applicant Signature:	Date:
Fourth Applicant Signature:	Date:

Execution by a Company

Executed by (Name of Company):		Date:
Name of Director:	Signature:	Date:
Name of Director/Secretary:	Signature:	Date:
If you are affixing a company seal, please mark a cross: ☐	Affix Company Seal here:	



4. SETTLEMENT

Please tick the relevant box confirming your method of payment

4A. CHEQUES/BANKERS' DRAFT ☐

If you are subscribing for Ordinary Shares and paying by cheque or banker's draft, pin or staple to this form your cheque or banker's draft for the number of Ordinary Shares shown in Box 1 made payable to "CIS PLC: re NAVF PLC" and crossed "A/C Payee". Cheques and banker's payments must be drawn in sterling on an account at a bank branch in the United Kingdom and must bear a United Kingdom bank sort code number in the top right hand corner. If you use a banker's draft or a building society cheque you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the banker's draft or cheque and adds its stamp.

4B. ELECTRONIC BANK TRANSFER ☐

If you are subscribing for Ordinary Shares and sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by 1:00 p.m. on 28 January 2020. Please contact Computershare Investor Services PLC by email at OFSpaymentqueries@computershare.co.uk for full bank details. You will be provided with a unique reference number which must be used when making the payment.

Please enter below the sort code of the bank and branch you will be instructing to make such payment for value by 1:00 p.m. on 28 January 2020, together with the name and number of the account to be debited with such payment and the branch contact details.

Sort Code:	Account Number:
Account Name:	Bank Name and Address:

4C. SETTLEMENT BY DELIVERY VERSUS. PAYMENT (DVP) ☐

Only complete this section if you choose to settle your application within CREST, that is delivery versus payment (DVP).

Please indicate the CREST Participant ID from which the DEL message will be received by the Receiving Agent for matching, which should match that shown in 2B above, together with the relevant Member Account ID.

(BLOCK CAPITALS)

CREST Participant ID:

CREST Member Account ID:

You or your settlement agent/custodian's CREST account must allow for the delivery and acceptance of Ordinary Shares to be made against payment at the Issue Price per New Share, following the CREST matching criteria set below:

Trade Date:	3 February 2020
Settlement Date:	5 February 2020
Company:	Nippon Active Value Fund PLC
Security Description:	Ordinary Shares of £0.01 each
SEDOL:	BKLGLS1
ISIN:	GB00BKLGLS10

Should you wish to settle DVP, you will need to match your instructions to Computershare's Participant account 8RA15 by no later than 1:00 p.m. on 4 February 2020.

RW-ES-03658 You must also ensure that you or your settlement agent/custodian have a sufficient "debit cap" with the CREST system to facilitate settlement in addition to your/their own daily trading and settlement requirements.

5. RELIABLE INTRODUCER DECLARATION

Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 6 of this form.

The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the “**firm**”) which is itself subject in its own country to operation of ‘know your customer’ and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom.

DECLARATION:

To the Company and the Receiving Agent

With reference to the holder(s) detailed in section 2A, all persons signing at section 3 and the payor identified in section 6 if not also a holder (collectively the “**subjects**”) WE HEREBY DECLARE:

1. we operate in the United Kingdom, or in a country where money laundering regulations under the laws of that country are, to the best of our knowledge, no less stringent than those which prevail in the United Kingdom and our firm is subject to such regulations;
2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
3. each of the subjects is known to us in a business capacity and we have undertaken identity checks on each of them within the last two years and we undertake to immediately provide to you copies of such checks on demand;
4. we confirm the accuracy of the names and residential business address(es) of the holder(s) given at section 2A;
5. having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the Ordinary Shares mentioned; and
6. where the payor and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payor being different to the holder(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of this firm or its officials.

Signed:

Name:

Position:

Name of regulatory authority:

Firm's licence number:

Website address or telephone number of regulatory authority:

STAMP of firm giving full name and business address:



6. IDENTITY INFORMATION

If the declaration in section 5 cannot be signed and the value of your application is greater than €15,000 (or the sterling equivalent), please enclose with that Application Form the documents mentioned below, as appropriate. Please also tick the relevant box to indicate which documents you have enclosed, all of which will be returned by the Receiving Agent to the first named Applicant.

Holders				Payor

Tick here for documents provided

In accordance with internationally recognised standards for the prevention of money laundering, the documents and information set out below must be provided:

A. For each holder being an individual enclose:

- (1) an original or a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport – Government or Armed Forces identity card – driving licence; and

- (2) an original or certified copies of at least two of the following documents no more than 3 months old which purport to confirm that the address given in section 2A is that person's residential address: a recent gas, electricity, water or telephone (not mobile) bill – a recent bank statement – a council rates bill – or similar document issued by a recognised authority; and

- (3) if none of the above documents show their date and place of birth, enclose a note of such information; and

- (4) details of the name and address of their personal bankers from which the Receiving Agent may request a reference, if necessary.

B. For each holder being a company (a "holder company") enclose:

- (1) a certified copy of the certificate of incorporation of the holder company; and

- (2) the name and address of the holder company's principal bankers from which the Receiving Agent may request a reference, if necessary; and

- (3) a statement as to the nature of the holder company's business, signed by a director; and

- (4) a list of the names and residential addresses of each director of the holder company; and

- (5) for each director provide documents and information similar to that mentioned in A above; and

- (6) a copy of the authorised signatory list for the holder company; and

- (7) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the holder company and, where a person is named, also complete C below and, if another company is named (hereinafter a "beneficiary company"), also complete D below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.

C. For each person named in B(7) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(1) to (4).

D. For each beneficiary company named in B(7) as a beneficial owner of a holder company enclose:

- (1) a certified copy of the certificate of incorporation of that beneficiary company; and

- (2) a statement as to the nature of that beneficiary company's business signed by a director; and

- (3) the name and address of that beneficiary company's principal bankers from which the Receiving Agent may request a reference, if necessary; and

- (4) a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.

E. If the payor is not a holder and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 5 on how to complete this form) enclose:

- (1) if the payor is a person, for that person the documents mentioned in A(1) to (4); or

- (2) if the payor is a company, for that company the documents mentioned in B(1) to (7); and

- (3) an explanation of the relationship between the payor and the holder(s).

The Receiving Agent reserves the right to ask for additional documents and information.

7. CONTACT DETAILS

To ensure the efficient and timely processing of this application please enter below the contact details of a person the Receiving Agent may contact with all enquiries concerning this application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in section 5, the Receiving Agent will contact the regulated person. If no details are entered here and no regulated person is named in section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:	E-mail address:
Contact address:	
	Postcode:
Telephone No:	Fax No:



ANNEX

AIFM DIRECTIVE DISCLOSURES

AIFM Directive disclosures

The Company is an externally managed alternative investment fund and has appointed International Fund Management Limited as its AIFM. Pursuant to the AIFM Directive and the UK implementing measures (the Alternative Investment Fund Managers Regulations No.1173/2013, and consequential amendments to the Financial Conduct Authority Handbook), set out below is the information required to be disclosed in accordance with Article 23 of the AIFM Directive:

Investment strategy and objective of the AIF

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a highly concentrated portfolio of shares in quoted companies which have the majority of their operations in, or revenue derived from Japan which have been identified by the Investment Adviser as being undervalued and where (i) cash constitutes a significant proportion of the investee company's market capitalisation; and (ii) the relevant company has no controlling or majority shareholders.

Information on where any master AIF is established

Not applicable.

If the AIF is a fund of funds, the domicile of investee funds

Not applicable.

The type of assets in which the AIF may invest

The Company will invest in a highly concentrated portfolio of shares issued by quoted companies which have the majority of their operations in, or revenue derived from, Japan. The Company may also invest in unquoted companies and the Company may become invested in unquoted companies as a result of corporate actions or commercial transactions undertaken by quoted companies. The Company will only make an investment in an unquoted company if the aggregate interest of the Company in unquoted companies at the time of such investment is not more than 10 per cent. of the Net Asset Value of the Company at that time.

Investment techniques that may be employed by the AIF and all associated risks

Please see the headings titled "Investment Objective and Policy" and "Investment Strategy" in Part 6 (Information on the Company) of this Prospectus. Further please see the heading titled Risks Relating to the Company in Part 1 (*Risk Factors*).

Investment restrictions

Please see the heading titled "Investment restrictions" in Part 6 (*Information on the Company*) of this Prospectus.

Circumstances in which the AIF may use leverage, the types and sources of leverage permitted and the associated risks, any restrictions on the use of leverage and the maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF

Please see the heading titled "Gearing Policy" in Part 6 (*Information on the Company*) of this Prospectus.

Any collateral and asset reuse arrangements

RW-EB-03663

Not applicable.

Procedures by which the AIF may change its investment strategy or investment policy or both

Please see the heading titled “Amendment to the investment policy” in Part 6 (*Information on the Company*) of this Prospectus.

The main implications of the contractual relationship entered into for the purpose of investment including information on jurisdiction, the applicable law and on the existence (or not) of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established

The Company is a public company limited by shares, incorporated in England and Wales. While investors acquire an interest in the Company on subscribing for or purchasing Shares, the Company is the sole legal and/or beneficial owner of its investments. Consequently, Shareholders have no direct legal or beneficial interest in those investments. The liability of Shareholders for the debts and other obligations of the Company is limited to the amount unpaid, if any, on the Shares held by them. Shareholders’ rights in respect of their investment in the Company are governed by the Articles of Association and the Act. Under English law, the following types of claims may in certain circumstances be brought against a company by its shareholders: contractual claims under its articles of association; claims in misrepresentation in respect of statements made in its prospectus and other marketing documents; unfair prejudice claims and derivative actions. In the event that a Shareholder considers that it may have a claim against the Company in connection with such investment in the Company, such Shareholder should consult its own legal advisers.

Jurisdiction and applicable law

Shareholders’ rights are governed principally by the Articles of Association and the Act. By subscribing for the Shares, investors agree to be bound by the Articles of Association which are governed by, and construed in accordance with, the laws of England and Wales.

Recognition and enforcement of foreign judgments

Regulation (EC) 593/2008 (“Rome I”) must be applied in all member states of the European Union (other than Denmark). Accordingly, where a matter comes before the courts of a relevant member state, the choice of a governing law in any given agreement is subject to the provisions of Rome I. Under Rome I, the member state’s court may apply any rule of that member state’s own law which is mandatory, irrespective of the governing law and may refuse to apply a rule of governing law if it is manifestly incompatible with the public policy of that member state. Further, where all other elements relevant to the situation at the time of the choice are located in a country other than the country whose law has been chosen, the choice of the parties shall not prejudice the application of provisions of the law of that other country which cannot be derogated from by agreement. Shareholders should note that there are a number of legal instruments providing for the recognition and enforcement of foreign judgments in England. Depending on the nature and jurisdiction of the original judgment, Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, Regulation (EC) No 805/2004 of the European Parliament and of the Council of 21 April 2004 creating a European Enforcement Order for uncontested claims, the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters done at Lugano on 30 October 2007, the Administration of Justice Act 1920 and the Foreign Judgment (Reciprocal Enforcement) Act 1933 may apply. There are no legal instruments providing for the recognition and enforcement of judgments obtained in jurisdictions outside those covered by the instruments listed above, although such judgments might be enforceable at common law.

The identity of the AIFM, auditor and other service providers together with a description of their duties and the investors’ rights

Alternative Investment Fund Manager

International Fund Management Limited has been appointed to act as the alternative investment fund manager of the Company in compliance with the provisions of the AIFM Directive.

Investment Adviser

Rising Sun Management Ltd has been appointed by the Company to provide certain advisory services to the Company and the AIFM in respect of the Portfolio.

Registrar

Computershare Investor Services PLC has been appointed as registrar to the Company in respect of the transfer and settlement of Shares held in certificated and uncertificated form.

Administrator

PraxisIFM Fund Services (UK) Limited has been appointed as administrator to the Company. The Administrator provides the day-to-day administration of the Company and is also responsible for the Company's general administrative functions, such as calculation and publication of the Net Asset Value and maintenance of the Company's accounting and statutory records. The Administrator is responsible for calculating the Net Asset Value of the Ordinary Shares in consultation with the AIFM and Rising Sun and reporting this to the Board.

Company Secretary

PraxisIFM Fund Services (UK) Limited has also been appointed as Company Secretary to the Company. The Company Secretary will provide company secretarial services and a registered office to the Company.

Custodian

The Northern Trust Company has been appointed by the Company to act as custodian of certain assets and to provide certain services as a custodian.

Auditor

The Company has not yet formally appointed a statutory auditor for its first accounting period. Once appointed, the Company's auditor will provide audit services to the Company for each financial period.

Since the service providers are engaged by the Company, investors will have no direct right to enforce any rights against any of the service providers.

Management of professional liability risk under Article 9(7) of the AIFM Directive

The provisions of the AIFM Directive concerning professional indemnity insurance or additional own funds to cover professional negligence risk do not apply to the AIFM. Nevertheless, the AIFM has the benefit of professional indemnity and directors' and officers' liabilities insurance coverage.

Delegated management function

The Company has delegated responsibility for day-to-day management of the investments comprised in the Company's portfolio to the AIFM (which has in turn delegated portfolio management activities to the Investment Adviser). The Directors have responsibility for exercising supervision of the AIFM and the Investment Adviser.

The Company's valuation procedure and pricing methodology

Please see the heading titled "Net Asset Value" in Part 6 (*Information on the Company*) of this Prospectus.

The Company's liquidity risk management, including redemption rights and redemption arrangements

Please see the headings titled "Discount Management Provisions" in Part 1 (*Risk Factors*) and "The Articles of Association" in Part 12 (*Additional Information*) of this Prospectus. The Ordinary Shares are not redeemable.

Fees, charges and expenses, which are directly or indirectly borne by investors

Please see the heading titled “Fees and Expenses” in Part 7 (*Directors, Management and Administration*) of this Prospectus.

Fair and preferential treatment of investors

The AIFM ensures that investors are treated fairly in a number of ways, including by ensuring that any preferential treatment granted by the AIFM to one or more investors does not result in an overall material disadvantage to the other investors by: (i) ensuring that its decision-making procedures are applied fairly as between investors; (ii) applying relevant policies and procedures properly; (iii) ensuring, to the extent within its power, that investors do not bear directly or indirectly fees, charges and expenses which are inappropriate in nature or amount; (iv) complying with the rules and guidance of the GFSC (or equivalent) applicable to it; and (v) conducting its activities honestly, fairly and with due skill, care and diligence.

The Company's latest net asset value or latest market price of its share

As the Company has not yet commenced operation, no financial statements or Net Asset Value figures are currently available. Following First Admission, the Company's Net Asset Value will be published daily by way of RNS announcement.

The Company's historical performance

As the Company has not yet commenced operation, no historical performance information is currently available. Once published, the Company's annual and interim reports will be available on the Company's website.

The Company's prime brokerage firm together with a description of any material arrangements of the AIF with its prime brokerage firm and the way any conflicts of interest are managed, the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets, and information about any transfer of liability to the prime brokerage firm that may exist

J.P. Morgan Securities plc has been appointed as the Company's prime broker. Please see the heading titled “Prime Brokerage Agreement” in Part 6 (*General Information*) for a description of the Company's arrangements with the Prime Broker. The Company does not consider that any conflicts of interest arise from the appointment of the Prime Broker. The Prime Broker manages conflicts of interest in accordance with its conflicts of interest policy which has been prepared in accordance with all applicable regulation (including MiFID).

The Company's annual report, and the disclosure requirements under Articles 23(4) and 23(5) of the AIFM Directive

The information required under paragraphs 4 and 5 of Article 23 of the AIFM Directive will be disclosed in the Company's audited annual report.

SECTION

PPP Loan Records (U.S. SBA)

EVIDENCE BINDER — VOLUME 3 OF 3

PPP Loan Records & Offshore-Entity (ICIJ) Records

Matter: *Rosenwald v. Rosenwald* (FST-FA26-6078292-S)

Doc ID: AR-BINDER-20260621-COMBINED-FILINGS-VOL3of3-8292 · Prepared 2026-06-21

This supplemental volume contains the primary-source records underlying the Paycheck Protection Program (PPP) and offshore-entity inquiries added to the Letter of Inquiry. It accompanies Volumes 1 and 2 (the SEC, DOL, IRS, Glass House, SEDI, EDINET, and NAVF filings).

Contents

Part A — PPP loan records (U.S. Small Business Administration). Source: SBA complete PPP FOIA dataset, release 240930 (data.sba.gov dataset ID 8aa276e2-6cab-4f86-aca4-a7dde42adf24).

- A1. PPP loan-record summary (six Rosenwald-network borrowers; approved \$4,244,273.50, forgiven \$4,279,328.76, all Paid in Full).
- A2. Raw SBA dataset rows (verbatim extract, full 56-field schema).

Part B — Offshore-entity records (ICIJ Offshore Leaks / Paradise Papers). Source: International Consortium of Investigative Journalists, Offshore Leaks Database (offshoreleaks.icij.org), node pages as captured 2026-06-21.

- B1. James B. Rosenwald III (node 80118832)
- B2. Rovida Asset Management Limited (82001548)
- B3. Rovida Holdings Limited (82007158)
- B4. Rovida Advisors Holdings Limited (82019470)
- B5. Rovida Estates Limited — Cayman (80119152)
- B6. Dalton Investments Limited — Barbados (100606650)
- B7. S. Nicholas Roditi (80118292)
- B8. N. Roditi & Co. (81029859)
- B9. Rosenwald Group Ltd. (195016)
- B10. Beach View Property Ltd. — Barbados (100328701)
- B11. Beach Bay Holdings (82012385)

All items are public-record primary sources, reproduced for verification. ICIJ records reflect leaked Appleby legal-services records (Paradise Papers); they evidence the existence of and association with the named entities and do not, by themselves, establish wrongdoing.

EXHIBIT — PPP LOAN RECORDS (U.S. SBA PAYCHECK PROTECTION PROGRAM)

Matter: *Rosenwald v. Rosenwald* (FST-FA26-6078292-S)

Doc ID: AR-EXH-20260621-PPP_SBA_RECORDS-8292 · **Prepared:** 2026-06-21 · Evidence exhibit

Source (primary, public): U.S. Small Business Administration, complete PPP FOIA dataset, release 240930 (data.sba.gov dataset ID 8aa276e2-6cab-4f86-aca4-a7dde42adf24). The records below are reproduced verbatim from the SBA dataset for the Rosenwald-network borrowers. The full extracted data file accompanies this exhibit.

BEACH FRONT PROPERTY MANAGEMENT INC

Field	Value
Borrower	BEACH FRONT PROPERTY MANAGEMENT INC
SBA loan number	1313348407
Approval date	02/01/2021
Lender	Farmers & Merchants Bank of Long Beach
NAICS code	531311
Amount approved	\$1,644,000.00
Jobs reported	281
Payroll proceeds	\$1,644,000.00
Forgiveness amount	\$1,653,728.88
Forgiveness date	09/08/2021
Status	Paid in Full
HUBZone	Y
LMI	Y
Address	1212 Long Beach Blvd
City	Long Beach
State	CA
Business type	Subchapter S Corporation

BEACH FRONT PROPERTY MANAGEMENT, INC.

Field	Value
Borrower	BEACH FRONT PROPERTY MANAGEMENT, INC.
SBA loan number	4090457110
Approval date	04/12/2020
Lender	Farmers & Merchants Bank of Long Beach
NAICS code	531311
Amount approved	\$1,641,372.00
Jobs reported	277
Payroll proceeds	\$1,641,372.00
Forgiveness amount	\$1,656,526.59

Field	Value
Forgiveness date	03/23/2021
Status	Paid in Full
HUBZone	Y
LMI	Y
Address	1212 LONG BEACH BLVD
City	LONG BEACH
State	CA
Business type	Subchapter S Corporation

DALTON INVESTMENTS LLC

Field	Value
Borrower	DALTON INVESTMENTS LLC
SBA loan number	5923317103
Approval date	04/14/2020
Lender	MidFirst Bank
NAICS code	523920
Amount approved	\$665,600.00
Jobs reported	23
Payroll proceeds	\$665,600.00
Forgiveness amount	\$672,903.11
Forgiveness date	05/21/2021
Status	Paid in Full
HUBZone	N
LMI	N
Address	1601 Cloverfield Blvd Suite 5050N
City	Santa Monica
State	CA
Business type	Limited Liability Company(LLC)

JOHN A. NEU INSURANCE SERVICES, INC.

Field	Value
Borrower	JOHN A. NEU INSURANCE SERVICES, INC.
SBA loan number	8046927208
Approval date	04/28/2020
Lender	American Business Bank
NAICS code	524210
Amount approved	\$147,177.50
Jobs reported	8
Payroll proceeds	\$123,009.00

Field	Value
Forgiveness amount	\$148,693.63
Forgiveness date	05/13/2021
Status	Paid in Full
HUBZone	N
LMI	N
Address	4040 PALOS VERDES DR
City	ROLLING HILLS ESTATES
State	CA
Business type	Corporation

ROSENWALD CAPITAL MANAGEMENT INC.

Field	Value
Borrower	ROSENWALD CAPITAL MANAGEMENT INC.
SBA loan number	6351357102
Approval date	04/14/2020
Lender	U.S. Bank, National Association
NAICS code	523930
Amount approved	\$123,600.00
Jobs reported	6
Payroll proceeds	\$123,600.00
Forgiveness amount	\$124,737.80
Forgiveness date	03/29/2021
Status	Paid in Full
HUBZone	N
LMI	N
Address	121 W Torrance Blvd Ste 100
City	Redondo Beach
State	CA
Business type	Corporation

DALTON INVESTMENTS INC

Field	Value
Borrower	DALTON INVESTMENTS INC
SBA loan number	4922267704
Approval date	05/01/2020
Lender	Wells Fargo Bank, National Association
Amount approved	\$22,524.00
Jobs reported	2
Payroll proceeds	\$22,524.00

Field	Value
Forgiveness amount	\$22,738.75
Forgiveness date	04/21/2021
Status	Paid in Full
HUBZone	Y
LMI	Y
Address	4220 S MARYLAND PARKWAY SUITE 205
City	LAS VEGAS
State	NV
Business type	Corporation

Network total (these 6 records): approved \$4,244,273.50; forgiven \$4,279,328.76; all Paid in Full.

Primary public record reproduced from the SBA PPP FOIA dataset (release 240930). The complete extracted CSV (all matched rows, full 56-field SBA schema) is included as the following pages of this volume.

SBA PPP FOIA dataset — extracted Rosenwald-network rows (verbatim, release 240930)

LoanNumber, DataApproved, SBAOfficeCode, ProcessingMethod, BorrowerName, BorrowerAddress, BorrowerCity, BorrowerState, BorrowerZip, LoanStatusDate, LoanStatus, Term, SBAGuarantyPercentage, InitialApprovalAmount, CurrentApprovalAmount, UndisbursedAmount, FranchiseName, ServicingLenderLocationID, ServicingLenderName, ServicingLenderAddress, ServicingLenderCity, ServicingLenderState, ServicingLenderZip, RuralUrbanIndicator, HubzoneIndicator, LMIIndicator, BusinessAgeDescription, ProjectCity, ProjectCountyName, ProjectState, ProjectZip, CD, JobsReported, NAICSCode, Race, Ethnicity, UTILITIES_PROCEED, PAYROLL_PROCEED, MORTGAGE_INTEREST_PROCEED, RENT_PROCEED, REFINANCE_EIDL_PROCEED, HEALTH_CARE_PROCEED, DEBT_INTEREST_PROCEED, BusinessType, OriginatingLenderLocationID, OriginatingLender, OriginatingLenderCity, OriginatingLenderState, Gender, Veteran, NonProfit, ForgivenessAmount, ForgivenessDate, match_type, source_file, classification

1313348407,02/03/2021,0914,PPS,BEACH FRONT PROPERTY MANAGEMENT INC,1212 Long Beach Blvd,Long Beach,CA,90813-3225,10/07/2021,Paid in Full,60,100,1644000,1644000,0,,5479,Farmers & Merchants Bank of Long Beach,302 Pine Ave,Long Beach,CA,90802-2326,U,Y,Y,Existing or more than 2 years old,Long Beach,LOS ANGELES,CA,90813-3225,CA-42,281,531311,Unanswered,Unknown/NotStated,,1644000,,,,,Subchapter S Corporation,5479,Farmers & Merchants Bank of Long Beach,Long Beach,CA,Unanswered,Unanswered,,1653728.88,09/08/2021,NAME:BEACH FRONT PROPERTY,public_150k_plus_240930.csv,TRUE — Beach Front Property Management (Rosenwald-network primary)

4090457110,04/12/2020,0914,PPP,"BEACH FRONT PROPERTY MANAGEMENT, INC.",1212 LONG BEACH BLVD,Long Beach,CA,90813-3225,04/17/2021,Paid in Full,24,100,1641372,1641372,0,,5479,Farmers & Merchants Bank of Long Beach,302 Pine Ave,Long Beach,CA,90802-2326,U,Y,Y,Existing or more than 2 years old,Long Beach,LOS ANGELES,CA,90813-3225,CA-42,277,531311,Unanswered,Unknown/NotStated,,1641372,,,,,Subchapter S Corporation,5479,Farmers & Merchants Bank of Long Beach,Long Beach,CA,Unanswered,Unanswered,,1656526.59,03/23/2021,NAME:BEACH FRONT PROPERTY,public_150k_plus_240930.csv,TRUE — Beach Front Property Management (Rosenwald-network primary)

5923317103,04/14/2020,0914,PPP,DALTON INVESTMENTS LLC,1601 Cloverfield Blvd Suite 5050N,Santa Monica,CA,90404-4005,08/25/2021,Paid in Full,24,100,665600,665600,0,,90226,MidFirst Bank,501 NW Grand Blvd,OKLAHOMA CITY,OK,73118-6037,U,N,N,Existing or more than 2 years old,Santa Monica,LOS ANGELES,CA,90404-4005,CA-36,23,523920,Unanswered,Unknown/NotStated,,665600,,,,,Limited Liability Company(LLC),90226,MidFirst Bank,OKLAHOMA CITY,OK,Unanswered,Unanswered,,672903.11,05/21/2021,NAME:DALTON INVESTMENTS,public_150k_plus_240930.csv,TRUE — Dalton Investments (Rosenwald-network primary)

8046927208,04/28/2020,0914,PPP,"JOHN A. NEU INSURANCE SERVICES, INC.",4040 PALOS VERDES DR,ROLLING HILLS ESTATES,CA,90274-2540,06/19/2021,Paid in Full,24,100,147177.5,147177.5,0,,123001,American Business Bank,2400 E. Katella Ave. Ste 350,Anaheim,CA,92806,U,N,N,Existing or more than 2 years old,ROLLING HILLS ESTATES,LOS ANGELES,CA,90274-2540,CA-36,8,524210,Unanswered,Unknown/NotStated,,123009,,10812.5,,11938,1418,Corporation,123001,American Business Bank,Anaheim,CA,Unanswered,Unanswered,,148693.63,05/13/2021,NAME:JOHN A. NEU,public_up_to_150k_1_240930.csv,TRUE — John A. Neu Insurance Services (Rosenwald officer connection)

6251357102,04/14/2020,0914,PPP,ROSENWALD CAPITAL MANAGEMENT INC.,121 W Torrance Blvd Ste 100,Redondo Beach,CA,90277,04/22/2021,Paid in Full,24,100,123600,123600,0,,53803,"U.S. Bank, National Association",425 Walnut St,CINCINNATI,OH,45202-3956,U,N,N,Existing or more than 2 years old,Redondo Beach,LOS ANGELES,CA,90277-0001,CA-36,6,523930,Unanswered,Unknown/NotStated,,123600,,,,,Corporation,11822,US Bank National Association,San Francisco,CA,Unanswered,Unanswered,,124737.8,03/29/2021,NAME:ROSENWALD CAPITAL,public_up_to_150k_1_240930.csv,TRUE — Rosenwald Capital Management

4922267704,05/01/2020,0944,PPP,DALTON INVESTMENTS INC,4220 S MARYLAND PARKWAY SUITE 205,LAS VEGAS,NV,89119,05/08/2021,Paid in Full,24,100,22524,22524,0,,12096,"Wells Fargo Bank, National Association",101 N Phillips Ave,SIOUX FALLS,SD,57104-6738,U,Y,Y,New Business or 2 years or less,LAS VEGAS,CLARK,NV,89119-0001,NV-03,2,Unanswered,Unknown/NotStated,,22524,,,,,Corporation,12096,"Wells Fargo Bank, National Association",SIOUX FALLS,SD,Unanswered,Unanswered,,22738.75,04/21/2021,NAME:DALTON INVESTMENTS,public_up_to_150k_8_240930.csv,TRUE — Dalton Investments (Rosenwald-network primary)

4947658401,02/07/2021,0914,PPS,PALISADES MEDIA GROUP INC.,1601 Cloverfield Blvd Ste 6000N,Santa Monica,CA,90404-4178,02/19/2022,Paid in Full,60,100,2000000,2000000,0,,4924,City National Bank,555 S Flower St,LOS ANGELES,CA,90071-2300,U,N,N,Existing or more than 2 years old,Santa Monica,LOS ANGELES,CA,90404-4178,CA-36,104,541830,White,Not Hispanic or Latino,1,1999998,,,,,Subchapter S Corporation,4924,City National Bank,LOS ANGELES,CA,Male Owned,Non-Veteran,,2019671.23,02/03/2022,ADDR:1601 CLOVERFIELD,public_150k_plus_240930.csv,CO_TENANT — Co-tenant at Rosenwald-network address

1432377107,04/10/2020,0914,PPP,"PALISADES MEDIA GROUP, INC.",1601 CLOVERFIELD BLVD, Suite 6000,SANTA MONICA,CA,90404-4005,06/24/2021,Paid in Full,24,100,1889867,1889867,0,,4924,City National Bank,555 S Flower St,LOS ANGELES,CA,90071-2300,U,N,N,Existing or more than 2 years old,SANTA MONICA,LOS ANGELES,CA,90404-4005,CA-36,108,541830,White,Not Hispanic or Latino,,1651845,,,,,238022,Subchapter S Corporation,4924,City National Bank,LOS ANGELES,CA,Male Owned,Non-Veteran,,1910111.8,05/19/2021,ADDR:1601 CLOVERFIELD,public_150k_plus_240930.csv,CO_TENANT — Co-tenant at Rosenwald-network address

2791608401,02/04/2021,0914,PPS,CANCER SUPPORT COMMUNITY - REDONDO BEACH,121 W Torrance Blvd Ste 201,Redondo Beach,CA,90277-3615,03/16/2022,Paid in Full,60,100,147000,147000,0,,4924,City National Bank,555 S Flower St,LOS ANGELES,CA,90071-2300,U,N,N,Existing or more than 2 years old,Redondo Beach,LOS ANGELES,CA,90277-3615,CA-36,21,813990,Unanswered,Unknown/NotStated,,147000,,,,,Non-Profit Organization,4924,City National Bank,LOS ANGELES,CA,Unanswered,Unanswered,Y,148514.3,02/17/2022,ADDR:121 W TORRANCE BLVD,public_up_to_150k_1_240930.csv,CO_TENANT — Co-tenant at Rosenwald-network address

2611658507,02/20/2021,0914,PPP,PALOS VERDES PENINSULA CHAMBER OF COMMERCE,4040 Palos Verdes Dr N Ste 205,Rolling Hills Estates,CA,90274-2575,07/08/2021,Paid in Full,60,100,34965,34965,0,,90461,Malaga Bank FSB,2514 Via Tejon,PALOS VERDES ESTATES,CA,90274-1311,U,N,N,Existing or more than 2 years old,Rolling Hills Estates,LOS ANGELES,CA,90274-2575,CA-36,4,813910,Unanswered,Unknown/NotStated,,34964,,,,,501(c)(6) Non Profit Membership,90461,Malaga Bank FSB,PALOS VERDES ESTATES,CA,Unanswered,Unanswered,,35081.87,06/29/2021,ADDR:4040 PALOS VERDES DR N,public_up_to_150k_1_240930.csv,CO_TENANT — Co-tenant at Rosenwald-network address

3898198305,01/22/2021,0914,PPS,CARRIE SILVANO CPA APC,4040 Palos Verdes Dr N Ste 206,Rolling Hills Estates,CA,90274-2542,10/16/2021,Paid in Full,60,100,22900,22900,0,,530323,"A10Capital, LLC",800 West Main Street, Suite 400,Boise,ID,83702,U,N,N,Existing or more than 2 years old,Rolling Hills Estates,LOS ANGELES,CA,90274-2542,CA-36,2,541211,Unanswered,Unknown/NotStated,,22900,,,,,Corporation,530323,"A10Capital, LLC",Boise,ID,Unanswered,Unanswered,,23040.54,09/08/2021,ADDR:4040 PALOS VERDES DR N,public_up_to_150k_1_240930.csv,CO_TENANT — Co-tenant at Rosenwald-network address

4128037109,03/25/2020,0914,PPP,"CARRIE SILVANO CERTIFIED PUBLIC ACCOUNTANT, A PROFESSIONAL C",4040 PALOS VERDES DR,Rolling Hills Estates,CA,90274-2523,10/27/2020,Paid in Full,24,100,22944.79,22944.79,0,,67802,"Idaho First Bank",Idaho First Bank,MCCALL,ID,83638,U,N,N,Existing or more than 2 years old,Rolling Hills Estates,LOS ANGELES,CA,90274-2523,CA-36,2,541211,Unanswered,Unknown/NotStated,,22944.79,,,,,Corporation,67802,Idaho First Bank,MCCALL,ID,Unanswered,Unanswered,,23055.43,10/09/2020,ADDR:4040 PALOS VERDES DR,public_up_to_150k_1_240930.csv,CO_TENANT — Co-tenant at Rosenwald-network address (lat Draw)

3417107402,05/07/2020,0914,PPP,S K ARCHITECTS,4040 PALOS VERDES DR N SUITE 201,ROLLING HILLS ESTATES,CA,90274,10/20/2021,Paid in Full,24,100,19952,19952,0,,12096,"Wells Fargo Bank, National Association",101 N Phillips Ave,SIOUX FALLS,SD,57104-6738,U,N,N,Existing or more than 2 years old,ROLLING HILLS ESTATES,LOS ANGELES,CA,90274-0001,CA-36,3,541310,White,Not Hispanic or Latino,19952,,,,,Corporation,12096,"Wells Fargo Bank, National Association",SIOUX FALLS,SD,Male Owned,Non-Veteran,,20222.04,09/15/2021,ADDR:4040 PALOS VERDES DR N,public_up_to_150k_2_240930.csv,CO_TENANT — Co-tenant at Rosenwald-network address

8355467706,05/01/2020,0944,PPP,SERIEZ GENERAL SERVICES INC,4220 S MARYLAND PARKWAY STE 201,LAS VEGAS,NV,89119,04/23/2021,Paid in Full,24,100,14100,14100,0,,72601,"Zions Bank, A Division of",1 S Main St,SALT LAKE CITY,UT,84133-1109,U,Y,Y,Existing or more than 2 years old,LAS VEGAS,CLARK,NV,89119-0001,NV-03,5,541990,Unanswered,Unknown/NotStated,,14100,,,,,Corporation,72601,"Zions Bank, A Division of",SALT LAKE CITY,UT,Unanswered,Unanswered,,14206.23,02/04/2021,ADDR:4220 S MARYLAND PARKWAY,public_up_to_150k_8_240930.csv,CO_TENANT — Co-tenant at Rosenwald-network address

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Paradise Papers - Appleby

Officer:

Rosenwald III - James B.

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Connections:

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Entity (8)

	Role	From	To	Incorporation	Jurisdiction	Status	Data From
Dalton J-Reit (Asia Feeder) Fund Ltd.	Director	08-JUL-2008	-	08-JUL-2008	Cayman Islands	-	Paradise Papers
Dalton J-Reit Value (Master) Fund Ltd.	Director	08-JUL-2008	-	08-JUL-2008	Cayman Islands	-	Paradise Papers
Dalton Japan Real Estate Value (Offshore Feeder) Fund Ltd	Director	08-JUL-2008	-	08-JUL-2008	Cayman Islands	-	Paradise Papers

	Role	From	To	Incorporation	Jurisdiction	Status	Data From
DOIT Investments, Ltd.	Is signatory for	-	-	01-JUL-2004	Cayman Islands	-	Paradise Papers
Asia Securitas Investments Co. Ltd.	Director	13-MAY-1997	-	23-JUN-1993	Bermuda	-	Paradise Papers
Dalton India (Offshore Feeder) Fund Ltd.	Director	18-FEB-2014	-	18-FEB-2014	Cayman Islands	-	Paradise Papers
V.O.C. Investment Company Limited, The	Director	02-JUN-1994	31-DEC-1998	02-JUN-1994	Bermuda	-	Paradise Papers
Rovida Asset Management Limited	Is signatory for	-	-	23-JUN-1993	Bermuda	-	Paradise Papers
Rovida Asset Management Limited	Director	23-JUN-1993	31-DEC-1998	23-JUN-1993	Bermuda	-	Paradise Papers

Address (2)

	Data From
Pier Plaza, Suite 100; 127 West Torrance Boulevard; Redondo Beach; California 90277; United States of America	Paradise Papers
1601 Cloverfield Boulevard; Suite 5050 N; Santa Monica California 90404; United States of America	Paradise Papers

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Data from

Paradise Papers - Appleby

Entity:

Rovida Asset Management Limited

- Registered in:
[Bermuda](#)
- Linked countries:
[Bermuda](#), [Cayman Islands](#), [United Kingdom](#)
- Agent:
Appleby
- Search in:

opencorporates

Appleby data is current through 2014

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- Incorporated:
23-JUN-1993

Connections:

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Officer (15)

	Role	From	To	Data From
Gibson - Anthony J	Director	09-DEC-1997	-	Paradise Papers
Law - John	Director	26-MAR-2003	-	Paradise Papers

RW-EB-03681

	Role	From	To	Data From
Amy - Trevor C de P	Director	01-MAY-1998	26-MAR-2003	Paradise Papers
Amy - Trevor C de P	Vice-president	10-FEB-2003	23-MAY-2003	Paradise Papers
Miller - Robert	Is signatory for	-	-	Paradise Papers
Miller - Robert	Director	26-MAR-2003	-	Paradise Papers
Seligson - Jonathan H	Is signatory for	-	-	Paradise Papers
Seligson - Jonathan H	Treasurer	23-MAY-2003	-	Paradise Papers
Katz - Richard	Director	30-JUL-1997	20-SEP-2001	Paradise Papers
Katz - Richard	Chairman of the board	01-MAY-1998	20-SEP-2001	Paradise Papers
Ernst & Young LLP - Channel Islands	Auditor	20-MAR-2003	-	Paradise Papers
Rosenwald III - James B.	Is signatory for	-	-	Paradise Papers
Rosenwald III - James B.	Director	23-JUN-1993	31-DEC-1998	Paradise Papers
Roditi - S. Nicholas	Is signatory for	-	-	Paradise Papers
Roditi - S. Nicholas	Director	23-JUN-1993	26-MAR-2003	Paradise Papers
Martin - Diana	Secretary	23-JUN-1993	31-JAN-2003	Paradise Papers
Ernst & Young Ltd.	Auditor	06-OCT-1995	12-MAR-2003	Paradise Papers
PricewaterhouseCoopers - Bermuda	Auditor	23-JUN-1993	16-OCT-1995	Paradise Papers
Collis - Judith	President	23-JUN-1993	10-FEB-2003	Paradise Papers
Collis - Judith	Director	23-JUN-1993	10-FEB-2003	Paradise Papers
Bubenzer - Peter - Bermuda	Director	23-JUN-1993	10-FEB-2003	Paradise Papers
Bubenzer - Peter - Bermuda	Vice-president	23-JUN-1993	10-FEB-2003	Paradise Papers
Amissah - M Tonesan	Director	10-FEB-2003	-	Paradise Papers
Amissah - M Tonesan	Chairman	23-MAY-2003	-	Paradise Papers
Amissah - M Tonesan	President	10-FEB-2003	23-MAY-2003	Paradise Papers

Address (4)

	Data From
62 Forum Lane; P.o. Box 10459; Camana Bay Grand Cayman KY1-1004; Cayman Islands	Paradise Papers
N. Roditi & Co.; The Belvedere; 2 Back Lane; London; NW3 1HL; United Kingdom	Paradise Papers
Argyle House; 41a Cedar Avenue; Hamilton HM 12; Bermuda	Paradise Papers
Canon's Court; 22 Victoria Street; Hamilton; HM 12; Bermuda	Paradise Papers

Other (1)

Data From
LONDAMST GROUP Paradise Papers

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Data from

Paradise Papers - Appleby

Entity:

Rovida Holdings Limited

- Registered in:
[Cayman Islands](#)
- Linked countries:
[Cayman Islands](#)
- Agent:
Appleby
- Search in:

opencorporates

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Connections:

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Officer (1)

	Role	From	To	Data From
Amissah - M Tonesan	Director	20-JAN-2003	-	Paradise Papers

Address (1)

[62 Forum Lane; P.o. Box 10459; Camana Bay Grand Cayman KY1-1004; Cayman Islands Paradise Papers](#)

Other (1)

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Data from

Paradise Papers - Appleby

Entity:

Rovida Advisors Holdings Limited

- Registered in:
[Cayman Islands](#)
- Linked countries:
[Cayman Islands](#)
- Agent:
Appleby
- Search in:

opencorporates

Appleby data is current through 2014

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- Incorporated:
17-FEB-2012
- Closed:
28-SEP-2012

Connections:

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Officer (1)

Role	From To	Data From
Reid Services Limited - Cayman	Shareholder -	- Paradise Papers

Address (1)

	Data From
62 Forum Lane; 2nd Floor; Camana Bay; PO Box 10459; Grand Cayman KY1-1004; Cayman Islands	Paradise Papers

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Data from

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Officer:

Rovida Estates Limited

- Linked countries:

[Cayman Islands](#)

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Connections:

Entity (1)

	Role	From	To	Incorporation	Jurisdiction	Status	Data From
Sula Holdings Limited	Shareholder -	-	13-MAY-2013		Cayman Islands -		Paradise Papers

Address (1)

	Data From
62 Forum Lane; 2nd Floor; Camana Bay; PO Box 10459; Grand Cayman KY1-1004; Cayman Islands	Paradise Papers

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Data from

Paradise Papers - Barbados corporate registry

Entity:

DALTON INVESTMENTS LIMITED

- Registered in:
[Barbados](#)
- Linked countries:
[Gibraltar](#), [Barbados](#)
- Search in:

opencorporates

Barbados corporate registry data is current through 2016

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- Incorporated:
09-JAN-1991

Connections:

Officer (5)

	Role	From	To	Data From
WATSON RALPH GORE	Director	09-JAN-1991	10-DEC-1998	Paradise Papers
ADAMSON LINDSAY	Director	09-JAN-1991	19-FEB-1991	Paradise Papers
LIMITED CHEAM DIRECTORS	Director	23-MAY-2003	-	Paradise Papers

	Role	From	To	Data From
FITZWILLIAM MICHAEL NEIL	Power of attorney	09-JAN-1991	02-MAY-2007	Paradise Papers
FARMER STEPHEN W.	Power of attorney	02-MAY-2007	-	Paradise Papers

Address (2)

	Data From
57/63 LINE WALL ROAD, GIBRALTAR.	Paradise Papers
LUCAS STREET, BRIDGETOWN, BARBADOS.	Paradise Papers

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Data from

Paradise Papers - Appleby

Officer:

Roditi - S. Nicholas

- Linked countries:

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Connections:

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Entity (6)

	Role	From	To	Incorporation	Jurisdiction	Status	Data From
Asia Securitas Investments Co. Ltd.	Director	13-MAY-1997	-	23-JUN-1993	Bermuda	-	Paradise Papers
Rovida International Ltd.	Director	06-JAN-1997	-	06-JAN-1997	Bermuda	-	Paradise Papers
Rovida International Ltd.	President	06-JAN-1997	-	06-JAN-1997	Bermuda	-	Paradise Papers
Spes Bona Investment Company Limited	Director	23-FEB-1994	-	23-FEB-1994	Bermuda	-	Paradise Papers

	Role	From	To	Incorporation	Jurisdiction	Status	Data From
Spes Bona Investment Company Limited	President	23-FEB-1994	-	23-FEB-1994	Bermuda	-	Paradise Papers
Wedza Investment Company Limited	Director	20-JAN-2003	-	30-OCT-1997	Bermuda	-	Paradise Papers
Wedza Investment Company Limited	Vice-president	20-JAN-2003	-	30-OCT-1997	Bermuda	-	Paradise Papers
V.O.C. Investment Company Limited, The	President	02-JUN-1994	14-FEB-2005	02-JUN-1994	Bermuda	-	Paradise Papers
V.O.C. Investment Company Limited, The	Director	02-JUN-1994	14-FEB-2005	02-JUN-1994	Bermuda	-	Paradise Papers
Rovida Asset Management Limited	Is signatory for	-	-	23-JUN-1993	Bermuda	-	Paradise Papers
Rovida Asset Management Limited	Director	23-JUN-1993	26-MAR-2003	23-JUN-1993	Bermuda	-	Paradise Papers

Address (2)

	Data From
Canon Lodge, 12 Canon Place; London; NW3 1EJ; United Kingdom	Paradise Papers
N. Roditi & Co.; The Belvedere; 2 Back Lane; London; NW3 1HL; United Kingdom	Paradise Papers

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Data from

Paradise Papers - Appleby

Address:

**N. Roditi & Co.; The Belvedere; 2 Back Lane;
London; NW3 1HL; United Kingdom**

- Linked countries:
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Connections:

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Entity (4)

	Role	From	To	Incorporation	Jurisdiction	Status	Data From
Rovida International Ltd.	Business address	-	-	06-JAN-1997	Bermuda	-	Paradise Papers
Wedza Investment Company Limited	Business address	-	-	30-OCT-1997	Bermuda	-	Paradise Papers
V.O.C. Investment Company Limited, The	Business address	-	-	02-JUN-1994	Bermuda	-	Paradise Papers
Rovida Asset Management Limited	Business address	-	-	23-JUN-1993	Bermuda	-	Paradise Papers

Officer (1)

Role	From To	Data From
Roditi - S. Nicholas	Residential address -	- Paradise Papers

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Data from

Offshore Leaks

Entity:

Rosenwald Group Ltd.

- Registered in:
[Not identified](#)
- Linked countries:
[United Kingdom](#), [Not identified](#)
- Agent:
Commonwealth Trust Limited
- Search in:

opencorporates

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- Incorporated:
13-JAN-2004
- Status:
Dead

Connections:

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Intermediary (1)

Status Data From

[Unitrust Corporate Services Ltd.](#) - [Offshore Leaks](#)

Address (1)

[Unitrust Corporate Services Ltd. John Humphries House, Room 304 4-10 Stockwell Street, Greenwich London SE10 9JN](#)

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Find out who's behind more than 810,000 offshore companies, foundations and trusts.

Data from

Paradise Papers - Barbados corporate registry

Entity:

BEACH VIEW PROPERTY LTD.

- Registered in:
[Barbados](#)
- Linked countries:
[Barbados](#)
- Search in:

opencorporates

Barbados corporate registry data is current through 2016

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- Incorporated:
26-APR-2007

Connections:

Officer (2)

	Role	From	To	Data From
WALCOTT HAZEL N.	Director	26-APR-2007	-	Paradise Papers
WALCOTT ROBIN B.	Director	26-APR-2007	-	Paradise Papers

Address (1)

RW-EB-03699

Data From

["MALO LAI LAI", DERRICKS, ST. JAMES, BARBADOS. Paradise Papers](#)

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Data from

Paradise Papers - Appleby

Entity:

Beach Bay Holdings

- Registered in:
[Cayman Islands](#)
- Linked countries:
[Cayman Islands](#)
- Agent:
Appleby
- Search in:

opencorporates

Appleby data is current through 2014

[read more](#)

- Incorporated:
28-FEB-2008

Connections:

☐

☐

☐

Officer (19)

	Role	From	To	Data From
Eccentric USA LLC	Shareholder -	-	-	Paradise Papers
Grand Island Realty LLC	Shareholder -	-	-	Paradise Papers

	Role	From To	Data From
Beach Bay Residences USA LLC	Shareholder -	-	Paradise Papers
Brown - James	Shareholder -	-	Paradise Papers
CPXMC Ventures	Shareholder -	-	Paradise Papers
KJT Ventures	Shareholder -	-	Paradise Papers
MCM Ventures	Shareholder -	-	Paradise Papers
LTE Partners, LP	Shareholder -	-	Paradise Papers
Grand Island Equities Ltd.	Shareholder -	-	Paradise Papers
Baldwin & Clarke	Shareholder -	-	Paradise Papers
Wild - Craig	Shareholder -	-	Paradise Papers
Melkonian - Kenneth	Shareholder -	-	Paradise Papers
Resnick - Alex	Shareholder -	-	Paradise Papers
LTE Partners, LLC	Shareholder -	-	Paradise Papers
Layton - John David	Shareholder -	-	Paradise Papers
Melkonian - Ryan	Shareholder -	-	Paradise Papers
Melkonian - Matt	Shareholder -	-	Paradise Papers
Maney - James	Shareholder -	-	Paradise Papers
Reid Services Limited - Cayman	Shareholder -	-	Paradise Papers

Other (1)

Data From

[Group - Beach Bay Paradise Papers](#)

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