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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

or

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

For the transition period from______ to______
Commission File Number: 333-254800

ASCEND WELLNESS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**83-0602006**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1411 Broadway
16th Floor
New York, NY 10018
(Address of principal executive offices)

(646) 661-7600
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

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

Title of each class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☒

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐ No ☒

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

Indicate by check mark whether the financial statements included in the filing reflects a correction of an error to previously issued financial statements:[(1)] Yes ☐ No ☐

Indicate by check mark whether any of those error corrections are restatements requiring a recovery analysis of incentive-based compensation under the registrant's clawback policies:[(1)] Yes ☐ No ☐

(1) Not applicable.

Aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's Class A common stock on June 30, 2022 as reported on the Canadian Stock Exchange on that date: $293,389,682

As of March 13, 2023, there were 188,767,831 shares of the registrant's Class A common stock, par value $0.001, and 65,000 shares of the registrant's Class B common stock, par value $0.001, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of the registrant's Definitive Proxy Statement relating to the registrant's 2023 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

ASCEND WELLNESS HOLDINGS, INC

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for Ascend Wellness Holdings, Inc. and its subsidiaries (collectively referred to as “AWH,” “Ascend,” “we,” “us,” “our,” or the “Company”) contains both historical and forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, and forward-looking information, within the meaning of applicable Canadian securities laws, (collectively, “forward-looking statements”) that involve risks and uncertainties. We make forward-looking statements related to future expectations, estimates, and projections that are uncertain and often contain words such as, but not limited to, “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “may,” “outlook,” “plan,” “predict,” “should,” “target,” or other similar words or phrases. Such forward-looking statements are made as of the date of this Form 10-K.

Forward-looking statements in this Form 10-K include, but are not limited to, statements with respect to: operating results; profitability; financial condition and resources; anticipated needs for working capital; liquidity; capital resources; capital expenditures; milestones; licensing milestones; information with respect to future growth and growth strategies; anticipated trends in the industry in with the Company operates; the Company’s future financing plans; timelines; currency fluctuations; government regulation; inflationary pressure; unanticipated expenses; commercial disputes or claims; limitations on insurance coverage; availability and expectations regarding of cash flow to fund capital requirements; the product offerings of the Company; the competitive conditions of the industry; the competitive and business strategies of the Company; on-going implications of the novel coronavirus (“COVID-19”); statements relating to the business and future activities of, and developments related to, the Company, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company’s business, operations and plans; and other events or conditions that may occur in the future.

These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and assumptions that are difficult to predict. Factors that might cause such differences include, but are not limited to, those discussed in Part I of this Form 10-K under Item 1A., “Risk Factors,” and we urge readers to consider these risks and uncertainties in evaluating our forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated, or intended. The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning receipt and/or maintenance of required licenses and success of our operations, are based on estimates prepared by us using data from publicly available governmental sources as well as from industry analysis, and on assumptions based on data and knowledge of this industry that we believe to be reasonable. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made and are based on information currently available and on the then-current expectations. Readers are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Company at the time that they were provided or made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. The forward-looking statements contained in this Form 10-K are expressly qualified in their entirety by this cautionary statement.

PART I

ITEM 1. BUSINESS

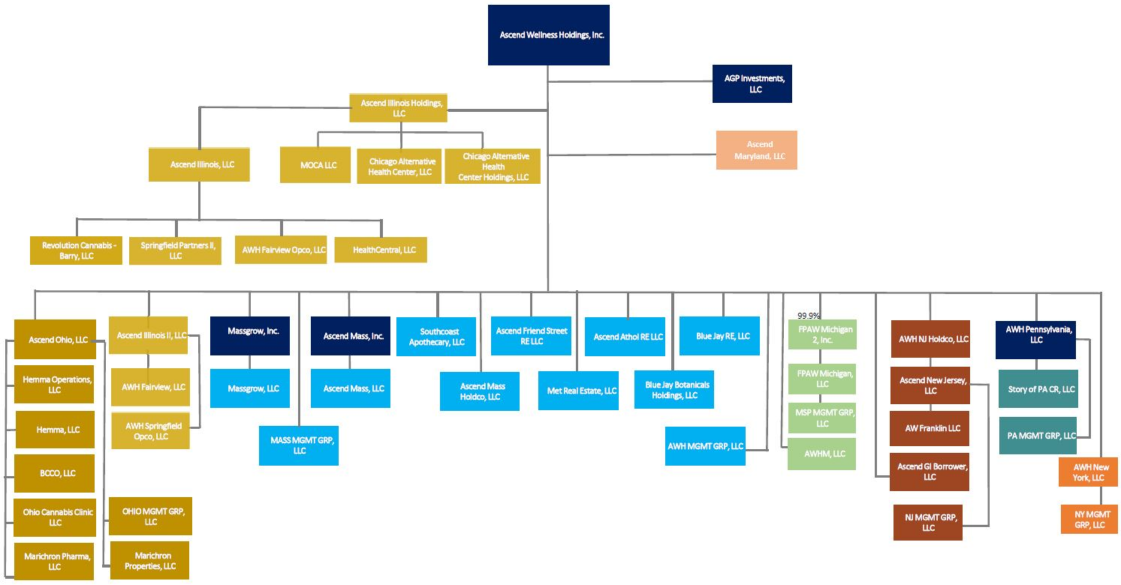
Background

Ascend Wellness Holdings, Inc. (“AWH,” “Ascend,” “we,” “us,” “our,” or the “Company”) is a vertically integrated multi-state cannabis operator focused on operating in adult-use or near-term adult-use states in primarily limited license markets. Ascend’s core business is the cultivation, manufacturing, and distribution of cannabis consumer packaged goods, which are sold through company-owned retail stores and to third-party licensed retail cannabis stores. The Company is a reporting issuer in the United States and in each of the provinces and territories of Canada. The Company’s shares of Class A common stock are listed in Canada on the Canadian Securities Exchange (“CSE”) under the symbol “AAWH.U.” and in the United States on the OTCQX Best Market (the “OTCQX”) under the symbol “AAWH.” Ascend is an emerging growth company under federal securities laws and as such Ascend is able to elect to follow scaled disclosure requirements for this filing.

The Company was founded in 2018 with initial operations in Illinois and has since expanded its operational footprint, primarily through acquisitions, and now has operations or financial interests in six U.S. geographic markets: Illinois, Massachusetts, Michigan, New Jersey, Ohio, and Pennsylvania. Subsequent to year-end, the Company entered definitive agreement to acquire assets which would expand its footprint to its seventh state, Maryland. As of December 31, 2022, Ascend had 24 open dispensaries, 20 of which are in states which have passed legislation permitting recreational cannabis. Subsequent to December 31, 2022, the Company opened dispensaries in New Bedford, Massachusetts and Grand Rapids, Michigan. The Company has fully-financed expansion plans to achieve 39 total open dispensaries by mid-2024 through licenses it already owns or licenses which it is under definitive agreement to acquire. This includes 4 dispensaries in Maryland that the Company expects to acquire pursuant to a definitive agreement that was signed in January 2023 and is pending regulatory approval. Ascend operates cultivation facilities in six states with approximately 245,000 square feet of canopy with an estimated total annual production capacity of approximately 122,000 pounds.

Ascend believes in bettering lives through cannabis. The Company’s mission is to improve the lives of its employees, patients, customers and the communities they serve through the use of the cannabis plant. As of March 1, 2023, AWH employed approximately 2,000 people across the cultivation, processing, retail, and corporate functions.

The following organizational chart describes our current organizational structure. See Exhibit 21.1 to this filing for a list of AWH’s subsidiaries. All lines represent 100% ownership of outstanding securities of the applicable subsidiary unless otherwise noted. In part, the complexity of the organization structure is due to state licensing requirements that mandate that the Company maintain the corporate identity of the operating license holders.



Legend for state of incorporation:

AWH's registered office is located at 1209 Orange Street, Wilmington, DE 19801. The Company's headquarters are located at 1411 Broadway, 16th Floor, New York, NY 10018.

History of the Company

Founding and Incorporation

The Company was originally formed on May 15, 2018 as Ascend Group Partners, LLC, and changed its name to "Ascend Wellness Holdings, LLC" on September 10, 2018. On April 22, 2021, Ascend Wellness Holdings, LLC converted into a Delaware corporation and changed its name to "Ascend Wellness Holdings, Inc." and effected a 2-for-1 reverse stock split, which is retrospectively presented for all periods in this filing and referred to as the "Conversion." As a result of the Conversion, the members of Ascend Wellness Holdings, LLC became holders of shares of stock of Ascend Wellness Holdings, Inc.

Following the Conversion, the Company has authorized 750,000,000 shares of Class A common stock with a par value of $0.001 per share, 100,000 shares of Class B common stock with a par value of $0.001 per share, and 10,000,000 shares of preferred stock with a par value of $0.001 per share. The rights of the holders of Class A common stock and Class B common stock are identical, except for voting and conversion rights. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 1,000 votes per share and is convertible at any time into one share of Class A common stock at the option of the holder.

Initial Public Offering

On May 4, 2021, the Company completed an Initial Public Offering ("IPO") of its Class A common stock, in which it issued and sold 10.0 million shares of Class A common stock at a price of $8.00 per share. On May 7, 2021, the underwriters exercised their over-allotment option in full and we issued and sold an additional 1.5 million shares of Class A common stock. AWH received total net proceeds of approximately $86.1 million after deducting underwriting discounts and commissions and certain other direct offering expenses paid by the Company. In connection with the IPO, the historical common units, Series Seed Preferred Units, Series Seed+ Preferred Units, and Real Estate Preferred Units then-outstanding automatically converted into a total of 113.3 million shares of Class A common stock and 65 thousand historical common units were allocated as shares of Class B common stock. Additionally, 3.4 million shares of Class A common stock were issued for a beneficial conversion feature associated with the conversion of certain historical preferred units and the Company's convertible notes, plus accrued interest, converted into 37.4 million shares of Class A common stock. The Company's shares of Class A common stock are listed on the CSE under the ticker symbol "AAWH.U" and are quoted on the OTCQX Best Market under the symbol "AAWH."

Outstanding Securities

As of December 31, 2022, the Company had approximately 200.9 million fully diluted shares outstanding, including approximately 188.0 million shares of Class A common stock, approximately 0.1 million shares of Class B common stock, and approximately 7.1 million total unvested restricted stock awards and restricted stock units. Additionally, there are approximately 5.7 million warrants outstanding, none of which are in the money based on the closing stock price of the shares of Class A common stock on the CSE on December 31, 2022 of $1.15 per share.

Financing History

Historically, Ascend used private financing as a source of liquidity for its short-term working capital needs and general corporate purposes. In August 2021, the Company entered into a new credit facility, which provides for a $210.0 million term loan (the "Term Loan") that bears interest at a rate of 9.5% per annum, due quarterly. Proceeds from the Term Loan were used, in part, to prepay approximately $75.6 million of existing debt and the remainder will be used to finance future growth initiatives and acquisitions. During the second quarter of 2022, the Company borrowed an additional $65.0 million of term loans under the expansion feature of the credit facility for total borrowings of $275.0 million.

To date, the Company has funded many of its expansion projects via sale leaseback transactions. The significant sale leaseback financings are further described below:

- In August 2018, AWH acquired the real property where its Athol, Massachusetts cultivation facility is located. In April 2020, AWH executed a sale leaseback agreement with Innovative Industrial Properties, Inc. ("IIP") with a sale price of $26.8 million and a tenant improvement allowance ("TIA") of $22.2 million to fund the expansion of the cultivation facility.
- In December 2018, AWH acquired the real property where its Barry, Illinois cultivation facility is located and simultaneously executed a sale leaseback agreement with IIP with a sale price of $19.0 million and an in initial TIA of $6.0 million. The TIA has subsequently increased to $52.0 million as we have expanded the cultivation facility, including the addition of a greenhouse.
- In June 2019, AWH acquired the real property where its Lansing, Michigan cultivation facility is located. In July 2019, AWH executed a sale leaseback agreement with IIP with a sale price of $4.8 million and a TIA of $15.0 million to fund the expansion of the facility.
- In January 2022, AWH acquired the real property where the Franklin, New Jersey cultivation facility is located. In February 2022, AWH executed a sale leaseback agreement with IIP with a sale price of $35.4 million and a TIA of $4.6 million to fund the expansion of the facility.
- In June 2022, the Company sold and subsequently leased back two of its capital assets in Pennsylvania for total proceeds of $3.8 million, excluding transaction costs. Each of the lease agreements provide for a capital expenditure allowance of up to $3.0 million.

On November 22, 2022, the Company filed a registration statement on Form S-3 (the "Registration Statement") containing a base shelf prospectus with the SEC (the "Shelf Prospectus"), which Registration Statement became effective on December 22, 2022. A corresponding base shelf prospectus (the "Canadian Prospectus") was filed with, and receipted by, the securities regulatory authorities in each of the provinces and territories Canada under the U.S.-Canada multijurisdictional disclosure system (MJDS). The Registration Statement and Canadian Prospectus qualify the distribution from treasury of up to an aggregate amount of $100 million worth of shares of Class A common stock, preferred stock, warrants, debt securities, subscription rights and/or units of the Company ("Securities") for a period of three years. The terms of any Securities to be offered under the base prospectus will be specified in a prospectus supplement, which will be filed with the applicable U.S. and Canadian securities regulatory authorities in connection with any such offering. To date, no prospectus supplement has been filed. The Shelf Prospectus and the Canadian Prospectus were filed to provide maximum flexibility to pursue strategic initiatives.

Acquisitions

The Company has grown rapidly by strategically acquiring licenses and operations. Ascend's core acquisition philosophy has been to acquire assets in: marquee locations, limited-license states, and recreational or near-recreational markets. Growth via acquisition has allowed Ascend to strategically select and to operate primarily in highly competitive market dynamics. The Company's key transactions are detailed in the table below.

Seller	Assets	Locations	Date	Additional Information
Revolution Cannabis-Barry, LLC	Cultivation	-Barry, IL	December 2018	This was the Company's first operational cultivation facility. The Company has since expanded the site by adding a greenhouse, lab, and kitchen.
HealthCentral, LLC	2 Dispensaries	-Springfield, IL -Collinsville, IL	January 2019	These locations were initially medical dispensaries and have since become two of Ascend's highest performing recreational stores, following the legalization of adult-use in January 2019.
MOCA, LLC	2 Dispensaries	-Chicago, IL (Logan Square and River North)	Signed in August 2020 and close in December 2020	This acquisition was the Company's first entry into the Chicago market and was included in our consolidated results as a Variable Interest Entity ("VIE") from August 2020 through closing in December 2020.
Southcoast Apothecary, LLC	1 Dispensary	-New Bedford, MA	Initial transaction closed in February 2020 and property purchase closed in August 2020	The New Bedford recreational dispensary opened in February 2023 and is our first expansion into Southern Massachusetts.
Greenleaf Compassion Center LLC	3 Dispensaries and 1 Cultivation	Medical dispensaries located in: -Montclair, NJ -Rochelle Park, NJ -Fort Lee, NJ Cultivation located in: -Franklin, NJ	September 2020	At the time of acquisition, only the Montclair location was operational. We subsequently opened the Rochelle Park dispensary in May 2021 and opened the Fort Lee dispensary in August 2022. All three dispensaries began by serving medical patients but transitioned to include adult-use customers during 2022 following the passage of legislation in the state.
Chicago Alternative Health Center, LLC and Chicago Alternative Health Center Holdings, LLC	2 Dispensaries	-Chicago, IL (Chicago Ridge and Archer)	Signed in December 2020 and closed in January 2022	Collectively referred to as "Midway," at the time of signing, the Archer location was operational and the Ascend by Midway - Chicago Ridge location opened in April 2021. Midway has been included in our consolidated results as a VIE since the initial signing in December 2020.

FPAW Michigan 2, Inc.	6 Dispensaries	-3 dispensaries in the Grand Rapids, MI area -1 dispensary in the Ann Arbor, MI area -1 dispensary in Battle Creek, MI -1 dispensary in the Detroit, MI area	December 2020	FPAW Michigan 2, Inc. ("FPAW") was owned by one of the founders of AWH, who assigned 99.9% of its membership interest to AWH in December 2020 and was consolidated as a VIE prior to that date. Two dispensaries in the Grand Rapids, MI area opened in September 2020 and March 2021, and a third opened in early 2023. The Battle Creek and Detroit area dispensaries each opened in June 2020 and the Ann Arbor dispensary opened in August 2020. AWH continues to consider further development of a second Ann Arbor location, as well as a location in East Lansing.
Hemma, LLC	1 Cultivation	-Monroe, OH	May 2021	AWH's first cultivation site in Ohio with expansion potential.
BCCO, LLC	1 Dispensary	-Carroll, OH	October 2021	Medical dispensary located in the greater Columbus area.
Ohio Cannabis Clinic, LLC	1 Dispensary	-Coshocton, OH	December 2021	Medical dispensary located in the greater Columbus area.
Story of PA CR, LLC	6 Dispensaries and 1 Cultivation	-1 Scranton, PA -1 Wayne, PA	April 2022	Clinical Registrant license permitting 6 dispensaries and 1 cultivation facility in Pennsylvania. 2 dispensaries have opened subsequent to purchase; 4 are still in development. 6,000 square feet of canopy have been added to the cultivation facility.
Ohio Patient Access LLC	3 Dispensaries	-1 Sandusky, OH -1 Piqua, OH -1 Cincinnati, OH	Definitive agreement signed in August 2022; final close is pending regulatory approval	AWH is in the process of building the 3 dispensaries. The Company plans for Cincinnati to be a "flagship" location.
HG Holding, LLC	1 Dispensary	-1 Tinley Park, IL	Definitive agreement signed in August 2022; final close is pending regulatory approval	AWH is in the process of building the dispensary license acquired in Tinley Park.
InLabs LLC	1 Dispensary	-1 Northlake, IL	Definitive agreement signed in August 2022; final close is pending regulatory approval	AWH is in the process of building the dispensary license acquired and secured a lease in Northlake, IL.

Marichron Pharma LLC	1 Processing Facility	-1 Columbus, OH	October 2022	The Company closed on the acquisition to acquire a processing facility which will process material produced at the nearby Monroe, OH cultivation facility.
Devi Holdings, Inc	4 Dispensaries	- 1 Aberdeen, MD - 1 Crofton, MD - 1 Ellicott City MD -1 Laurel, MD	Definitive agreement signed in January 2023; final close is pending regulatory approval	Subsequent to year-end, the Company signed definitive agreement to acquire 4 dispensaries in Maryland.

Description of the Business

Overview of the Company

Ascend is a vertically integrated multi-state cannabis operator focused on adult-use or near-term adult-use cannabis states in limited license markets. The core business is the cultivation, manufacturing, and distribution of cannabis consumer packaged goods, which Ascend sells through company-owned retail stores and to third-party licensed retail cannabis stores. Ascend believes in bettering lives through cannabis. The mission is to improve the lives of its employees, patients, customers and the communities we serve through the use of the cannabis plant.

The consumer products portfolio is generated primarily from plant material that the Company grows and processes. As of December 31, 2022, AWH produces consumer-packaged goods in six manufacturing facilities with 245,000 square feet of cumulative canopy and total capacity of 122,500 pounds annually. As of December 31, 2022, the product portfolio consists of 497 SKUs, across a range of cannabis product categories, including flower, pre-rolls, concentrates, vapes, edibles, and other cannabis-related products. All of the expansion plans are subject to capital allocation decisions, the evolving regulatory environment and the COVID-19 pandemic. See “*Forward-Looking Statements.*”

Product Offering

Ascend produces and distributes cannabis products for its wholesale partners and AWH owned retail stores. Ascend’s goal is to provide wholesale partners and retail customers with consistent access to quality cannabis products while maintaining a variety of form-factors and SKUs. Ascend currently produces its full product set with multiple form factors in Illinois where it has a lab and kitchen. Ascend is in the process of building labs and kitchens at many of its other cultivation facilities so it can produce other form factors such as edibles, in addition to flower and pre-rolls, in all of the states in which it operates. Ascend’s in-house brands offer a variety of options to satisfy every potential customer’s budget and preference. Ascend’s approach to branding is to have brands that fit the “good”, “better”, and “best” consumer categories. The in-house brands include: SimplyHerb, Ozone, and Ozone Reserve. SimplyHerb is the “good” brand and the most price accessible product with SKUs targeted for the price conscious, value-driven buyer. SimplyHerb is currently produced and sold in Illinois, Massachusetts, Michigan, and New Jersey. Ozone is the “better” brand aimed at providing quality products to the seasoned connoisseur as well as the canna-curious. Ozone is currently produced and sold in Illinois, Massachusetts, Michigan, New Jersey, and Ohio. Ozone Reserve is the “best” offering with premier products including exotic flower, refined concentrates, purified oils, as well as resins and distillates. Ozone Reserve is currently produced and sold in Illinois, Massachusetts, and New Jersey.

In addition to producing its own brands, AWH also partners with multiple premiere brands for which it cultivates and sells products targeted to different demographics. Among our partners are Miss Grass, Lowell Farms, Flower by Edie Parker, 1906, and AiroPro. This model allows AWH to target customer demographics that complement its base-markets and leverage brand recognition of our partners, while crafting and selling their tried-and-true products. For example:

- *Miss Grass* offers an assortment of pre-roll products that skew to the female demographic. Their “high-times,” “all times,” “good times,” and “half times” mini pre-roll have been well received at AWH retail stores and amongst its wholesale offering.
- *Lowell Smokes*, by Lowell Farms, allows AWH to leverage the Lowell Farms brand amongst the male demographic seeking premium pre-rolls.
- *Edie Parker* is a Women-led fashion and lifestyle company that launched a cannabis brand, “Flower by Edie Parker.” The Flower by Edie Parker line provides AWH with a product aimed to attract the female consumer.
- *1906* is a brand targeted to consumers looking for premier edible experiences. 1906 gives AWH the ability to provide a competitive edible offering.
- *AiroPro* is dedicated to perfecting the union between technology and personal vaporizers, with advanced Airo Pro vapor systems designed to create the ideal vaping experience.

While the Company aims to have a plethora of brand offerings, its goal is to have 50% of products sold in Ascend retail dispensaries being in-house or partner branded products. With this strategy, AWH expects to benefit from vertical margins, while maintaining an offering with options and variety for its retail consumers. No customer represented more than 10% of the Company’s net revenue during 2022, 2021, or 2020.

Strategy

AWH is committed to running the business aligned with its core strategic principles. These include a focus on:

- ***Achieving vertical integration and scale in limited-license markets.*** The Company is committed to being vertically integrated in every state in which it operates and having 50% of its retail sales come from products it manufactures or produces. This entails controlling the entire supply chain from seed to sale. AWH is currently vertically integrated in all six states of operation. Four of the six markets in which AWH operates, are in states that pose restrictions limiting the number of licenses allowable, creating a more competitive dynamic. AWH is committed to being a top player in each of the states in which it operates. AWH does not intend to expand to new states without obtaining a large presence and proposes to expand to a new state if it has plans to expand operations to meet the states maximum allowable number of dispensaries and cultivation footprint.

- ***Key flagship locations.*** AWH is dedicated to securing retail sites in key flagship locations. AWH believes that location is critical when it comes to the success and long-term sustainability of a dispensary. By situating the stores in marquee locations, AWH believes the barriers to entry for competition are higher. Some of AWH’s flagship locations include: 1) Ascend Collinsville, which is strategically located in the retail corridor near St. Louis, 2) Ascend Boston, which is located in downtown Boston between TD Garden and Faneuil Hall, and 3) Ascend Rochelle Park, which is located on Route 17 just a mile from the Garden State Plaza in highly trafficked northern New Jersey.

- ***Disciplined capital allocation and execution of mergers and acquisitions.*** AWH has a disciplined capital allocation strategy. The Company only deploys capital in markets and on projects which it believes will be accretive to its shareholders. To date, the bulk of the Company’s expansion has been through acquisition. The Company views M&A as the fastest path to growth given the barriers to entry and the regulatory environment in the cannabis industry. Largely due to early license awards, there are a number of independent and single-state operators in the markets in which we operate today. These assets represent attractive acquisition opportunities, as the Company can leverage its local permitting expertise and operational and financial resources to optimize the performance of these assets. Most of the Company's acquisitions have been negotiated and priced prior to the respective state's passing of recreational legislation. Many of the assets AWH has acquired have historically underperformed under their previous ownership and AWH has been able to improve the financial performance of acquired assets by implementing its standard operating procedures and technology, thereby allowing for AWH to make acquisitions that create significant value for shareholders.

The Company has been successful in opening facilities and dispensaries and expects continued growth to be driven by opening new operational facilities and dispensaries under our current licenses, expansion of our current facilities, and increased consumer demand.

General Development of the Business

As of December 31, 2022, AWH has direct or indirect operations or financial interests in six U.S. geographic markets: Illinois, Massachusetts, Michigan, New Jersey, Ohio, and Pennsylvania. AWH has expanded its operational footprint primarily through several acquisitions as identified above. See acquisition history in "*History of the Company.*"

In addition to the acquisitions the Company has made, AWH has benefited from several cultivation expansion opportunities. Since inception in 2018, the Company completed cultivation builds in Illinois, Massachusetts, Michigan, Pennsylvania, New Jersey, and Ohio. The Company is considering expanding the New Jersey cultivation further and may consider adding additional cultivation capacity to Pennsylvania and Ohio once there is visibility on the start of adult-use sales in those states.

Operations Summary

AWH's core business is the cultivation, manufacturing, and distribution of cannabis consumer packaged goods, which are sold through company-owned retail stores and to third-party licensed retail cannabis stores. The Company is committed to being vertically integrated in every state in which it operates, which entails controlling the entire supply chain from seed to sale. AWH has been successful in opening facilities and dispensaries, and expects the majority of future growth to be driven by opening new operational facilities and dispensaries under current licenses, expansion of current facilities and increased consumer demand.

Cultivation

AWH's cultivation practices have been engineered for scalability and repeatability as the Company expands into additional states. AWH aims to continuously refine cultivation operations to rapidly scale output without sacrificing quality and consistency. Future expansion is planned to provide the infrastructure to diversify the seed supply and further mechanize and automate harvest operations. AWH believes it will be able to continue to rapidly improve cultivation by increasing yields by dialing in genetics and enhancing environmental conditions. AWH is focused on driving biomass cost per gram lower with the goal of creating a competitive advantage in the limited license states in which the Company operates. AWH has used strain rationalization, improved cultivation practices, and investments in technology to drive higher yields per square foot than the industry average.

Manufacturing

AWH's manufacturing operations are centered around the quality of products and the efficiency of production. AWH strives to produce high quality, consistent products across its manufacturing facilities, and has implemented strict brand and quality assurance standards and standard operating procedures in an effort to ensure consistent product and consumer experience across all operating markets. AWH is focused on scaling capacity, improving yields, and increasing efficiency. AWH is standardizing and increasing capacity in hydrocarbon and ethanol extraction wherever possible with the goal of maximizing product quality and throughput and improving crude yields and is making investments in manufacturing and extraction technology, including high speed flower packaging, cartridge filling and automated pre-rolling as drivers of labor efficiency.

Wholesale distribution

During the fourth quarter of 2022, approximately 55% of AWH wholesale sales were generated by sales of Ascend products to third-party retailers. AWH aims to grow the wholesale business to half of the total business by: 1) increasing wholesale market share and expanding penetration within wholesale distribution, 2) selling higher volumes of product to wholesale customers, and 3) expanding the category set to higher value products sold to wholesale customers. As of December 31, 2022, AWH sold products to 99% of the dispensaries in Illinois, but the Company has room to significantly increase market penetration across its other states. AWH has internal sales managers dedicated to these penetration efforts.

AWH is also acutely focused on category management and expansion. AWH's development efforts are focused on pre-rolls, vapes, edibles, and other ready-to-use product forms that it expects to outperform whole flower over time. The Company is also concentrating on expanding the vape offering, including live products and ratio products that represent fast growing segments of the vape category, and expanding the pre-roll offering. The Company expects the pre-roll category to grow significantly as the preferred way to consume flower for many customers. In 2021, AWH launched a pre-roll partnership with Lowell Smokes and in 2022 the Company launched multiple additional pre-roll SKUs in smaller sizes, innovative multi-pack options, and premium infused pre-rolls. During 2022, the Company also launched a pre-roll partnership with Miss Grass that has been well received by customers. AWH continues to expand the edibles manufacturing capabilities to provide micro-dose product forms along with additional forms desired by the market. Strategic partnerships are a key part of diversifying and expanding the Company's offering.

Retail

AWH operates both licensed retail adult-use and medicinal cannabis dispensaries. The Ascend retail brand aims to elevate the cannabis shopping experience by combining consistent and convenient customer service with high-quality products and exclusive brand partnerships. AWH believes the retail operating principles described below differentiate the Company from its competitors.

- ***Location.*** All of the Company's dispensaries are located in key retail locations. AWH believes location is a huge barrier to entry for defending its competitive positioning overtime. Each of the Company's dispensaries are located within a turn off of a major highway or in a highly trafficked downtown.
- ***Vision.*** Ascend believes in using the power of the cannabis plant to help people better their lives. As a company, AWH has a strong commitment to the success of the brand and maintaining this vision.
- ***People and Culture.*** AWH aims to hire store managers with prior experience in cannabis and has an acute focus on talent development for the rest of the store employees. The Company has an extensive onboarding and training program focused not only on brand and product knowledge, but also on creating a great customer experience. AWH employees are motivated by daily sales goals set at the stores. AWH reaches these goals by ensuring it has the right product and the right talent in place to deliver a best-in-class customer experience. Stores measure week over week sales growth, peak days for volume, transactions, gross margin and other key performance metrics.
- ***High Volume Focus.*** AWH is focused on driving high transaction volume in its retail stores. The Company improves traffic with increased number of point of sales systems, optimized store layouts, and enhanced menu management.
- ***Omni-channel experiences.*** As customer shopping preferences continue to evolve and customers increasingly shop across multiple channels, AWH strives to create a best-in-class, omni-channel customer experience. These experiences have been especially critical to operations during the COVID-19 pandemic. Omni-channel experiences include:
    - *Reserve-Online-Pickup-in-Store.* This allows customers to purchase merchandise through letsascend.com and pick-up the merchandise in-store, which often drives incremental in-store sales. Over 90% of customers in Collinsville utilize the Reserve-Online-Pickup-in-Store option.

- *Delivery.* AWH now has delivery programs out of Newton, Massachusetts; Boston Massachusetts; and throughout Michigan. Delivery enables AWH to bring customers the products they enjoy straight to the comfort of their homes.
- *Curbside Pickup.* This offering allows customers to have their orders brought directly to their vehicles.
- *Online Consultations and Real-time Chat.* This allows customers to interact with associates, ask questions and build their basket ahead of their in-store visit, driving associate productivity and incremental sales.

Strategic Sourcing

Ascend continues to focus on supply chain optimization and strategic sourcing as the Company scales, allowing our growing base to provide leverage across the organization. This includes a focus on supplier rationalization, so that best-in-class supply partners are providing full end-to-end service across the enterprise. Building a common base of operating procedures, packaging and supply components, and supply partners across the organization is critical to this strategic direction.

Environmental, Social, and Governance

Environmental, Social, and Governance ("ESG") initiatives are at the core of AWH's guiding principles. AWH is committed to creating an inclusive, sustainable company that provides best-in-class governance. Below are a few of the key ESG initiatives at AWH.

- ***Social Justice.*** While AWH understands and appreciates how fortunate the Company is to be in a position to help build and guide the future of modern cannabis, AWH is also acutely aware of the lives that have been destroyed, especially in minority communities, through decades of unjust laws and inequitable enforcement. AWH has been a long standing partner with the Last Prisoner Project ("LPP") to support their effort to push to get non-violent offenders released from prison. Since the inception of our partnership in 2020, together with our customers, contributions to LPP have surpassed $2 million. This partnership directly enabled: the release of 21 constituents, matching 60 constituents with pro bono attorneys, and $1 million in micro-grants. In addition to this partnership, AWH's in-house Social Equity team hosted five expungement clinics during 2022 providing expungement and other legal services to formerly incarcerated individuals. Among other things, the internal Social Equity team also offered technical assistance to 25 social equity applicants.

- ***Governance.*** Governance and disclosure are important to AWH. This year, the Compensation and Governance Committee and the Audit Committee became fully independent. The Company provides GAAP financials and publishes its key governance policies, as well as provides access to its whistleblower hotline on its investor website.

- ***Environmental.*** In January 2022, AWH began planting in its first greenhouse at our Barry, Illinois cultivation location. Greenhouses consume less energy than indoor grows because they subsidize their energy needs with the sun. On average, the greenhouse consumed less than 20% of power per sq. ft of cultivation compared to the rest of the portfolio. This year, AWH also participated in its first 21-day eco-challenge, during which individuals tasked themselves to make small changes that have a positive impact on communities and the planet. 67 Ascend employees completed 1,260 actions during the challenge, resulting in: 10,000 gallons of water saved, 104 donations made to organizations to support the planet, 1,165 pounds of CO2 saved, and 240 vegan were meals consumed, among other contributions. AWH will continue to explore other solutions to lower its environmental impact.

Human Capital

As of December 31, 2022, we had approximately 2,200 employees, approximately 90% of whom were in field operations and approximately 10% of whom were in corporate administrative and management. Approximately 23% were represented by five collective bargaining agreements that were entered during 2022 with local chapters of labor unions, with expiration dates ranging from January 2025 to June 2025. One additional collective bargaining agreement was entered into during January 2023 and expires in January 2026. We have not experienced any significant work slowdowns, stoppages, or other labor disruptions. The Company considers its employee relations to be generally positive.

We offer our employees opportunities to grow and develop their careers and provide them with a wide array of company paid benefits and compensation packages which we believe are competitive relative to our peers in the industry. As of December 31, 2022, 23% of leadership positions (defined as supervisor and above) were held by racial minorities and 38% of leadership positions were held by women. AWH will continue to work towards achieving a more equitable balance of genders and races across the company and in leadership.

Employee safety and health in the workplace is one of our core values. The COVID-19 pandemic has underscored the importance of keeping our employees safe and healthy. In response to the pandemic, we have taken actions aligned with the World Health Organization and the Centers for Disease Control and Prevention to protect our workforce so they can more safely and effectively perform their work.

The Company's number and levels of employees are continually aligned with the pace and growth of our business and management believes it has sufficient human capital to operate the business successfully.

Operations by State

The following is an overview of our cultivation and dispensary assets by state that are currently operational, as well as our expected asset base once fully built out.

Cultivation assets:

Across its cultivation assets, as of December 31, 2022, AWH had 245,000 square feet of total canopy, which is defined as the square footage of flower, vegetation, and propagation tables. The Company estimates each square foot of total canopy has the power to generate approximately half a pound of cannabis per year. All of the Company's cultivation and planned cultivation facilities are indoor, with the exception of the 55,000 square foot greenhouse in Illinois. The Company believes that indoor grow facilities allow for fine-tuned controls which help enable AWH to grow high-quality cannabis. All of the cultivation projects underway are expansion projects to existing cultivation facilities. The Company deems these as lower risk than green fielding at new sites that are not yet permitted for cultivation operations. The new cultivation plans are flexible and will ultimately depend on market conditions, local licensing, construction, and other regulatory permissions. All of our expansion plans are subject to capital allocation decisions, the evolving regulatory environment and the COVID-19 pandemic. See "*Forward-Looking Statements*."

State	Square Feet of Canopy as of December 31, 2022	Additional Comments
Illinois	113,000	Located in Barry, Illinois, the cultivation facility also has ethane and butane-based extraction equipment and kitchen.
Michigan	28,000	Located in Lansing, Michigan, the cultivation facility has 28,000 square feet of canopy. The Company added a kitchen in 2022.
Massachusetts	54,000	Located in Athol, Massachusetts, the cultivation facility underwent a phase 2 expansion which it completed in 2022. The Company recently added ethane and butane-based extraction equipment and kitchen.
New Jersey	42,000	Located in Franklin, New Jersey, the cultivation facility recently underwent expansion adding 22,000 square feet of canopy and a lab and kitchen.
Ohio	2,000	Located in Monroe, Ohio the facility currently has 2,000 square feet of canopy. In October 2022, the Company completed an acquisition of a processing facility located near the cultivation facility.
Pennsylvania	6,000	Located in Smithfield, Pennsylvania the facility currently has 6,000 square feet of canopy.

Dispensary assets

As of December 31, 2022, AWH had 24 open and operating retail locations. AWH anticipates expanding to 39 open and operating dispensaries by mid-2024, including acquisitions that are pending close. The new store opening plans are also flexible and will ultimately depend on market conditions, local licensing, construction, and other regulatory permissions. All of the dispensary plans are subject to capital allocation decisions, the evolving regulatory environment and the COVID-19 pandemic. See “*Forward-Looking Statements.*”

State	Open Dispensaries as of December 31, 2022	Owned or Pending Dispensaries and Licenses as of December 31, 2022 (includes pending acquisitions)	Comments[1]
Illinois	8	10	4 dispensaries in the Chicago area; 2 in Southern IL bordering Missouri; 2 near Springfield, IL. The state caps recreational dispensary licenses at 10 stores per owner. The Company has entered definitive agreements to acquire 2 additional licenses which would bring it to the 10 state cap.
Massachusetts	2	3	Open dispensaries at year end included 1 in downtown Boston and 1 in Newton; subsequently opened 1 dispensary in New Bedford. The state caps recreational dispensary licenses at 3 stores per owner.
New Jersey	3	3	1 dispensary in Rochelle Park; 1 in Montclair; 1 in Fort Lee. The state caps recreational dispensary licenses at 3 stores per owner.
Michigan	7	8	7 dispensaries throughout the state; 1 in Grand Rapids opened in March 2023.
Ohio	2	5	2 dispensaries in the greater Columbus area. The state caps dispensary licenses at 5 stores per owner. The Company has entered definitive agreement to acquire 1 license which would permit them to 3 additional dispensaries which would bring it to the 5 state cap.
Pennsylvania	2	6	The Company opened its Scranton and Wayne dispensaries in Q4 2022. It plans to open the remaining 4 over the next year.

(1) See “*Forward-Looking Statements.*”

Licenses

The following chart summarizes the U.S. states in which we operate or have an investment as of December 31, 2022, along with the nature of the operations, whether such activities carried on are direct, indirect or ancillary in nature, the number of dispensary, cultivation and other licenses held by each entity, and whether such entity has any operation, cultivation, or processing facilities.

State	Entity	Adult-Use/Medical	Direct/Indirect/Ancillary	Dispensary Licenses	Cultivation/Processing/Distribution Licenses	Operational Dispensaries	Operational Cultivation/Processing Facilities
Illinois	HealthCentral LLC	AU, M	Direct	6	—	4	—
Illinois	Revolution Cannabis-Barry LLC	AU, M	Direct	—	3	—	1
Illinois	MOCA LLC	AU, M	Direct	3	—	2	—
Illinois	Chicago Alternative Health Center, LLC	AU, M	Direct	3	—	2	—
Mass.	MassGrow LLC	AU	Direct	—	2	—	1
Mass.	Ascend Mass LLC	AU	Direct	2	—	2	—
Mass.	Southcoast Apothecary LLC	AU	Direct	1	—	—(1)	—
New Jersey	Ascend New Jersey LLC	M, AU	Direct	6	4	3	1
Michigan	FPAW Michigan LLC	AU, M	Direct	11	19	7	1
Ohio	BCCO, LLC	M	Direct	1	—	1	—
Ohio	Ohio Cannabis Clinic, LLC	M	Direct	1	—	1	—
Ohio	Hemma, LLC	M	Direct	—	2	—	1
Ohio	Marichron Pharma, LLC	M	Ancillary	—	1	—	1
Pennsylvania	Story of PA, LLC	M	Direct	2	1	2	1
Total				**36**	**32**	**24**	**7**

(1) Opened during the first quarter of 2023.

Competitive Conditions

Competition

The Company primarily competes with:

- ***Multi-State Operators ("MSOs").*** AWH competes with MSOs from a retail and wholesale perspective, including Trulieve Cannabis Corp., Jushi Holdings Inc., Verano Holdings Corp., Cresco Labs Inc., Green Thumb Industries Inc., Curaleaf Holdings Inc., TerrAscend Corp., and Ayr Wellness Inc, among others. The specific competitors vary for each state of AWH's operations. For example, Cresco is AWH's primary wholesale competitor in Illinois, but not as big of a wholesale competitor in New Jersey.

- ***Single State Operators ("SSOs").*** AWH competes with many single state operators across its portfolio.

- ***Consumer Packaged Goods Companies ("CPG Companies").*** Although not a competitive threat today, AWH anticipates CPG Companies gaining a larger presence in the industry if and when cannabis is rendered federally legal.

- ***Pharmaceutical Companies.*** Although not a competitive threat today, AWH anticipates pharmaceutical companies gaining a larger presence in the industry if and when cannabis is rendered federally legal.

The Company believes it is well-poised in its competitive positioning due to the competitive advantages highlighted below:

- ***Scale and vertical integration.*** The Company's scale helps it compete, particularly, against the SSOs who may not be able to obtain the same operating synergies that AWH can. AWH is vertically integrated in each of its states of operation and only operates in states where it can have where it believes it can be a top 5 player one day.

- ***Access to capital.*** The Company's access to capital helps it compete, particularly, against the SSOs who may not have the resources that AWH does. AWH management has also been able to leverage its extensive capital markets knowledge, securing $275.0 million in senior debt with an interest rate of 9.5% per annum, which at the time of the deal was an industry leading cost of capital.

- ***States of operation.*** With the exception of Michigan and New Jersey, all of AWH's states of operation are limited license.

- ***Management.*** AWH has a diverse management team with experience spanning capital markets, cannabis industry, regulatory, and operations. The management team has proven it can lead, by becoming a top 3 operator in the state of Illinois.

- ***Location and second mover advantage.*** While many competitors who were early entrants to the space were pushed into industrial parks or off the beaten path, AWH locations can often be found on the corner of Main & Main, surrounded by other top tier businesses such as Trader Joe's & Starbucks. This is because AWH entered the business slightly later than some of its peers. In doing so, the Company strategically acquired locations, rather than pursuing a lottery strategy to obtain licenses. AWH was able to use its 'second-mover advantage' to secure highly desirable retail locations, many of which it considers to be flagship stores.

- ***Differentiated portfolio of brands.*** AWH provides a robust offering and a wide range of branded products spanning every price point with products targeted to every demographic.

Overview of Government Regulation

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-532 – *Issuers with U.S. Marijuana-Related Activities* ("Staff Notice 51-532"), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis related activities in the United States as permitted within a particular State's regulatory framework. In accordance with the Staff Notice 51-532, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where we are currently directly involved, through our subsidiaries, in the cannabis industry. Our subsidiaries and licensed operators with which we have contractual relationships are directly engaged in the manufacture, possession, sale, or distribution of cannabis in the adult-use and/or medical cannabis marketplace in the states of Illinois, Massachusetts, Michigan, New Jersey, Ohio, and Pennsylvania. Further, on January 25, 2023, we entered into a definitive agreement (the "Maryland Agreement") to acquire 100% of the membership interests of Devi Holdings, Inc. ("Devi"), which owns and operates four licensed medical cannabis dispensaries in Maryland. Under the Maryland Agreement, we will also acquire the real property of the four dispensary locations. The Maryland Agreement is subject to regulatory review and approval. In accordance with Staff Notice 51-532, we 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. We intend to promptly remedy any known occurrences of non-compliance with applicable state and local cannabis rules and regulations, and intend to publicly disclose any material non-compliance, citations, or notices of violation which may have an impact on our licenses, business activities, or operations. The Company has received and continues to receive legal input regarding (a) compliance with applicable state regulatory frameworks in the states of Illinois, Massachusetts, Michigan, New Jersey, Ohio, Pennsylvania, and Maryland and (b) potential exposure and implications arising from U.S. federal law. The Company receives such advice on an ongoing basis but has not received a formal legal opinion on such matters.

The U.S. federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the “CSA”), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I controlled substance. The CSA explicitly prohibits the manufacturing, distribution, selling, and possession of cannabis and cannabis-derived products as a consequence of its Schedule I classification. Classification of substances under the CSA is determined jointly by the United States Drug Enforcement Administration (the “DEA”) and the FDA. The United States Department of Justice (the “DOJ”) defines Schedule I drugs and substances as drugs with no currently accepted medical use, a high potential for abuse, and a lack of accepted safety for use under medical supervision. However, the FDA has approved Epidiolex, which contains a purified form of cannabidiol (“CBD”), a non-psychoactive cannabinoid in the cannabis plant, for the treatment of seizures associated with two epilepsy conditions. The FDA has not approved cannabis or cannabis derived compounds as a safe and effective drug for any other condition. Moreover, under the 2018 Farm Bill or Agriculture Improvement Act of 2018, CBD remains a Schedule I controlled substance under the CSA, with a narrow exception for hemp which is defined as cannabis with a tetrahydrocannabinol (“THC”) concentration of less than 0.3% on a dry weight basis.

Unlike in Canada, where federal legislation uniformly governs the cultivation, distribution, sale, and possession of medical and adult-use cannabis under the Cannabis Act, S.C. 2018, c. 16, and the Cannabis for Medical Purposes Regulations, cannabis is largely regulated at the state level in the United States. To date, there are 37 states, plus the District of Columbia (and the territories of Guam, Puerto Rico, the U.S. Virgin Islands and the Northern Mariana Islands), that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. In addition, the Northern Mariana Islands, Guam, the District of Columbia, and 21 states, including Alaska, Arizona, California, Colorado, Connecticut, Illinois, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, Virginia, and Washington have legalized cannabis for adult-use. Eleven states have also enacted low-THC/high-CBD only laws for medical cannabis patients.

State laws that permit and regulate the production, distribution and use of cannabis for adult-use or medical purposes are in direct conflict with the CSA, which makes cannabis use, distribution and possession federally illegal. Although certain states and territories of the U.S. authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under any and all circumstances under the CSA. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply. Although the Company’s activities are compliant with applicable United States state and local law, 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 Obama administration attempted to address the inconsistent treatment of cannabis under state and federal law in the Cole Memorandum which outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum acknowledged that, notwithstanding the designation of cannabis as a Schedule I controlled substance at the federal level, several states had enacted laws authorizing the use of cannabis for medical or adult-use purposes. The Cole Memorandum noted that 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 implicate the Cole Memorandum’s enforcement priorities. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis, such as distribution of cannabis from states where cannabis is legal to those where cannabis is illegal, the diversion of cannabis revenues to illicit drug cartels and sales of cannabis to minors.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued the Sessions Memorandum, which rescinded the Cole Memorandum effective upon its issuance. The Sessions Memorandum stated, in part, that current law reflects “Congress’ determination that cannabis is a dangerous drug and cannabis activity is a serious crime,” and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. We are not aware of any prosecutions of investment companies doing routine business with licensed cannabis related businesses in light of the new DOJ position. However, there can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. 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 thus it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

The former Attorneys General who succeeded former Attorney General Sessions following his resignation did not provide a clear policy directive for the United States as it pertains to state-legal cannabis related activities. President Joseph R. Biden was sworn in as the 46th United States President on January 20, 2021. President Biden nominated Merrick Garland to serve as Attorney General in his administration. It is not yet known whether the Department of Justice under President Biden and Attorney General Garland, confirmed on March 10, 2021, will re-adopt the Cole Memorandum or announce a substantive cannabis enforcement policy. At Mr. Garland’s confirmation hearing, he stated, “It does not seem to me a useful use of limited resources that we have, to be pursuing prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise.” He has not, however, reissued the Cole Memorandum or otherwise provided guidance. If the Department of Justice policy under Attorney General Garland were to aggressively pursue financiers or owners of cannabis-related businesses, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis operations, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the Controlled Substances Act for aiding and abetting and conspiring to violate the Controlled Substances Act by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) the barring of its employees, directors, officers, managers and investors who are not United States citizens from entry into the United States for life. Unless and until the United States Congress amends the Controlled Substances Act with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law criminalizing cannabis.

While federal prosecutors appear to continue to use the Cole Memorandum’s priorities as an enforcement guide, the prosecutorial effects resulting from the rescission of the Cole Memorandum and the implementation of the Sessions Memorandum remain uncertain. The sheer size of the cannabis industry, in addition to participation by state and local governments and investors, suggests that a large-scale federal enforcement operation may create unwanted political backlash for the DOJ. It is also possible that the revocation of the Cole Memorandum could motivate Congress to reconcile federal and state laws. While Congress is considering and has considered legislation that may address these issues, there can be no assurance that such legislation passes. Regardless, at this time, 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 in regard to the sale and disbursement of medical or adult-use cannabis, even if state law authorizes such sale and disbursement. It is unclear whether the risk of enforcement has been altered.

Additionally, under United States federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. While Congress is considering legislation that may address these issues, there can be no assurance of the content of any proposed legislation or that such legislation is ever passed.

Despite these laws, the U.S. Department of the Treasury’s United States Financial Crimes Enforcement Network (“FinCEN”) issued a memorandum (the “FinCEN Memorandum”) outlining guidance for financial institutions that bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report (“SAR”) in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories - cannabis limited, cannabis priority, and cannabis terminated - based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day that the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memorandum") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memorandum has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

One legislative safeguard for the medical cannabis industry, appended to the federal budget bill, remains in place following the rescission of the Cole Memorandum. For fiscal years 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022, Congress has included a rider to the Consolidated Appropriations Acts (currently referred to as the "Rohrabacher/Blumenauer Amendment") 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 Rohrabacher/Blumenauer Amendment was included in the Consolidated Appropriations Act, 2022 signed into law by President Biden on March 15, 2022. The Rohrabacher/Blumenauer Amendment will remain effective through December 16, 2022. The Rohrabacher/Blumenauer Amendment was included in the Consolidated Appropriations Act, 2023 signed into law by President Biden on December 29, 2022. The Rohrabacher/Blumenauer Amendment will remain in effect through the fiscal year, which ends September 30, 2023. There is no guarantee that the Rohrabacher/Blumenauer Amendment will be included in the omnibus appropriations package or a continuing budget resolution once the current Consolidated Appropriations Act, 2023 expires.

Despite the rescission of the Cole Memorandum, the DOJ appears to continue to adhere to the enforcement priorities set forth in the Cole Memorandum. The Cole Memorandum and the Rohrabacher/Blumenauer Amendment gave licensed cannabis operators (particularly medical cannabis operators) and investors in states with legal regimes greater certainty regarding the DOJ's enforcement priorities and the risk of operating cannabis businesses. While the Sessions Memorandum has introduced some uncertainty regarding federal enforcement, the cannabis industry continues to experience growth in legal medical and adult-use markets across the United States. Accordingly, as an industry best practice, we continue to employ the following policies to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- ensure that its cannabis related activities 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 requisite age requirements);
- implement policies and procedures to ensure that cannabis products are not distributed to minors;
- implement policies and procedures in place to ensure that funds are not distributed to criminal enterprises, gangs or cartels;

- 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 where cannabis is not permitted by state law, or cross any state lines in general;
- ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, and is not engaged in any other illegal activity, or any activities that are contrary to any applicable anti-money laundering statutes; and
- 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.

On December 4, 2020, the House of Representatives passed the Marijuana Opportunity Reinvestment and Expungement Act of 2019 (the "MORE Act"). The MORE Act would provide for the removal of cannabis from the list of controlled substances in the CSA and other federal legislation. It would end the applicability of Section 280E to cannabis businesses but would impose a 5% federal excise tax. The MORE Act was not passed by the Senate prior to the end of the 116th Congress, but an updated version was subsequently reintroduced in the House of Representatives on May 28, 2021. On September 30, 2021, the House Judiciary Committee voted to advance the MORE Act once again in a first step towards passage in the full Hose. On April 1, 2022, the House of Representatives passed the MORE Act once again. Before it could become law, the MORE Act would need to be passed by the Senate and then signed into law by the president. There is no guarantee the MORE Act will become law in its current form.

H.R. 1595, the SAFE Banking Act of 2019, which would expand financial services in the United States to cannabis-related legitimate businesses and service providers, was introduced in the House of Representatives on March 7, 2019 with bipartisan support. On April 11, 2019, S. 1200, the Senate version of the SAFE Banking Act, was filed. This bill also has bipartisan support and more than a fifth of the total Senate, 27 members, co-sponsored it. On September 25, 2019, H.R. 1595 passed in the House of Representatives by a vote of 321 to 103, but it stalled in the Senate. The SAFE Banking Act passed the House again on May 15, 2020, when it was included in the COVID-19 stimulus bill, the Health and Economic Recovery Omnibus Emergency Solutions Act. However, that measure also stalled in the Senate. The SAFE Banking Act passed the House again on April 19, 2021 as H.R. 1996, by a vote of 321 – 101. On September 23, 2021, the House approved the National Defense Authorization Act ("NDAA") that contained the provisions of the SAFE Banking Act. The SAFE Banking Act was subsequently removed from the NDAA by the House-Senate conference committee on December 7, 2021, and was not included in the final version of the NDAA. On February 4, 2022, the House approved The America COMPETES Act of 2022, which includes the provisions of the Safe Banking Act. The Senate's final version of the bill, which was passed on March 28, 2022, removed the provisions related to the SAFE Banking Act. There is no guarantee the SAFE Banking Act will become law in its current form, if at all.

On July 21, 2022, the Cannabis Administration and Opportunity Act ("CAOA") was introduced in the Senate. The CAOA, if enacted, would, among other impacts, remove marijuana from the CSA, impose excise taxes on the sale of marijuana, and create a federal regulatory framework for the marijuana industry. There is no certainty that the CAOA will become law in its current form or at all.

On October 6, 2022, President Biden announced that he directed the Secretary of the United States Department of Health and Human Services and Attorney General Merrick Garland to initiate a review of marijuana's classification as a Schedule I controlled substance under the CSA. The timing and outcome of this review is uncertain and there is no certainty that marijuana will be placed under a different schedule or de-scheduled, and there is also no certainty as to the impacts such actions would have on our business or the marijuana industry as a whole, particularly when considering potential implications for federal regulation and interstate commerce.

On December 2, 2022, President Biden signed into law H.R. 8454, the "Medical Marijuana and Cannabidiol Research Expansion Act," (the "Research Expansion Act") which establishes a new registration process for conducting research on marijuana and for manufacturing marijuana products for research purposes and drug development. The Research Expansion Act is the first piece of standalone federal cannabis reform legislation in U.S history. Among other things, the Research Expansion Act ; (i) directs the DEA to register practitioners to conduct cannabis and CBD research and manufacturers to supply cannabis for research purposes; (ii) expressly allows the DEA to register manufacturers and distributors of cannabis or CBD for the purposes of commercial production of a drug approved by the FDA; (iii) requires the DEA to assess whether there is an adequate and uninterrupted supply of cannabis for research purposes; (iii) permits registered entities to manufacture, distribute, dispense, or possess cannabis or CBD for purposes of medical research; (iv) clarifies that physicians do not violate the CSA when they discuss the potential harms and benefits of cannabis and CBD with patients; and (v) directs the DHHS to coordinate with the National Institutes of Health and other agencies to report on the “therapeutic potential” of cannabis for conditions such as epilepsy, and the impact of cannabis on adolescent brain development.

The NDAA for Fiscal Year 2023 was signed into law by President Biden on December 23, 2022. The NDAA, which passed in the House of Representatives on December 8, 2022 and the Senate on December 15, 2022, failed to include the Safe Banking Act or any of its provisions.

The Consolidated Appropriations Act, 2023 was signed into law by President Biden on December 29, 2022. The Consolidated Appropriations Act, 2023, which passed the House of Representatives on December 23, 2022, and the Senate on December 22, 2022, failed to include the Safe Banking Act or any of its provisions.

As of December 31, 2022, there can be no assurance that the CAOA, the Safe Banking Act, or similar comprehensive legislation that would de-schedule cannabis and/or decriminalize cannabis will be passed in the near future or at all. Further, there is also no certainty as to the impacts such actions would have on our business or the marijuana industry as a whole, particularly when considering potential implications for federal regulation and interstate commerce.

Compliance with Applicable State Laws in the United States

We are in compliance with applicable cannabis licensing requirements and the regulatory framework enacted by each state in which we currently operate. We have in place a detailed compliance program and an internal legal and compliance department, and we are building out our operational compliance team across all states in which we operate. Our compliance department is overseen by our President and further consists of compliance professionals who oversee and ensure compliance in each of our jurisdictions and facilities. We also have external state and local regulatory/compliance counsel engaged in every jurisdiction in which we operate.

We provide training for all relevant employees, using various methods on the following topics relevant to job tasks: compliance with state laws and rules; patient education materials; education materials for recreational customers; security in our facilities and establishments; handwashing and sanitation practices; packaging procedures; state mandated tracking software; establishment specific tracking; track and trace; inventory and POS software; audit procedures; epidemic responses; emergency situation response; dispensing procedures; patient/client check-in procedure; employee education and consultation materials; packaging and labeling requirements; cannabis waste and destruction; active shooter response; robbery response; fire response; bomb-threat response; sexual harassment; drug free workplace; internet and phone usage; discrimination harassment; workplace violence; hygiene and clothing requirements; hand washing; medical emergency response; biocontamination response; gas leak response; visitor access; discounts for special groups; customer loyalty programs; client intake; storage and recall of products; the science of cannabis; speaking with physicians; edibles education; reconciling transactions; inventory control; receiving inventory; shipping inventory; corrective and preventive action plans; filing corrective and preventive action reports; pesticides; wastewater; irrigation systems; fertilizer; beneficial organisms; climate control; transplanting; inventory tagging; pruning; defoliation; drying, trimming and curing; storage of products; maintaining confidentiality; cash handling; and preventing diversion of products.

We emphasize security and inventory control to ensure strict monitoring of cannabis and inventory, from delivery by a licensed distributor to sale or disposal. Only authorized, properly trained employees are allowed to access our computerized inventory control system.

We monitor all compliance notifications from the regulators and inspectors in each market and timely resolve any issues identified. We keep records of all compliance notifications received from the state regulators or inspectors, as well as how and when an issue was resolved. Moreover, we monitor news sources for information regarding developments at the state and federal level relating to the regulation and criminalization of cannabis.

Further, we have created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory. We also have comprehensive standard operating procedures in place for performing inventory reconciliation, and ensuring the accuracy of inventory tracking and recordkeeping. We maintain accurate records of our inventory at all licensed facilities. Adherence to our standard operating procedures is mandatory and helps ensure that our operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. We enforce adherence to standard operating procedures by regularly conducting internal inspections and ensures that any issues identified are resolved quickly and thoroughly.

We maintain strict compliance guidelines with respect to online reservations of products. No purchase and sale transactions may be completed online. A patient, patient’s primary caregiver or customer may reserve products online, but the patient or customer must be physically present at one of our dispensaries to complete the transaction. This requirement allows our dispensary staff to ensure that our standard operating procedures (including its compliance programs) are applied to all patients, patient’s primary caregivers and customers in connection with the purchase and sale of products.

In jurisdictions where medical cannabis is legal, upon arrival of the patient or the patient’s primary caregiver at the applicable dispensary, dispensary staff must verify the patient’s or the patient’s primary caregiver’s identity and credentials (such as a state-issued medical cannabis card) and confirm the patient’s allotment amount to ensure the user is not exceeding the state’s dispensing limits. Once the foregoing is verified, the patient or the patient’s primary caregiver may pay for the products to complete the purchase. If the customer does not have valid identification and credentials, the customer will not be able to purchase medical cannabis at the applicable dispensary, irrespective of any reservations made online.

In jurisdictions where recreational cannabis is legal, upon arrival at the dispensary, a customer must present government-issued photo identification to verify they are at least 21 years of age. Once the identification is verified, the customer may pay for the products to complete the transaction. If the customer does not have valid identification, the customer will not be able to purchase recreational cannabis at the applicable Company dispensary, irrespective of any reservations made online.

We will continue to monitor compliance on an ongoing basis in accordance with our compliance program and standard operating procedures. While our operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under federal law. For the reasons described above and the risks further described in the section entitled “*Risk Factors*,” there are significant risks associated with our business.

State Regulation of Cannabis

The risk of federal enforcement and other risks associated with our business are described in the section entitled “*Risk Factors*.”

Following the thesis that distributing brands at scale will win, we enter markets where we believe that we can profitably and sustainably operate and command significant market share, and thus maximize consumer and brand awareness. The regulatory frameworks enacted by the states, which are similar to the limited and controlled issuance of gaming or alcohol distributorship licenses, provide macro-level indication of whether certain state markets will be sustainable and profitable.

Below is a summary overview of the regulatory and competitive frameworks in each of our operating markets.

Illinois

Illinois Regulatory Landscape

In January 2014, the Compassionate Use of Medical Cannabis Pilot Program Act, which allows individuals diagnosed with certain debilitating or "qualified" medical conditions to access medical cannabis, became effective. There are over 35 qualifying conditions as part of the medical program, including epilepsy, traumatic brain injury, and post-traumatic stress disorder. In January 2019, the Illinois Department of Health launched the Opioid Alternative Pilot Program that allows individuals who have/could receive a prescription for opioids to access medical cannabis.

On August 28, 2018, Public Act 100-1114, the Alternative to Opioids Act of 2018, was signed into law, making changes to the Compassionate Use of Medical Cannabis Pilot Program Act. The Public Act created the Opioid Alternative Pilot Program ("OAPP"), which allows access to medical cannabis for individuals who have or could receive a prescription for opioids as certified by a physician licensed in Illinois.

On August 12, 2019 Governor J.B. Pritzker signed into law legislation that made the program permanent and added 11 conditions to the existing program.

In June 2019, Illinois legalized adult-use cannabis pursuant to the Cannabis Regulation and Tax Act (the "IL Act"). Effective January 1, 2020, Illinois residents 21 years of age and older may possess up to 30 grams of cannabis (non-residents may possess up to 15 grams). The IL Act authorizes the Illinois Department of Financial and Professional Regulation (the "IDFPR") to issue up to 75 Conditional Adult Use Dispensing Organization licenses before May 1, 2020 and an additional 110 conditional licenses during 2021. No person may hold a financial interest in more than 10 dispensing organizations. Existing medical dispensaries were able to apply for an "Early Approval Adult Use Dispensing Organization License" to serve adult purchasers at an existing medical dispensary or at a secondary site. The IDFPR also held an application period for Conditional Adult Use Cannabis Dispensary Licenses from December 10, 2019 through January 2, 2020. On September 3, 2021, the IDFPR announced the results of the lotteries to award 185 conditional adult use dispensing licenses. On June 23, 2022, a corrective lottery was conducted for up to 75 additional licenses. As of December 12, 2022, 192 conditional licenses have been issued. On January 30, 2023, the IDFPR began accepting applications for 55 additional Conditional Adult Use Cannabis Dispensary Licenses which will be distributed across 17 Bureau of Labor Statistics ("BLS") regions to candidates that meet certain social equity eligibility criteria.

The Illinois Department of Agriculture (the "IL Ag. Department") is authorized to make up to 30 cultivation center licenses available for medical and adult-use programs. As with existing medical dispensaries, existing cultivation centers were able to apply for an "Early Approval Adult Use Cultivation Center License." The IL Act requires the IL Ag. Department to issue up to 60 craft grower licenses by December 21, 2021, and states the IL Ag. Department may also issue up to 60 infuser licenses by the same date. On August 2, 2021, the IL Ag. Department announced that it had issued 32 initial craft grow licenses, 28 infuser licenses, and 9 transporter licenses. As of June 1, 2022, the IL Ag. Department has awarded a total of 341 adult use cannabis licenses for craft growers, infusers, and transporters under the IL Act. No person can hold a financial interest in more than three cultivation centers, and the centers are limited to 210,000 square feet of canopy space. Cultivation centers are also prohibited from discriminating in price when selling to dispensaries, craft growers, or infuser organizations. License awards will likely be delayed due to the COVID-19 pandemic and legal actions taken by applicants.

The IL Act imposes several operational requirements on adult-use licensees and requires prospective licensees to demonstrate their plans to comply with such requirements. For example, applicants for dispensary licenses must include an employee training plan, a security plan, recordkeeping and inventory plans, a quality control plan and an operating plan.

Licensees must establish methods for identifying, recording, and reporting diversion, theft, or loss, correcting inventory errors, and complying with product recalls. Licensees also must comply with detailed inventory, storage, and security requirements. Cultivation licenses are subject to similar operational requirements, such as complying with detailed security and storage requirements, and must also establish plans to address energy, water, and waste-management needs. Dispensary licenses will be renewed bi-annually, and cultivation licenses, craft grower licenses, infuser organization licenses, and transporter licenses will be renewed annually.

Illinois Licenses

Illinois licenses four types of cannabis businesses within the state: (1) cultivation; (2) processing; (3) transportation; and (4) dispensary. All cultivation, craft growers, infusers, and transporting establishments must register with the Illinois Department of Agriculture. All dispensaries must register with the IDFPR. If applications contain all required information, establishments are issued a cannabis establishment registration certificate. Registration certificates are valid for a period of one year and are subject to strict annual renewal requirements.

HealthCentral LLC has been issued a total of six dispensary licenses, two medical licenses and four adult use licenses. Revolution Cannabis-Barry LLC has been issued two cultivation licenses, one medical license and one adult use license, and one transporter license. MOCA LLC is licensed to operate two dispensaries and has been issued a total of three dispensary licenses, one medical and two adult use licenses. Chicago Alternative Health Center, LLC is licensed and operates two dispensaries, one in Chicago and one in Chicago Ridge and has been issued a total of three dispensary licenses, one medical and two adult use licenses.

The below table lists our Illinois licenses:

Entity	License Number	City	Expiration Date / Renewal Date	Description
Revolution Cannabis-Barry, LLC	1503060627	Barry	03/03/2024	Medical Cultivation License
Revolution Cannabis-Barry, LLC	1503060627 - AU	Barry	03/31/2023	Adult Use Cultivation License
Revolution Cannabis-Barry, LLC	1503060627-TR	Barry	7/14/2023	Transporter License
HealthCentral, LLC	280.000022-DISP	Collinsville	01/07/2024	Medical License
HealthCentral, LLC	284.000025-AUDO	Collinsville	03/31/2024	Adult Use License
HealthCentral, LLC	280.000029-DISP	Adam St. / Springfield	02/03/2024	Medical License
HealthCentral, LLC	284.000026-AUDO	Adam St. / Springfield	03/31/2024	Adult Use License
HealthCentral, LLC	284.000069-DISP	Horizon Dr. / Springfield	03/31/2024	Adult Use License
HealthCentral, LLC	284.000104-AUDO	Fairview Heights	03/31/2024	Adult Use License
Chicago Alternative Health Center, LLC	280.000033 -DISP	Archer Ave. / Chicago	04/13/2023	Medical License
Chicago Alternative Health Center, LLC	284.000124 -DISP	Archer Ave. / Chicago	03/31/2024	Adult Use License
Chicago Alternative Health Center, LLC	284.000125 - DISP	Chicago Ridge	03/31/2024	Adult Use License
MOCA LLC	280.000028-DISP.	Fullerton Ave/ Chicago	02/01/2024	Medical License
MOCA LLC	284.000076-AUDO	Fullerton Ave/ Chicago	03/31/2024	Adult Use License
MOCA LLC	284.000077-AUDO	Ohio St / Chicago	03/31/2024	Adult Use License

Illinois Storage and Security

Both our cultivation center and our dispensaries are required to store cannabis in restricted-access areas. Our dispensaries must store inventory on-site in a secured and restricted-access area and enter information into Illinois' tracking system as required by law and IDFPR rules. Any cannabis or cannabis products in an open or defective package, which have expired, or which the company otherwise has reason to believe have been opened or tampered with must be segregated in secure storage until promptly and properly disposed of.

Dispensaries are also required to implement security measures designed to deter and prevent unauthorized entry into the facility (and restricted-access areas) and theft, loss or diversion of cannabis or cannabis products. In this respect, dispensaries must maintain a commercial grade alarm and surveillance system installed by an Illinois licensed private alarm contractor or private alarm contractor agency. Dispensaries must also implement various security measures designed to protect the premises, customers and dispensing organization agents (employees).

Illinois Reporting Requirements

Illinois uses BioTrack THC as its track and trace ("T&T") system. All dispensing organization licensees are required to use a real-time, web-based inventory tracking/point-of-sale system that is accessible to IDFPR at any time, and at a minimum, tracks the date of sale, amount, price, and currency. We use BioTrack THC for inventory management and LeafLogix as a point-of-sale system. Licensees are also required to track each sales transaction at the time of the sale, daily beginning and ending inventory, acquisitions (including information about the supplier and the product) and disposal.

Illinois Transportation Requirements

Currently, licensed cultivation centers may transport cannabis and cannabis products in accordance with certain guidelines. For receiving products, dispensing organizations must receive a copy of the shipping manifest prepared by the cultivation center in advance of transport and is required to check the product delivered against such manifest at the time of delivery. All cannabis and cannabis products must be packaged in properly labeled and sealed containers. Dispensaries may not accept products that are mislabeled, products that have labels missing or when packaging is opened or tampered with.

U.S. Attorney Statements in Illinois

To the knowledge of management, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Illinois. See "*Risk Factors - U.S. state regulation of cannabis is uncertain*."

Maryland

Maryland Regulatory Landscape

In 2012, a state law was enacted in Maryland to establish a state-regulated medical cannabis program. Legislation was signed in May 2013 and the program became operational on December 1, 2017. The Maryland Medical Cannabis Commission ("MMCC") regulates the state program and awarded operational licenses in a competitive application process. 102 licenses were awarded out of a pool of 800 applicants, while an original 15 cultivation licenses were awarded out of a pool of nearly 150 applications. In April 2018, Maryland lawmakers agreed to expand the state's medical cannabis industry by authorizing an additional 20 licenses, seven for cultivation and 13 for processing. The state program was written to allow access to medical cannabis for patients with any condition that is considered "severe" for which other medical treatments have proven ineffective, including: chronic pain, nausea, seizures, glaucoma, and PTSD.

There are three principal license categories in Maryland: (1) cultivation, (2) processing, and (3) dispensary. All grower, processor, and dispensary establishments must register with the MMCC under the provisions of the Maryland Medical Cannabis Law, Md. Code, Health-Gen § 13-3301 et seq., known as the Natalie M. LaPrade Medical Cannabis Commission.

All cultivation, processing and dispensary establishments must register with the MMCC under the provisions of the Maryland Medical Cannabis Law, Section 13-3301 et seq. If applications contain all required information, establishments are issued a medical cannabis establishment registration certificate. Registration certificates are valid for a period of six years and are subject to annual renewals after required fees are paid and the business remains in good standing. After the first expiration of the approved license, the dispensary, cultivation and processing licensee is required to renew every four years. Licensees are required to submit a renewal application per the guidelines published by the MMCC. 90 days prior to the expiration of a license, the MMCC notifies the licensee of the date on which the license expires and provides the instructions and fee required to renew the license along with the consequences of failure to renew. At least 30 business days before a license expires, the licensee must submit the renewal application as provided by the MMCC.

The medical cultivation licenses permit a licensee to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell cannabis and related supplies to medical cannabis dispensaries, facilities for the production of medical cannabis products and/or medical cannabis-infused products or other medical cannabis cultivation facilities.

The medical processing license permits the licensee to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell cannabis products or cannabis infused products to other medical cannabis production facilities or medical cannabis dispensaries

The retail dispensary licenses permit the licensee to purchase cannabis from cultivation facilities, cannabis and cannabis products from product manufacturing facilities and cannabis from other medical cannabis dispensaries, as well as allow the sale of cannabis and cannabis products.

In November of 2022, voters in Maryland approved a constitutional amendment to legalize cannabis for adults 21 and older, by July 1, 2023. On February 3, 2023, the Maryland General Assembly filed a bill to tax and regulate cannabis, which would create a tax and legal structure to govern cannabis sales and adult use upon the legalization date of July 1, 2023. The bill has yet to be signed and the specific requirements of the bill are still being negotiated.

Maryland Licenses

On January 25, 2023, we entered into a definitive agreement (the “Maryland Agreement”) to acquire 100% of the membership interests of Devi Holdings, Inc. (“Devi”), which owns and operates four licensed medical cannabis dispensaries in Maryland. Under the Maryland Agreement, we will also acquire the real property of the four dispensary locations. The Maryland Agreement is subject to regulatory review and approval.

The below table lists the Maryland licenses held by Devi:

Entity	License Number	City	Expiration Date / Renewal Date	Description
Blue Mountain Care LLC	D-18-00029	Aberdeen	6/28/2024	Medical License
Durjaya, LLC	D-19-00009	Crofton	6/27/2025	Medical License
Farmalogics Health and Wellness, LLC	D-19-00038	Ellicot City	7/26/2024	Medical License
Blue Pharms, LLC	D- 19-00003	Laurel	3/28/2025	Medical License

Maryland Recordkeeping and Inventory Requirements

Licensed growers are required to use a perpetual inventory system that identifies and tracks each lot of medical cannabis from the time of propagation to the time it is delivered to a licensed dispensary and dispensed to a qualified patient. The perpetual inventory system is required to be capable of tracking cannabis back to its original source and to promptly identify discrepancies. Each plant within the perpetual inventory system is required to be assigned a unique identifier that is traceable through the entire production and dispensing lifecycle. Licensees are required to investigate discrepancies identified by the perpetual inventory system and to report such discrepancies to the MMCC and Maryland State Police where the licensee finds evidence of theft or diversion.

Licensed growers, processors, and dispensaries are required to retain, independent of the required inventory control system, a searchable, secure, tamper-evident record of distribution regarding the names and addresses of recipients, the quantity provided, and the name, strength, batch number and lot number of the product provided. Such records must be available to certifying providers upon request. Licensees are also required to retain records of production and distribution of each batch and lot and of daily checklists to maintain uniformity from batch to batch, as well as a log of all visitors to licensed premises. Records must be kept in duplicate at a secure off-site location.

Maryland Dispensary Requirements

In order to dispense medical cannabis, a licensed dispensary is required to comply with various dispensing requirements: (1) require presentment of a written certification from a qualifying patient or caregiver, (2) query the MMCC's data network to verify that the patient is currently registered and has a certification from a provider, as well as the amount of medical cannabis that has already been dispensed pursuant to the written certification,(3) dispense no more than a 30-day supply, and (4) decline to dispense medical cannabis if the patient or caregiver appears to be under the influence of drugs or alcohol. Registered patients and caregivers are required to provide attestations relating to their knowledge of the status of medical cannabis under Maryland and Federal law, as well as limitations on the use of medical cannabis, such as keeping away from children and refraining from transfer to any other person.

Maryland Storage and Security

Licensees are required to take measures to ensure the safety and security of licensed premises such as: (1) constructing the premises so as to prevent unauthorized entry, (2) constructing secure rooms for the storage of cannabis that are not along the exterior wall of a facility and that have access-controlled entry, (3) utilizing exterior lighting fixtures to ensure proper surveillance, (4) installing security alarms covering perimeter entry points, which shall be continuously monitored, (5) installing separate alarm systems to protect on-site and off-site record storage areas, as well as areas used for cannabis storage, and (6) utilizing motion-activated video surveillance that covers entrances and exits to a facility, as well as any area that cannabis is packaged, tested, processed, stored, or dispensed.

Maryland Reporting Requirements

The State of Maryland uses METRC as the state's computerized seed-to-sale tracking system. Individual licensees, whether directly or through third-party integration systems, are required to push data to the state to meet all reporting requirements.

MMCC Inspections

Licensees are required to submit to announced and unannounced inspections by the MMCC, including but not limited to inspections based upon an allegation of noncompliance.

U.S. Attorney Statements in Maryland

To the knowledge of management, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Maryland. See "*Risk Factors - U.S. state regulation of cannabis is uncertain*.

Massachusetts

Massachusetts Regulatory Landscape

The Massachusetts Medical Use of Marijuana Program (the "MA Program") was formed pursuant to the Act for the Humanitarian Medical Use of Marijuana (the "MA ACT"). The MA Program allows registered persons to purchase medical cannabis and applies to any patient, personal caregiver, Medical Marijuana Treatment Center (each, a "MTC"), and MTC agent that qualifies and registers under the MA Program. To qualify, patients must suffer from a debilitating condition as defined by the MA Program. Currently there are eight conditions that allow a patient to acquire cannabis in Massachusetts, including AIDS/HIV, ALS, cancer and Crohn's disease. As of May 31, 2019, approximately 59,000 patients have been registered to purchase medical cannabis products in Massachusetts. The MA Program is administrated by the Cannabis Control Commission of Massachusetts (the "CCC"). As of March 7, 2023, there were approximately 181 open MTCs in Massachusetts.

In November 2016, Massachusetts voted affirmatively on a ballot petition to legalize and regulate cannabis for adult-use. The Massachusetts legislature amended the law on December 28, 2016, delaying the date adult-use cannabis sales would begin by six months. The delay allowed the legislature to clarify how municipal land-use regulations would treat the cultivation of cannabis and authorized a study of related issues. After further debate, the state House of Representatives and state Senate approved H.3818 which became Chapter 55 of the Acts of 2017, An Act to Ensure Safe Access to Marijuana, and established the CCC. The CCC consists of five commissioners and regulates both the Adult Use and Medical Use of Marijuana programs. Sales of adult-use cannabis in Massachusetts started in July 2018. Adult-use cannabis in Massachusetts is regulated under M.G.L. ch. 94G and 935 CMR 500 et seq.

Under the MA Program, MTCs are heavily regulated. Vertically integrated MTCs grow, process, and dispense their own cannabis. As such, each MTC is required to have a retail facility as well as cultivation and processing operations, although retail operations may be separate from grow and cultivation operations. An MTC's cultivation location may be in a different municipality or county than its retail facility.

The MA Program mandates a comprehensive application process for MTCs. Each Registered Marijuana Dispensary (each, a "RMD") applicant must submit a Certificate of Good Standing from the Massachusetts Department of Revenue, comprehensive financial statements, a character and competency form, and employment and education histories of the senior partners and individuals responsible for the day-to-day security and operation of the MTC. Municipalities may individually determine what local permits or licenses are required if an MTC wishes to establish an operation within its boundaries.

Massachusetts Licenses

MassGrow LLC has been issued one cultivation and one provisional manufacturing processing license and Ascend Mass LLC has been issued one retail license and two provisional retail licenses.

The below table lists our Massachusetts licenses:

Entity	License Number	City	Expiration Date / Renewal Date	Description
MassGrow, LLC	MC281488	Athol	8/12/2023	Adult Use Cultivation License
MassGrow, LLC	MP281460	Athol	8/12/2023	Manufacturing Processing License
Ascend Mass, LLC	MR282077	Boston	2/9/2024	Adult Use License
Ascend Mass, LLC	MR282837	Newton	6/10/2023	Adult Use License
Southcoast Apothecary LLC	MR283075	New Bedford	8/11/2023	Adult Use License

Each Massachusetts dispensary, grower and processor license is valid for one year and must be renewed no later than 60 calendar days prior to expiration. As in other states where cannabis is legal, the CCC can deny licenses and renewals for multiple reasons, including (per 935 CMR 500.400) (1) failure to complete the application process within the required time period; (2) submission of deceptive, misleading, or fraudulent information, (3) an indication of an inability to maintain and operate a compliant cannabis establishment, (4) determination of unsuitability pursuant to, for example, certain criminal convictions, (5) failure to comply with cannabis license control limitations, (6) rejection of revocation of another cannabis license in Massachusetts or elsewhere; or (7) any other ground that serves the purposes of the law. Revocations can also be based on (per 935 CMR 500.450) (1) failure to submit or implement a plan of correction; (2) attempting to assign ownership to another entity or making other significant changes without proper permission, (3) lack of responsible operation of a cannabis establishment, (4) maintaining a substandard level of compliance with applicable statutory and regulatory requirements, (5) financial insolvency; (6) failure to cooperate with law enforcement, (7) violation of the safety, health, or welfare of the public; or (8) committing, permitting, aiding, or abetting of any illegal practices in the operation of the cannabis establishment. Additionally, license holders must ensure that no cannabis is sold, delivered, or distributed by a producer from or to a location outside of the state.

Regulation of the Adult-Use Cannabis Market in Massachusetts

Adult-use cannabis has been legal in Massachusetts since December 15, 2016, following a ballot initiative in November of that year. The CCC, a regulatory body created in 2018, licenses adult-use cultivation, processing and dispensary facilities (collectively, “Marijuana Establishments” or “MEs”) pursuant to 935 CMR 500.000 et seq. The first adult-use cannabis facilities in Massachusetts began operating in November 2018.

Massachusetts Licensing Requirements (Adult-Use)

Applicants must submit proof of being an entity registered to do business in Massachusetts, as well as a list of all people and entities having direct or indirect control of the business, documentation of any such people or entities’ other business interests, details of the amounts and sources of capital resources, and documentation of a bond or escrow account. Furthermore, the applicant must provide a specific address for the location of the establishment, proof of a property interest in that address, documentation that the applicant has a “host community agreement” with the municipality, and documentation that the applicant has held at least one community outreach meeting. The applicant must also provide a description of plans to ensure that the cannabis establishment will be compliant with all applicable laws and regulations, and also a specific plan to positively impact areas of disproportionate impact (geographical locations in the state which have had historically high rates of arrest, conviction, and incarceration related to cannabis crimes). The application also requires payment of a fee.

All individuals identified as having direct or indirect control in the license must undergo an extensive background check that includes criminal, civil, and regulatory records; certain criminal convictions, civil actions, or regulatory infractions may trigger a finding of unsuitability

Each license applicant must submit detailed information about its business registration, certificates of good standing, and a plan to obtain liability insurance. The application must include a detailed business plan, a detailed summary of operating policies and procedures addressing issues like security, storage, prevention of diversion, transportation, inventory practices, recordkeeping, and a specific diversity plan demonstrating promotion of equity among people of color, women, veterans, persons with disabilities, and LGBTQ+ individuals. Such plans must have specific goals and measurable outcomes that will be monitored and updated through the entire existence of the cannabis establishment.

Pursuant to 935 CMR 500.050, no person or entity may own or have direct or indirect control over more than three licenses in each Marijuana Establishment category (i.e., cannabis retailer, cannabis cultivator, cannabis product manufacturer). Additionally, there is a 100,000 square foot cultivation canopy restriction for adult-use licenses.

Massachusetts Dispensary Requirements (Adult-Use)

Cannabis retailers may purchase, transport, sell, repackage, or otherwise transfer cannabis and cannabis products to consumers. On-site consumption is prohibited. All permitted cannabis-related activities must take place solely at the licensed address.

All cannabis establishment employees must receive at least eight hours of training annually. A total of four hours of training shall be from Responsible Vendor Training Program courses established under 935 CMR 500.105(2)(b). The remaining four hours may be conducted in-house by the cannabis establishment as on-the-job training.

All cannabis establishments must have written operating procedures addressing security measures, employee security policies, descriptions of operating hours and after-hours contact information, storage and waste disposal, product descriptions, price list, recordkeeping, quality control, staffing, emergency procedures, alcohol/smoke/drug-free workplace policies, confidential information handling, plans for immediate dismissal of employees who divert cannabis, engage in unsafe practices or are convicted of certain crimes, board of directors and members list, cash handling, prevention of diversion, energy efficiency, and workplace safety. Retail establishments must also have plans to check the identification of each customer both upon entering the store and again at the point of sale. No one under 21 is permitted to purchase cannabis or to be on the premises. Retail stores must ensure that customers purchase no more than one ounce of cannabis (or its equivalent in other forms) per day. Retailers also have the right to refuse sales to customers, for example, those that appear to be impaired by the influence of substances.

The retail point of sale system must be approved by both the CCC and the state Department of Revenue. It must be integrated with Metrc, the state’s seed-to-sale tracking system. The system must also be audited on a monthly basis to ensure that no additional software has been installed that could alter sales data.

Cannabis retailers must have available extensive consumer education materials, including in languages other than English.

Massachusetts Security and Storage Requirements (Adult-Use)

Each Marijuana Establishment must implement sufficient safety measures to deter and prevent unauthorized entrance into areas containing cannabis and theft of cannabis at the establishment. Security measures taken by the establishments to protect the premises, employees, consumers and general public must include, but not be limited to, the following:

- positively identifying individuals seeking access to the premises of the Cannabis Establishment or to whom or cannabis products are being transported pursuant to 935 CMR 500.105(13) to limit access solely to individuals 21 years of age or older;
- adopting procedures to prevent loitering and ensure that only individuals engaging in activity expressly or by necessary implication permitted by the regulations and its enabling statute are allowed to remain on the premises;
- disposing of cannabis in accordance with 935 CMR 500.105(12) in excess of the quantity required for normal, efficient operation as established within 935 CMR 500.105;
- securing all entrances to the Marijuana Establishment to prevent unauthorized access;
- establishing limited access areas pursuant to 935 CMR 500.110(4), which shall be accessible only to specifically authorized personnel limited to include only the minimum number of employees essential for efficient operation;
- storing all finished cannabis products in a secure, locked safe or vault in such a manner as to prevent diversion, theft and loss;
- keeping all safes, vaults, and any other equipment or areas used for the production, cultivation, harvesting, processing or storage of cannabis products securely locked and protected from entry, except for the actual time required to remove or replace cannabis;
- keeping all locks and security equipment in good working order;

- prohibiting keys, if any, from being left in the locks or stored or placed in a location accessible to persons other than specifically authorized personnel;
- prohibiting accessibility of security measures, such as combination numbers, passwords or electronic or biometric security systems, to persons other than specifically authorized personnel;
- ensuring that the outside perimeter of the Marijuana Establishment is sufficiently lit to facilitate surveillance, where applicable;
- ensuring that all cannabis products are kept out of plain sight and are not visible from a public place without the use of binoculars, optical aids or aircraft;
- developing emergency policies and procedures for securing all product following any instance of diversion, theft or loss of cannabis, and conduct an assessment to determine whether additional safeguards are necessary;
- developing sufficient additional safeguards as required by the CCC for Marijuana Establishments that present special security concerns;
- establishing procedures for safe cash handling and cash transportation to financial institutions to prevent theft, loss and associated risks to the safety of employees, customers and the general public;
- sharing the establishment's floor layout with law enforcement and as required by the municipality to identify the use of any flammable or combustible solvents, chemicals, or other such materials in use; and
- sharing the Marijuana Establishment's security plan and procedures with law enforcement authorities and fire services and periodically updating law enforcement authorities and fire services if the plans or procedures are modified in a material way.

Cannabis must be stored in special limited access areas, and alarm systems must meet certain technical requirements, including a failure notification system, perimeter alarms on all entry and exit points, duress/panic alarms, and video surveillance in all areas where cannabis or cash is kept and at all points of entry and exit. The surveillance system must have the ability to record footage 24 hours a day and to retain such footage for at least 90 days. The systems must be angled so as to allow for the capture of clear identification of any person entering or existing the establishment and must be able to remain operational for a minimum of four hours in the event of a power outage. Regular audits are required every 30 days.

Massachusetts Transportation Requirements (Adult-Use)

Cannabis products may only be transported between licensed MEs by registered Marijuana Establishment agents. A licensed cannabis transporter may contract with a licensed Marijuana Establishment to transport that licensee's cannabis products to other licensed establishments. The originating and receiving licensed establishments shall ensure that all transported cannabis products are linked to METRC, Massachusetts' seed-to-sale tracking program. For the purposes of tracking, seeds and clones will be properly tracked and labeled in a form and manner determined by the CCC. Any cannabis product that is undeliverable or is refused by the destination Marijuana Establishment shall be transported back to the originating establishment. All vehicles transporting cannabis products shall be staffed with a minimum of two Marijuana Establishment agents. At least one agent shall remain with the vehicle at all times that the vehicle contains cannabis or cannabis products. Prior to the products leaving a Marijuana Establishment for the purpose of transporting cannabis products, the originating Marijuana Establishment must weigh, inventory, and account for, on video, all cannabis products to be transported. Within eight hours after arrival at the destination Marijuana Establishment, the destination establishment must re-weigh, re-inventory, and account for, on video, all cannabis products transported. When videotaping the weighing, inventorying, and accounting of cannabis products before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. Cannabis products must be packaged in sealed, labeled, and tamper or child-resistant packaging prior to and during transportation. In the case of an emergency stop during the transportation of cannabis products, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A Marijuana Establishment or a cannabis transporter transporting cannabis products is required to ensure that all transportation times and routes are randomized. An establishment or transporter transporting cannabis products shall ensure that all transport routes remain within Massachusetts. All vehicles and transportation equipment used in the transportation of cannabis products or edibles requiring temperature control for safety must be designed, maintained, and equipped as necessary to provide adequate temperature control to prevent the cannabis products or edibles from becoming unsafe during transportation, consistent with applicable requirements pursuant to 21 CFR 1.908(c).

Vehicles used for transport must be owned or leased by the Marijuana Establishment or transporter, and they must be properly registered, inspected, and insured in Massachusetts All vehicles must be equipped with a video system that includes at least one camera in the storage area and at least one camera in the driver area. All cameras must remain functional throughout the entire transportation process. All vehicles must also be equipped with an alarm system, and functioning heating and air conditioning. Cannabis may not be visible from outside the vehicle, and it must be transported in a secure, locked storage compartment. The vehicle may not have any external markings indicating that it is used to transport cannabis. Each vehicle must have a global positioning system, and any agent transporting cannabis must have access to a secure form of communication with the originating location. Firearms are forbidden inside the vehicle or on the person of an agent. Each transport must have a manifest filled out in triplicate.

Massachusetts CCC Inspections

The CCC or its agents may inspect a Marijuana Establishment and affiliated vehicles at any time without prior notice in order to determine compliance with all applicable laws and regulations. All areas of a Marijuana Establishment, all Marijuana Establishment agents and activities, and all records are subject to such inspection. Marijuana establishments must immediately upon request make available to the CCC all information that may be relevant to a CCC inspection, or an investigation of any incident or complaint. A Marijuana Establishment must make all reasonable efforts to facilitate the CCC's inspection, or investigation of any incident or complaint, including the taking of samples, photographs, video or other recordings by the CCC or its agents, and to facilitate the CCC's interviews of Marijuana Establishment agents. During an inspection, the CCC may direct a Marijuana Establishment to test cannabis for contaminants as specified by the CCC, including but not limited to mold, mildew, heavy metals, plant-growth regulators, and the presence of pesticides not approved for use on cannabis by the Massachusetts Department of Agricultural Resources.

Moreover, the CCC is authorized to conduct a secret shopper program in retail establishments to ensure compliance with all applicable laws and regulations.

U.S. Attorney Statements in Massachusetts

On July 10, 2018, the U.S. Attorney for the District of Massachusetts, Andrew Lelling, issued a statement regarding the legalization of adult-use cannabis in Massachusetts. Mr. Lelling stated that since he has a constitutional obligation to enforce the laws passed by Congress, he would not immunize the residents of Massachusetts from federal law enforcement. He did state, however, that his office's resources would be primarily focused on combating the opioid epidemic. He stated that considering those factors and the experiences of other states that have legalized adult-use cannabis, his office's enforcement efforts would focus on the areas of (i) overproduction, (ii) targeted sales to minors, and (iii) organized crime and interstate transportation of drug proceeds.

To the knowledge of management, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Massachusetts. See "*Risk Factors - U.S. state regulation of cannabis is uncertain*."

Michigan

Michigan Regulatory Landscape

In 2008, the Michigan Compassionate Care Initiative established a medical cannabis program for serious and terminally ill patients. This program, which was approved by the House but not acted upon and defaulted to a public initiative on the November ballot. Proposal 1 was approved by 63% of voters on November 8, 2008. Proposal 1 was then written into law and approved by Michigan's lawmakers in December 2008. The resulting Act became the Michigan Medical Marihuana Act ("MMMA"). The MMMA provides access to state residents to cannabis and cannabis related products under one of 11 debilitating conditions, including epilepsy, cancer, HIV/AIDS, cancer and post-traumatic stress disorder. In July 2018, the Medical Marihuana Review Panel approved 11 additional conditions to the list of aliments to qualify for medical cannabis. The additional 11 include chronic pain, colitis and spinal cord injury.

In 2016, the Michigan legislature passed two new acts and also amended the original MMMA. The first act, the Medical Marihuana Facilities Licensing Act ("MMFLA"), effective December 20, 2016 and most recently amended effective December 7, 2021, establishes a licensing and regulation framework for medical cannabis growers, processors, secure transporters, provisioning centers, and safety compliance facilities. The second act, the Marihuana Tracking Act ("MTA"), establishes a "seed-to-sale" system to track cannabis that is grown, processed, transferred, stored, or disposed of under the MMFLA.

In November of 2018 Michigan voters, through another public ballot initiative approved the Michigan Regulation and Taxation of Marihuana Act ("MRTMA") legalizing and establishing a licensing and regulatory framework for adult-use growers, processors, secure transporters, retailers, microbusinesses, event organizers, designated consumption establishments, and safety compliance facilities. The proposal was approved by nearly 56% of the voters. The state began taking applications for such on November, 1, 2019 and the first sales of adult-use marihuana took place on December 1, 2019. According to the Cowen report, Charting Cannabis: A U.S. State Level Deep Dive, published February 19, 2020, there were 125 open dispensaries in Michigan as of the end of 2019.

The Marihuana Regulatory Agency ("MRA") is a separate agency within the Michigan Department of Licensing and Regulatory Affairs and is responsible for the oversight of cannabis in Michigan. The MRA consists of the Medical and Adult Marihuana Applications, Compliance, Scientific & Legal and Enforcement Divisions and the Michigan Medical Marihuana Program Division. The MRA is responsible for issuing cards to medical cannabis patients, and oversight and licensing of medical facilities and adult-use establishments.

The MRA and State of Michigan attempted to combine the medical and adult-use markets during the 2019-2020 legislative session, but the proposed bill did not receive a vote in both legislative bodies. However, while the MMFLA and MRTMA remain separate and distinct laws, the MRA adopted topic-based Administrative Rules in June 2020 which address both medical facilities and adult-use establishments.

On September 27, 2021, the MRA held a public hearing to receive comments on updated Administrative Rules that are intended to provide clarity and consistency to licensees in both the medical and adult-use markets. Final drafts of the amended Administrative Rules were published in January 2022. On March 7, 2022, the updated Administrative Rules went into effect.

Under both the MMFLA and MRTMA Michigan municipalities can choose if they will allow cannabis establishments or facilities, and the type and number of establishments or facilities within their jurisdiction. This includes licensing and zoning ordinances for many municipalities. Because each municipality is able to devise a unique set of rules for cannabis licenses, each facility or establishment in a different Michigan municipality may be subject to a different set of local ordinances.

Michigan Licenses

The below table lists our Michigan licenses:

Entity	License Number	City	Expiration Date / Renewal Date	Description
FPAW Michigan, LLC	AU-R-000286	Ann Arbor	11/27/2023	Adult Use License
FPAW Michigan, LLC	PC-000391	Battle Creek	07/29/2023	Medical Use License
FPAW Michigan, LLC	AU-R-000234	Battle Creek	11/27/2023	Adult Use License
FPAW Michigan, LLC	PC-000390	Detroit	07/29/2023	Medical Use License
FPAW Michigan, LLC	PC-000318	Morenci	07/29/2023	Medical Use License
FPAW Michigan, LLC	AU-R-000125	Morenci	11/27/2023	Adult Use License
FPAW Michigan, LLC	PC-000503	28th Street, Grand Rapids	07/29/2023	Medical Use License
FPAW Michigan, LLC	AU-R-000338	28th Street, Grand Rapids	11/27/2023	Adult Use License
FPAW Michigan, LLC	AU-R-000373	Scribner Ave, Grand Rapids	11/27/2023	Adult Use License
FPAW Michigan, LLC	PR-000171, GR-C-000742, GR-C-000856, GR-C-000857	Lansing	07/29/2023	Medical Processor License
FPAW Michigan, LLC	GR-C-000858, GR-C-000859, GR-C-000860, GR-C-000861	Lansing	07/29/2023	Medical Cultivation License
FPAW Michigan, LLC	AU-G-EX-000209, AU-G-EX-000210, AU-G-EX-000211, AU-G-EX-000212, AU-G-EX-000213	Lansing	11/27/2023	Adult Use Cultivation License
FPAW Michigan, LLC	AU-P-000145, AU-G-C000312, AU-G-C000327, AU-G-C000328, AU-G-C000329, AU-G-C000498	Lansing	11/27/2023	Adult Use Processor License
FPAW Michigan, LLC	PC-000791	East Lansing	07/29/2023	Medical License
FPAW Michigan, LLC	AU-R-000706	East Lansing	11/27/2023	Adult Use License

Michigan Storage and Security Requirements

Michigan licensees must meet the security requirements as set forth in the MRTMA, MMFLA and Administrative Rules. As such, licensees are required to include a security plan in their state license applications. The plan and required security measures include, but are not limited to, ensuring that visitors are escorted by an employee at all times; maintaining commercial locks or electronic access on all doors and windows; having an active alarm system for the premises; having a video surveillance system that records all areas where marihuana products are weighed, packed, stored, loaded, and unloaded for transportation, prepared, or moved; recording the access point to the surveillance system; recording the exterior and interior of entrances and exits; recording all areas within 20 feet of entrances and exits; recording in 720p resolution or higher; ensuring sufficient lighting for recording; maintaining recordings for at least 30 days and a log of all those with access to the surveillance system. All marihuana products must be stored in a secured limited or restricted access area on the licensed premises. General requirements for all cannabis business can be found in Michigan Administrative Rule 420.206.

Michigan Transportation Requirements

Except in limited circumstances, transportation of cannabis between licensees takes place via State licensed secure transporters. Transported products are entered into a manifest and the Michigan statewide monitoring system. Products are picked up from cultivators and processors by secure transporters and then delivered to destinations. For adult use products licensed transporters may also transfer products between our retail locations. A transporter must transport all cannabis products in a locked, secured, and sealed container that is not accessible while in transit. The container must be secured by a locked closed lid or door. Cannabis product must be labeled and kept in separate compartments or containers within the main locked, secured, and sealed container. If the transporter transports money associated with the purchase or sale of cannabis product between businesses, the transporter shall lock the money in a sealed container kept separate from the cannabis product and only accessible to the licensee and its employees. A transporter cannot maintain custody of the cannabis product for more than 96 hours without permission from the MRA.

Michigan Reporting Requirements

Michigan licensees must maintain on-site, or have electronic access to, all records of the establishment. Records are defined as books, ledgers, documents, writings, photocopies, correspondence, electronic storage media, electronically stored records, money receptacles, equipment in which records are stored, including data or information in the statewide monitoring system, or any other document that is used for recording information. Additionally, licensees must provide the state with an audited annual financial statements every three years, or a shorter period as may be determined by the MRA. This report must be conducted by an independent certified public accountant and includes information including but not limited to: sampling of all transaction done by the organization over the course of the year; employees and employment; bank accounts; management, revenues, METRC transactions, vendors, taxes, ownership and distributions, outsourcing, licensing agreements, and independent contractors. Additionally, licensees must report any change to operations, officers, owners, members, managers, applicants; changes in processing machinery or equipment, violations or local ordinances, changes in named applicant; changes in names; conveyances of interest in a license; modifications to businesses or business plans between inspections or submissions; changes in capacities; changes to ingress or egress; adverse reactions to marihuana products; criminal convictions, charges, civil judgements, lawsuits, legal proceedings, charges, or governmental investigations; employee discipline for misconduct related to product sales or transfers; diversion; theft; and any suspected criminal activity on the premises. The above issues, depending on the type, must be reported either before the change, within 24 hours thereof or within 10 days of notice thereof.

Michigan Site-Visits and Inspections

The MRA or its agents may inspect a licensee at any time without prior notice in order to determine compliance with all applicable laws and regulations. All areas of the licensed premises, all licensee employees, agents, and activities, and all records are subject to such inspection. Licensees must immediately upon request make available to the MRA all information that may be relevant to a MRA inspection, or an investigation of any incident or complaint.

MRA agents conduct initial pre-licensure inspections, a post-licensure inspection within 30 days of operation, and then semi-annual inspections thereafter. The Michigan Bureau of Fire Services also conducts fire safety plan reviews, initial pre-licensure and semi-annual inspections of licensees.

U.S. Attorney Statements in Michigan

On November 8, 2018, United States Attorneys Matthew Schneider and Andrew Birge for the Eastern and Western Districts of Michigan, respectively, issued a joint statement regarding the legalization of adult-use cannabis in Michigan. They stated that since they had taken oaths to protect and defend the Constitution and the laws of the United States, they would not immunize the residents of Michigan from federal law enforcement. They stated that they would continue to the investigation and prosecution of cannabis crimes as they do with any other crime. They stated they would consider the federal law enforcement priorities set by the DOJ, the seriousness of the crime, the deterrent effect of prosecution, and the cumulative impact of the crime on a community, while also considering their ability to prosecute with limited resources. They stated that combating illegal drugs was just one of many priorities, and that even within the area of drugs, they were focused on combating the opioid epidemic. They stated that they have not focused on prosecution of low-level offenders, which they stated would not change (unless aggravating factors were present). They did state that certain crimes involving cannabis could pose serious risks and harm to a community, including interstate trafficking, involvement of other illegal drugs or activity, persons with criminal records, presence of firearms or violence, criminal enterprises, gangs and cartels, bypassing local laws and regulations, potential for environmental contamination, risks to minors, and cultivation on federal property. On December 21, 2021, Dawn N. Ison was appointed as United States Attorney for the Eastern District of Michigan.

To the knowledge of management, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Michigan. See "*Risk Factors - U.S. state regulation of cannabis is uncertain*."

New Jersey

New Jersey Regulatory Landscape

New Jersey's medical cannabis program was introduced in January 2010 when then Governor Corzine signed the New Jersey Compassionate Use Medical Marijuana Act into law which legalized medical cannabis for patients with certain enumerated qualifying conditions. Medical cannabis sales began in December 2012 and as of the first quarter of 2021, there were 10 licensed and operational Adult Treatment Centers ("ATCs") dispensing medical cannabis to patients. However, the state has accepted applications for satellite dispensaries for those operators, and we expect additional locations to open by the end of calendar year 2021. According to the Cowen report, Charting Cannabis: A U.S. State Level Deep Dive, published February 19, 2020, there were six open medical dispensaries in New Jersey as of the end of 2019.

In March 2018, under the direction of Governor Phil Murphy, who campaigned on a platform that included cannabis legalization, the New Jersey Department of Health ("NJ DOH") issued the Executive Order 6 Report, which immediately expanded the medical cannabis program in numerous ways including adding chronic pain and anxiety as qualifying conditions, doubling the monthly product limit, and permitting current licensees to open satellite dispensaries. In August 2018, the NJ DOH began accepting applications for the licensing of six additional ATCs, and those licenses were awarded in December 2018. In August 2019, the NJ DOH accepted applications for the licensing of 24 additional ATCs, divvied among three regions (northern, central, southern) and three forms of endorsements (cultivation, dispensary, vertically integrated).

ATC licenses are awarded by a selection committee that evaluates applicants on the following general criteria: (1) submittal of mandatory organizational information; (2) ability to meet the overall health needs of qualified patients and safety of the public; (3) history of compliance with regulations and policies governing government-regulated cannabis programs; (4) ability and experience of applicant in ensuring an adequate supply of cannabis; (5) community support and participation; (6) ability to provide appropriate research data; (7) experience in cultivating, manufacturing, or dispensing cannabis in compliance with government-regulated cannabis programs; and (8) workforce and job creation plan. Information required to be submitted is wide-ranging, and includes identification information and background checks of principals, employees, directors, and other stakeholders, and evidence of compliance with certain state and local laws and ordinances.

ATCs are subject to a detailed regulatory scheme encompassing security, staffing, point-of-sale systems, manufacturing standards, hours of operation, delivery, advertising and marketing, product labeling, records and reporting, and more. As with all jurisdictions, the full regulations (N.J.A.C. 8:64 et seq.) should be consulted for further information about any particular operational area. For example (and not by limitation), ATCs are subject to a number of regulations regarding their policies, procedures, records, and reporting. For example, ATCs must develop oversight procedures; procedures to ensure safe growing and dispensing operations; security policies; inventory protocols; disaster plans; pricing standards; and crime prevention plans and must maintain careful records, including organizational charts; facility documents; supply-and-demand projections; general business records; detailed sales records; and detailed personnel and training records. ATCs must provide substantial training for their employees and must maintain an alcohol and drug-free workplace.

Licenses are renewed annually, and applications therefore must be submitted 60-days prior to expiration of the license then in force and effect. Provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations associated with the license, license holders can expect to receive a renewal in the ordinary course of business.

On November 3, 2020, voters in New Jersey approved an amendment to the state's constitution to legalize cannabis for adult use in New Jersey. On February 22, 2021, New Jersey Governor Phil Murphy signed into law three bills which, taken together, give effect to the amendment and decriminalize small amounts of cannabis possession in New Jersey. The Cannabis Regulatory Commission ("CRC") was created to establish rules and regulations governing the sale and purchase of adult-use cannabis, to administer the state's medicinal cannabis program, and to oversee licensing for all areas of the cannabis industry. On August 19, 2021, the CRC voted to adopt initial rules regulating the adult-use cannabis market, Special Adopted New Rules: N.J.A.C. 17:30. In December of 2021, license applications opened for adult-use cultivators, manufacturers, and testing laboratories. In March of 2022, license applications opened for adult-use dispensaries and the first conditional recreation business applications were approved. On April 21, 2022 the first adult-use sales began. There is no established limit on the number of cannabis business licenses available statewide. On February 8, 2023, the CRC took action to promote the continued development of New Jersey's cannabis industry and improve the licensing process. As of February 23, 2023, cannabis license holders will be able to concurrently hold a cultivator license, a manufacturer license, a retailer license, and a delivery service license. Additionally, wholesale license holders can also hold a distributor license. Expanded ATCs may cultivate, manufacture, retail, and deliver.

New Jersey Licenses

Ascend New Jersey, LLC is permitted to open three dispensaries and one cultivation under its ATC and adult use license. Ascend New Jersey, LLC is an indirect subsidiary of the Company.

The below table lists our New Jersey licenses:

Entity	License Number	City	Expiration Date / Renewal Date	Description
Ascend New Jersey, LLC	MC000002	Franklin	12/31/2023	Medical Cultivation License
Ascend New Jersey, LLC	MM000001	Franklin	12/31/2023	Medical Manufacturing License
Ascend New Jersey, LLC	C000002	Franklin	04/17/2023	Adult Use Cultivation License
Ascend New Jersey, LLC	M000001	Franklin	04/17/2023	Adult Use Manufacturing License
Ascend New Jersey, LLC	MRE000015	Montclair	12/31/2023	Medical License
Ascend New Jersey, LLC	RE00015	Montclair	06/05/2023	Adult Use License
Ascend New Jersey, LLC	MRE000012	Rochelle Park	12/31/2023	Medical License
Ascend New Jersey, LLC	RE000012	Rochelle Park	04/20/2023	Adult Use License
Ascend New Jersey, LLC	MRE000259	Fort Lee	12/31/2023	Medical License
Ascend New Jersey, LLC	RE000259	Fort Lee	11/14/2023	Adult Use License

New Jersey Storage and Security Requirements

All ATCs and adult use cannabis businesses are required to provide effective controls and procedures to guard against theft and diversion of cannabis including, when appropriate, systems to protect against electronic records tampering. With respect to security and inventory protocols, ATCs and adult use cannabis businesses are required to maintain security and alarm systems in good working order; test and inspect such security systems; employ policies to limit unauthorized access to areas containing cannabis; adopt security protocols to protect personnel; minimize exterior access and ensure the exterior of the facility has adequate lighting; and notify the proper authorities of reportable losses, security breaches, alarm activations, and electrical failures.

Further, all ATCs and adult use cannabis businesses must install, maintain in good working order and operate a safety and security alarm system at its authorized physical address(es) that will provide suitable protection 24 hours a day, seven days a week against theft and diversion and that provides, at a minimum: (i) immediate automatic or electronic notification to alert state or local police agencies to an unauthorized breach of security at the ATC or adult use cannabis business; and (ii) a backup system that activates immediately and automatically upon a loss of electrical support and that immediately issues either automatically or electronic notification to state or local police agencies of the loss of electrical support. ATCs and adult use cannabis businesses must also implement appropriate security and safety measures to deter and prevent the unauthorized entrance into areas containing cannabis and the theft of cannabis and security measures that protect the premises, registered qualifying patients, registered primary caregivers and principal officers, directors, board members and employees of the ATC and adult use cannabis business. Each ATC and adult use cannabis business must establish a protocol for testing and maintenance of the security alarm system and conduct maintenance inspections and tests of the security alarm system at the ATC's and adult use cannabis business' authorized location at intervals not to exceed 30 days from the previous inspection and test, and it must promptly implement all necessary repairs to ensure the proper operation of the alarm system. In the event of a failure of the security alarm system due to a loss of electrical support or mechanical malfunction that is expected to last longer than eight hours, an ATC must notify NJ DOH and the CRC and either provide alternative security measures or close the affected facilities until service is restored. Finally, each ATC and adult use cannabis business must equip its interior and exterior premises with electronic monitoring, video cameras, and panic buttons.

New Jersey Reporting Requirements

The reporting requirements for ATCs are governed by N.J.A.C. 8:64-4.3. The State of New Jersey allows ATCs to choose their method of electronic verification and a T&T system. In the course of operations, ATCs are required to conduct detailed monthly inventories and an annual comprehensive inventory. ATCs must retain records for at least two years. The reporting requirements for adult use cannabis businesses are governed by N.J.A.C. 17:30-9.11.

New Jersey Site-Visits & Inspections

ATCs are subject to inspection by NJ DOH at any time, with or without notice. ATCs must provide immediate access to all facilities, materials, and information requested by NJ DOH. Failure to cooperate with an onsite assessment and or to provide access to the premises or information may be grounds to revoke the permit of the ATC and to refer the matter to state law enforcement agencies. If a problem is discovered, the ATC must notify NJ DOH in writing, with a postmark date that is within 20 business days of the date of the notice of violations, of the corrective actions the ATC has taken to correct the violations and the date of implementation of the corrective actions. Additionally, the NJ DOH is continually monitoring the operations of the ATC through our security and surveillance systems. The NJ DOH has the ability to access our surveillance system at any time and therefore may conduct a visual inspection of the premises at any time.

Adult use cannabis businesses are subject to inspection by the CRC at any time, with or without notice. adult use cannabis businesses must provide immediate access to all facilities, materials, and information requested by the CRC. Pursuant to N.J.A.C. 17:30-17.4, if the CRC identifies a violation, the CRC shall provide notice of the violation, including an official written report of the findings and the nature of the violation, to the adult use cannabis business within 7 business days following the onsite assessment or other identification of the violation. If a problem is discovered, the adult use cannabis business must notify the CRC in writing, with a postmark date that is within 20 business days of the date of the notice of violations, of the corrective actions the adult use cannabis business has taken to correct the violations and the date of implementation of the corrective actions.

New Jersey Transportation Requirements

An ATC that is authorized by permit to cultivate medical cannabis at one location and to dispense it at a second location shall transport only usable cannabis from the cultivation site to the dispensing site according to a delivery plan submitted to the NJ DOH. Each vehicle must be staffed with at least two registered ATC employees. At least one delivery team member shall remain with the vehicle at all times that the vehicle contains medical cannabis. Each delivery team member shall have access to a secure form of communication with the ATC, such as a cellular telephone, at all times that the vehicle contains medical cannabis. Each delivery team member must possess their ATC employee identification card at all times and shall produce it to NJ DOH staff or law enforcement officials upon demand.

Each transport vehicle needs to be equipped with a secure lockbox or locking cargo area, which shall be used for the sanitary and secure transport of medical cannabis. Each ATC must maintain current commercial automobile liability insurance on each vehicle used for transport of medical cannabis in the amount of $1 million per incident. Each ATC must ensure that vehicles used to transport medical cannabis bear no markings that would either identify or indicate that the vehicle is used to transport medical cannabis, and each trip must be completed in a timely and efficient manner, without intervening stops or delays. Each ATC shall maintain a record of each transport of medical cannabis in a transport logbook, which must include dates and times of trips, names of employees on the delivery team, relevant facts about the products transported and the signatures of the delivery team.

ATCs must report any vehicle accidents, diversions, losses, or other reportable events that occur during transport to the permitting authority in accordance with New Jersey law.

Home delivery is not permitted under New Jersey law. An ATC may not deliver cannabis to the home or residence of a registered qualifying patient or primary caregiver.

An adult use cannabis business may securely transport cannabis items to another cannabis business, or it may use a licensed cannabis distributor for such transport. A license holder may transport between multiple cannabis business premises or to another cannabis business anywhere in the state using a delivery vehicle, as required under N.J.A.C 17:30-9.15.

Each transport vehicle needs to be equipped with a GPS device identifying the geographic location of the delivery vehicle, a secure lockbox or locking cargo area, and functional heating and cooling, which shall be used for the sanitary and secure transport of cannabis. Each adult use cannabis business must maintain current commercial automobile liability insurance on each vehicle used for transport of medical cannabis in the amount of $1 million per incident. Each adult use cannabis business must ensure that vehicles used to transport cannabis bear no markings that would either identify or indicate that the vehicle is used to transport cannabis, and each trip must be completed in a timely and efficient manner, without intervening stops or delays. Each adult use cannabis business shall maintain a record of each transport of cannabis in a transport logbook, which must include dates and times of trips, names of employees on the delivery team, relevant facts about the products transported and the signatures of the delivery team.

An adult use cannabis business shall report any vehicle accidents, diversions, losses, or other reportable events that occur during transport to the CRC in accordance with N.J.A.C. 17:30-9.11.

Pursuant to N.J.A.C. 17:30-12.8, a license holder holding a Class 6 Cannabis Delivery license may be authorized by a cannabis retailer to deliver cannabis items to consumers on behalf of that cannabis retailer. In transit, the cannabis items shall be locked and stored in a sanitary and secure lockbox. There must be real time GPA tracking of the delivery vehicle and the delivery service shall only deliver to a residence in New Jersey, to a legal customer whose age has been verified by an examination of the consumer’s identification. Each ATC shall maintain a record of each transport of medical cannabis in a transport logbook, which must include dates and times of trips, names of employees on the delivery team, relevant facts about the products transported and the signatures of the delivery team. Each adult use cannabis business must maintain current commercial automobile liability insurance on each vehicle used for transport of medical cannabis in the amount of $1 million per incident. Each adult use cannabis business must ensure that vehicles used to transport cannabis bear no markings that would either identify or indicate that the vehicle is used to transport cannabis, and each trip must be completed in a timely and efficient manner, without intervening stops or delays. Each adult use cannabis business shall maintain a record of each transport of cannabis in a transport logbook, which must include dates and times of trips, names of employees on the delivery team, relevant facts about the products transported and the signatures of the delivery team.

U.S. Attorney Statements in New Jersey

To the knowledge of management, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in New Jersey. See "*Risk Factors - U.S. state regulation of cannabis is uncertain*."

Ohio

Ohio Regulatory Landscape

Effective September 8, 2016, House Bill 523 legalized the use of medical cannabis for 26 debilitating conditions as prescribed by a licensed physician. The Ohio Medical Marijuana Control Program ("OMMCP") allows people with certain medical conditions, including Alzheimer's disease, HIV/AIDS, ALS, cancer, traumatic brain injury, chronic pain, post-traumatic stress disorder and cachexia, to purchase medical cannabis. Though Ohio was required to implement a fully operational OMMCP by September 8, 2018 with a controlled system for cultivation, laboratory testing, physician/patient registration and dispensing, the timeline was delayed until November 2018. Regulatory oversight is shared between three offices; (a) the Ohio Department of Commerce with respect to overseeing cultivators, processors and testing laboratories; (b) the Ohio Board of Pharmacy with respect to overseeing retail dispensaries and the registration of patients and caregivers, and (c) the State Medical Board of Ohio with respect to certifying physicians to recommend medical cannabis. The OMMCP will permit limited product types including oils, tinctures, plant materials and edibles. Adult-use and the smoking of cannabis flower are prohibited. Adult-use and the smoking of cannabis flower are prohibited. As of January 2023, there were approximately 338,049 registered patients allowed to purchase cannabis products from a dispensary. As of February 14, 2023, there were 66 open dispensaries in Ohio.

Ohio Licenses

To be considered for approval of a provisional dispensary, cultivation or a processing license, the applicant must complete all mandated requirements. To obtain a certificate of operation for a medical cannabis dispensary, cultivation facility or processing facility, the prospective licensee must be capable of operating in accordance with Chapter 3796 of the Revised Code, the Medical Marijuana Control Program. Dispensary certificates of operation carry two-year terms, while certificates of operation for cultivators and processors must be renewed annually.

A certificate of operation will expire on the date identified on the certificate. A licensee will receive written or electronic notice 90 days before the expiration of its certificate of operation. The licensee must submit the renewal information at least 45 days prior to the date the existing certificate expires. The information required for the license renewal includes, but is not limited to, the following: (a) a roster that includes the dispensary's employees' names, (b) the history of compliance with regulations, and (c) the number and severity of any violations. If a licensee's renewal application is not filed prior to the expiration date of the certificate of operation, the certificate of operation will be suspended for a maximum of 30 days. After 30 days, if the dispensary has not successfully renewed the certificate of operation, including the payment of all applicable fees, the certificate of operations will be deemed expired.

BCCO, LLC and Ohio Cannabis Clinic, LLC each operate one dispensary, and Hemma, LLC operates a cultivation facility. Marichron Pharma, LLC holds a processing license.

The below table lists the licenses held by our subsidiaries and contractual parties hold in Ohio:

Entity	License Number	City	Expiration Date / Renewal Date	Description
BCCO, LLC	MMD.0700075	Carroll	07/01/2023	Medical Dispensary
Hemma, LLC	MMCPC00014	Monroe	09/10/2023	Medical Cultivation
Hemma, LLC	MMCPP00125	Monroe	01/17/2024	Medical Cultivation - License to Package, Sell, Deliver
Ohio Cannabis Clinic, LLC	MMD.0700089	Coshocton	07/01/2023	Medical Dispensary
Marichron Pharma, LLC	MMCPP00082	Monroe	03/23/2023	Medical Processing

Ohio Storage Requirements

Ohio has selected METRC as the T&T system. Individual licensees, whether directly or through third-party APIs, are required to push data to the state to meet all reporting requirements. A holder of a processing or cultivation license must track and submit through the inventory tracking system any information the Ohio Department of Commerce determines necessary for maintaining and tracking medical cannabis extracts and products.

A holder of a cultivation license must conduct a weekly inventory of medical cannabis which includes (a) date of inventory; (b) amount of medical cannabis on hand; (c) total count of plants, whether in the flowering, vegetative, or clone phase of growth and organized by room in which the plants are being grown; (d) amount of medical cannabis sold since previous weekly inventory; (e) date, quantity, and method of disposal of medical cannabis; (f) summary of the inventory findings; and (g) name, signature, and title of the employees who conducted the inventory and oversaw the inventory. On an annual basis and as a condition for renewal of a cultivation license, a holder of a cultivation license must conduct a physical, manual inventory of the medical cannabis on hand at the cultivation facility and compare the findings to an annual inventory report generated using the inventory tracking system.

A holder of a processing license must conduct weekly inventory of medical cannabis which includes (a) the date of the inventory, (b) net weight of plant material and the net weight and volume of medical cannabis extract, (c) net weight and unit count of medical cannabis products prepared or packaged for sale to a dispensary, (d) the amount of medical cannabis and medical cannabis products sold since previous weekly inventory; (e) the date, quantity, and method of disposal of any plant material, medical cannabis extract, and medical cannabis products; (f) a summary of the inventory findings; and (g) name, signature and employees who conducted the inventory and oversaw the inventory. On an annual basis and as a condition for renewal of a processing license, a holder of a processing license shall conduct a physical, manual inventory of plant material, medical cannabis extract, and medical cannabis products on hand at the processor and compare the findings to an annual inventory report generated using the inventory tracking system. A holder of a processing license must store plant material, medical cannabis extract, and medical cannabis product inventory on the premises in a designated, enclosed, locked area and accessible only by authorized individuals.

A holder of a dispensary license must use the METRC T&T system to push data to the Ohio Board of Pharmacy on a real-time basis. The following data must be transmitted (a) each transaction and each day's beginning inventory, acquisitions, sales, disposal and ending inventory, (b) acquisitions of medical cannabis from a licensed processor or cultivator holding a plant-only processor designation, (c) name and license number of the licensed dispensary employee receiving the medical cannabis and, (d) other information deemed appropriate by the Ohio State Board of Pharmacy. A dispensary's designated representative shall conduct the inventory at least once a week. Records of each day's beginning inventory, acquisitions, sales, disposal and ending inventory shall be kept for a period of three years.

The dispensary licensee must restrict access areas and keep stock of medical cannabis in secured area enclosed by a physical barrier with suitable locks and an alarm system capable of detecting entry at a time when licensed dispensary employees are not present. Medical cannabis must be stored at appropriate temperatures and under appropriate conditions to help ensure that its identity, strength, quality and purity are not adversely affected.

Ohio Security Requirements

All licensees must have a security system that remains operational at all times and that uses commercial grade equipment to prevent and detect diversion, theft or loss of medical cannabis, including (a) a perimeter alarm, (b) motion detectors, and (c) duress and panic alarms. All licensees must also employ a holdup alarm, which means a silent alarm signal generated by the manual activation of a device intended to signal a robbery in progress. Processing and cultivation facilities are also required to have secondary alarm systems installed and monitored by a vendor that differs from the primary alarm system.

Video cameras at a dispensary must be positioned at each point of egress and each point of sale. The cameras must capture the sale, the individuals and the computer monitors used for the sale, approved safes, approved vaults and any area where cannabis is stored, handled or destroyed. Video surveillance recording must operate 24 hours a day, seven days a week. Recording from all video cameras during hours of operation must be made available for immediate viewing by the Ohio State Board of Pharmacy upon request and must be retained for at least six months.

Video cameras at a processing or cultivation facility must be directed at all approved safes, approved vaults, and any other area where plant material, medical cannabis extract, or medical cannabis products are being processed, stored, handled or destroyed. Video surveillance must take place 24 hours a day, seven days a week. Recordings from all video cameras during hours of operation must be readily available for immediate viewing by the Ohio regulatory bodies upon request and must be retained for at least six months. Video recording must be maintained for at least a 45-day period. Video recording must be maintained beyond the 45-day period when the cultivator or processor becomes aware of a pending criminal, civil or administrative investigation or legal proceeding for which a recording may contain relevant information. The cultivator or processor must retain an unaltered copy of the recording until the investigation or proceeding is closed or the entity conducting the investigation or proceeding is closed or the entity conducting the investigation or proceeding notifies the cultivator or processor that it is no longer necessary to retain the recording.

Ohio Reporting Requirements

A holder of a processing license must maintain the following records: (a) samples sent for testing, (b) disposal of products, (c) tracking of inventory, (d) form and types of medical cannabis maintained at the processing facility on a daily basis, (e) production records, including extraction, refining, manufacturing, packaging and labeling, (f) financial records, (g) employee records and (h) purchase invoices, bills of lading, manifests, sales records, copies of bills of sale, and any supporting documents, including the items and/or services purchased, from whom the items were purchased, and the date of purchase. Records must be maintained for five years.

A holder of a cultivation license must maintain the following records: (a) forms and types of medical cannabis maintained at the cultivator on a daily basis; (b) soil amendment, fertilizers, pesticides, or other chemicals applied to the growing medium or plants or used in the process of growing medical cannabis; (c) production records, including planting, harvesting and curing, weighing, and packaging and labeling; (d) financial records; (e) employee records; and (f) purchase invoices, bills of lading, manifests, sales records, copies of bills of sale, and any supporting documents, including the items and/or services purchased, from whom the items were purchased, and the date of purchase. Records will be maintained for five years.

A holder of a dispensary license must maintain the following records (a) confidential storage and retrieval of patient information or other medical cannabis records, (b) records of all medical cannabis received, dispensed, sold, destroyed, or used, (c) dispensary operating procedures, (d) a third-party vendor list, (e) monetary transactions, and (f) journals and ledgers. All records relating to the purchase or return, dispensing, distribution, destruction, and sale of medical cannabis must be maintained under appropriate supervision and control to restrict unauthorized access on the licensed premises for a five-year period.

Ohio Transportation Requirements

Medical cannabis entities must maintain a transportation log in METRC containing the names and addresses of the medical cannabis entities sending and receiving the shipment, names and registration numbers of the registered employees transporting the medical cannabis or the products containing medical cannabis, the license plate number and vehicle type that will transport the shipment, the time of departure and estimated time of arrival, the specific delivery route, which includes street names and distances; and the total weight of the shipment and a description of each individual package that is part of the shipment, and the total number of individual packages. Copies of the log described above must be transmitted to the recipient and to the Ohio Department of Commerce through METRC before 11:59 p.m. on the day prior to the trip.

Vehicles transporting medical cannabis or cannabis products must be insured as required by law, store the products in locked compartments, ensure that the products are not visible from outside the vehicle, be staffed with two employees registered with the department (with one remaining with the vehicle at all times) and have access to the 911 emergency system. Vehicles must not be marked with any marks or logos.

Trips must be direct, other than to refuel the vehicle. Drivers must have their employee identification cards on their person at all times and must ensure that delivery times and routes are randomized. A copy of the transportation log must be carried during the trip.

Ohio Inspections Requirements

The submission of an application that results in the issuance of a provisional license or certificate of operation for a cultivator irrevocably gives the Ohio Department of Commerce consent to conduct all inspections necessary to ensure compliance with the cultivator's application, state and local law and regulators. An inspector conducting an inspection pursuant to this rule shall be accompanied by a “type 1” key employee during the inspection. The inspector may review and make copies of records, enter any area of a facility, inspect vehicles, equipment, premises, and question employees, among other actions. Dispensaries are not permitted to deliver cannabis products to the homes of patients or their designated caregivers.

Dispensaries in Ohio are subject to random and unannounced dispensary inspections and medical cannabis testing by the Ohio Board of Pharmacy. The Ohio Board of Pharmacy and its representatives may enter facilities and vehicles where medical cannabis is held and conduct inspections in a reasonable manner each place and all pertinent equipment, containers and materials and data. The Ohio Board of Pharmacy may also obtain any medical cannabis or related products from such facility.

U.S. Attorney Statements in Ohio

To the knowledge of management, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Ohio. See “*Risk Factors - U.S. state regulation of cannabis is uncertain*.”

<u>Pennsylvania</u>

Pennsylvania Regulatory Landscape

The Pennsylvania medical marijuana program was signed into law on April 17, 2016, under Act 16 (“Act 16”) and provided access to state residents with one or more of 17 qualifying conditions, including: epilepsy, chronic pain and PTSD. On March 22, 2018, it was announced that the final phase of the Pennsylvania medical marijuana program would initiate its rollout, which included 13 additional cultivation/processing licenses and 23 additional dispensary licenses. It was announced on April 17, 2018, that dry flower would be included in the regulations as an approved product form for sale and consumption (in addition to the already approved forms of concentrates, pills, and tinctures). Simultaneously, it was announced that the list of qualifying conditions would expand from 17 to 21, including additions of cancer remission therapy and opioid-addiction therapy. On July 20, 2019, two more qualifying medical conditions were added, bringing the total to 23.

On June 30, 2021, Pennsylvania Governor Tom Wolf signed into law H.B. 1024 (“Act 44”), which made revisions to Pennsylvania’s medical marijuana program, including codification of certain practices permitted under emergency orders issued in response to the COVID-19 pandemic. The changes permit a wider range of individuals to serve as caregivers, including employees of long-term care and nursing facilities. The changes also permit dispensaries some additional operational flexibility, including providing limited, on-site outdoor order pickups, providing remote patient consultations, and providing medical dosages up to a 90 days' supply as opposed to a 30 days' supply.

On July 11, 2022, Pennsylvania Governor Tom Wolf signed into law H.B. 311, containing an amendment that states that a “financial institution authorized to engage in business in this Commonwealth may provide financial services to or for the benefit of a legitimate cannabis -related business.” The same protections will apply to insurers.

As of July 2022, adult use of cannabis remains illegal.

Pennsylvania Licenses / Regulations

There are two principal license categories in Pennsylvania: (1) cultivation/processing and (2) dispensary. All cultivation/processing establishments and dispensaries must register with Pennsylvania Department of Health under the provisions of Act 16 (35 P.S. §§ 10231.101—10231.2110) and Chapters 1141, 1151 and 1161 of the Pennsylvania regulations. Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. The Pennsylvania Department of Health must renew a permit unless it determines the applicant is unlikely to maintain effective control against diversion of medical cannabis and the applicant is unlikely to comply with all laws as prescribed under the Pennsylvania medical marijuana program.

Under applicable laws, the licenses permit the license holder to cultivate, manufacture, process, package, sell and purchase medical marijuana pursuant to the terms of the licenses, which are issued by the Pennsylvania Department of Health under the provisions of Act 16 and Pennsylvania regulations. The medical cultivation/processing licenses permit the licensee to acquire, possess, cultivate, manufacture/process into medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries. The retail dispensary licenses permit the license holder to purchase marijuana and marijuana products from cultivation/processing facilities, as well as allow the sale of marijuana and marijuana products.

On March 5, 2021, the Department of Health proposed permanent regulations relating to medical marijuana, replacing the temporary regulations governing the program through its history. These proposed regulations are in substantially the same form as the temporary regulations, with only a few distinctions. One proposed revision identifies that a medical marijuana organization’s change in ownership without the Department of Health’s knowledge and written approval of all individuals affiliated with the medical marijuana organization would be a violation of the act and proposed rules. The proposed regulations also require dispensaries and grower/processors to supplement ongoing reports to the Department of Health with information related to the average price per unit of medical marijuana products sold, as opposed to the per-dose price. The proposed rules also increase the list of reasons for which the Department of Health may suspend or revoke a medical marijuana organization’s permit by adding falsification of information on any applications submitted to the Department of Health. The proposed regulations also address training, identifying that principals, as well as employees, who have direct contact with patients or caregivers or who physically handle medical marijuana plants, seeds and products must also complete a training.

The below table lists the licenses applied for by our subsidiaries and contractual parties hold in Pennsylvania:

Entity	Clinical Registrant Number	City	Expiration / Renewal Date	Description
Story of PA CR, LLC	CR-01-GP21-5101	Smithfield	03/01/2024	Medical Cultivation / Processor License
Story of PA CR, LLC	CR01-D21-2101	Scranton	03/01/2024	Medical License
Story of PA CR, LLC	CR01-D21-2101	Wayne	03/01/2024	Medical License

Pennsylvania Storage / Reporting / Inventory Requirements

A dispensary shall have separate and locked limited access areas for storage of medical marijuana products that are expired, damaged, deteriorated, mislabeled, contaminated, recalled, or whose containers or packaging have been opened or breached until the medical marijuana products are returned to a grower/processor, destroyed or otherwise disposed of as required under § 1151.40 (relating to management and disposal of medical marijuana waste). A dispensary shall maintain all storage areas in a clean and orderly condition and free from infestation by insects, rodents, birds and pests.

A grower/processor shall ensure that a facility has separate and locked limited access areas for storage of seeds, immature medical marijuana plants, medical marijuana plants, medical marijuana and medical marijuana products that are expired, damaged, deteriorated, mislabeled, contaminated, recalled or whose containers or packaging have been opened or breached until the seeds, immature medical marijuana plants, medical marijuana plants, medical marijuana and medical marijuana products are destroyed or otherwise disposed of as required under § 1151.40 (relating to management and disposal of medical marijuana waste). A grower/processor facility shall maintain all storage areas in a clean and orderly condition and free from infestation by insects, rodents, birds and pests.

A grower/processor and dispensary shall use the electronic tracking system prescribed by the Department of Health containing the requirements in section 701 of Act 16 (35 P.S. § 10231.701). Pennsylvania has elected to use MJ Freeway's electronic tracking system.

A dispensary shall maintain the following inventory data in its electronic tracking system; (1) medical marijuana products received from a grower/processor; (2) medical marijuana products dispensed to a patient or caregiver; (3) damaged, defective, expired or contaminated medical marijuana products awaiting return to a grower/processor or awaiting disposal. A dispensary shall establish inventory controls and procedures to conduct monthly inventory reviews and annual comprehensive inventories of medical marijuana products at its facility. A written or electronic record shall be created and maintained of each inventory which includes the date of the inventory, a summary of the inventory findings, and the employee identification numbers and titles or positions of the individuals who conducted the inventory.

A grower/processor shall maintain the following inventory data in its electronic tracking system which must include an accounting of and an identifying tracking number for; (1) the number, weight and type of seeds; (2) the number of immature medical marijuana plants; (3) the number of medical marijuana plants; (4) the number of medical marijuana products ready for sale; (5) the number of damaged, defective, expired or contaminated seeds, immature medical marijuana plants, medical marijuana plants, medical marijuana and medical marijuana products awaiting disposal. A grower/processor shall establish inventory controls and procedures to conduct inventory reviews and comprehensive inventories at its facility. The following requirements apply; (1) inventory reviews of medical marijuana plants in the process of growing, and medical marijuana and medical marijuana products that are being stored for future sale shall be conducted monthly; (2) comprehensive inventories of seeds, immature medical marijuana plants, medical marijuana plants, medical marijuana and medical marijuana products shall be conducted at least annually. A written or electronic record shall be created and maintained of each inventory conducted under this requirement that includes the date of the inventory, a summary of the inventory findings, and the employee identification numbers and titles or positions of the individuals who conducted the inventory.

Pennsylvania Security Requirements

A grower/processor shall have security and surveillance systems, utilizing commercial-grade equipment, to prevent unauthorized entry and to prevent and detect an adverse loss. The security and surveillance systems must include, subject to additional requirements of the Department of Health, (1) a professionally monitored security alarm system that includes: (i) coverage of all facility entrances and exits, (ii) two silent security alarms, (iii) an audible security alarm, (iv) a device capable of sending a prerecorded voice message requesting dispatch to a law enforcement, public safety or emergency services agency, (v) a failure notification system that provides an alert to a designated security person within 5 minutes after the failure, (vi) smoke and fire alarms, (vii) auxiliary power sufficient to maintain operation of specified growing and processing areas for at least 48 hours following a power outage, (viii) the ability to ensure all access doors are not solely controlled by an electronic access panel to prevent locks from becoming released during a power outage, and (ix) motion detectors; (2) a professionally monitored security and surveillance system that is operational 24 hours per day, 7 days per week and records all activity in images capable of clearly revealing facial detail; (3) the ability to display the date and time clearly and accurately; (4) the ability to record and store all images captured by each surveillance camera for a minimum of 2 years in a format that may be easily accessed for investigative purposes; (5) a security alarm system separate from the facility’s primary security system covering the limited access area or other room where the recordings under paragraph (4) are stored.

The Department of Health also requires certain inspection and document retention policies as well the installation of commercial-grade, nonresidential steel doors and door locks on each room where seeds, immature medical marijuana plants, medical marijuana plants, medical marijuana and medical marijuana products are stored, and on each external door of the facility.

A dispensary shall have security and surveillance systems, utilizing commercial-grade equipment, to prevent unauthorized entry and to prevent and detect an adverse loss. The security and surveillance system must include, subject to additional requirements of the Department of Health, (1) a professionally monitored security alarm system that includes: (i) coverage of all facility entrances and exits, (ii) two silent security alarms, (iii) an audible security alarm, (iv) a device capable of sending a prerecorded voice message requesting dispatch to a law enforcement, public safety or emergency services agency, (v) a failure notification system that provides an alert to a designated security person within 5 minutes after the failure, (vi) smoke and fire alarms, (vii) auxiliary power sufficient to maintain security and surveillance systems for at least 48 hours following a power outage, (viii) the ability to ensure all access doors are not solely controlled by an electronic access panel to prevent locks from becoming released during a power outage, and (ix) motion detectors; (2) a professionally-monitored security and surveillance system that is operational 24 hours per day, 7 days per week and records all activity in images capable of clearly revealing facial detail; (3) the ability to clearly and accurately display the date and time; (4) the ability to record and store all images captured by each surveillance camera for a minimum of 2 years in a format that may be easily accessed for investigative purposes; (5) a security alarm system separate from the facility’s primary security system covering the limited access area or other room where the recordings under paragraph (4) are stored. The separate security alarm system must meet the same requirements as the facility’s primary security alarm system. The Department of Health also requires certain inspection and document retention policies as well as access restrictions for certain personnel to the security system and security records.

Pennsylvania Transportation Requirements

A grower/processor may transport and deliver seeds, immature medical marijuana plants, medical marijuana plants, medical marijuana and medical marijuana products to a medical marijuana organization or an approved laboratory in Pennsylvania in accordance with certain guidelines promulgated by the Department of Health, including but not limited to, requiring (1) the use of a global positioning system to ensure safe, efficient delivery of the seeds, immature medical marijuana plans, medical marijuana plants, medical marijuana and medical marijuana products to a medical marijuana organization or approved laboratory between 7 a.m. and 9 p.m.; and (2) a transport vehicle must be staffed with at least two individuals, at least one of whom must remain with the vehicle at all times that the vehicle contains seeds, immature medical marijuana plans, medical marijuana plants, medical marijuana and medical marijuana products to ensure the security of the products.

A dispensary may transport and deliver medical marijuana products to a medical marijuana organization in Pennsylvania in accordance with certain guidelines promulgated by the Department of Health, including but not limited to, requiring (1) the use of a global positioning system to ensure safe, efficient delivery of the medical marijuana products to a medical marijuana organization between 7 a.m. and 9 p.m.; and (2) transport vehicle must be staffed with at least two individuals, at least one of whom must remain with the vehicle at all times that the vehicle contains medical marijuana products to ensure the security of the products.

Pennsylvania Inspections

The Department of Health may conduct announced or unannounced inspections or investigations to determine the medical marijuana organization's compliance with its permit, Act 16, or the regulations. An investigation or inspection may include but is not limited to; (1) inspection of a medical marijuana organization's site, facility, vehicles, books, records, papers, documents, data, and other physical or electronic information; (2) questioning of employees, principals, operators, financial backers, authorized agents of, and any other person or entity providing services to the medical marijuana organization; and (3) inspection of a grower/processor facility's equipment, instruments, tools and machinery that are used to grow, process and package medical marijuana, including containers and labels.

U.S. Attorney Statements in Pennsylvania

To the knowledge of management, other than as disclosed in this prospectus, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Pennsylvania. See "*Risk Factors - U.S. state regulation of cannabis is uncertain*."

Certain Recent Developments

The events described in this "*Certain Recent Developments*" section relate, in part, to matters discussed in more detail in "Item 7., *Management's Discussion and Analysis of Financial Condition and Results of Operations*" to this Annual Report on Form 10-K and/or in the notes to the consolidated financial statements contained in Item 8. of this Annual Report on Form 10-K, which sections include the description of other events that occurred during the year. For a description of our material pending legal proceedings, please see Note 15, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

On November 22, 2022, the Company filed a Registration Statement on Form S-3 containing a base shelf prospectus with the SEC, which Registration Statement became effective on December 22, 2022. A corresponding base shelf Canadian Prospectus was filed with, and receipted by, the securities regulatory authorities in each of the provinces and territories Canada under the U.S.-Canada multijurisdictional disclosure system (MJDS). The Registration Statement and Canadian Prospectus qualify the distribution from treasury of up to an aggregate amount of $100 million worth of Securities for a period of three years. The terms of any Securities to be offered under the base prospectus will be specified in a prospectus supplement, which will be filed with the applicable U.S. and Canadian securities regulatory authorities in connection with any such offering.

On January 25, 2023, the Company entered into a definitive agreement (the "Maryland Agreement") to acquire 100% of the membership interests of Devi Holdings, Inc. ("Devi"), which owns and operates four licensed medical cannabis dispensaries in Maryland. Under the Maryland Agreement, the Company will also acquire the real property of the four dispensary locations. Total consideration at closing, subject to customary closing conditions and working capital adjustments, will consist of cash consideration of $12,000 and approximately 5,200 shares of Class A common stock. The Maryland Agreement is subject to regulatory review and approval.

On February 20, 2023, the Company entered into an agreement to sell its Pennsylvania cultivation facility for $20,000, subject to closing adjustments. The final close is dependent on certain conditions, including inspection. Concurrent with closing, the Company anticipates entering a lease agreement for the property and expects the transaction will be considered a sale leaseback transaction. On February 24, 2023, the Company amended the lease associated with its New Jersey cultivation facility to increase the tenant improvement allowance by $15,000.

Executive Officers of the Registrant

Executive Officers on March 15, 2023

Name	Age	Principal Occupations and Business Experience
Abner Kurtin	56	Executive Chairman of AWH since September 2022 and Co-Founder; Chief Executive Officer from May 2018 to September 2022; founder of K Capital Partners from 2000 to April 2009; managing member of Ca2 Group from January 2010 to January 2018.
Frank Perullo	46	Interim Co-Chief Executive Officer (since September 2022), President (since February 2022), Secretary, Chief Strategy Officer (since May 2018), and Co-Founder of AWH; Founder of the Novus Group from 2015 to the present; Founder and President of Sage Systems from 2002 to 2015.
Daniel Neville	36	Interim Co-Chief Executive Officer (since September 2022), Chief Financial Officer and Treasurer (since August 2020) of AWH; SVP, Finance of AWH from March 2019 to August 2020; Managing Director at SLS Capital from January 2015 to March 2019; Analyst at SLS Capital from April 2010 to January 2015.

Available Information

Our website address is www.awholdings.com. Through this website, our filings with the SEC and the Canadian securities regulatory authorities, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, will be accessible (free of charge) as soon as reasonably practicable after materials are electronically filed with or furnished to the SEC and the relevant Canadian securities regulatory authorities. The information provided on our website is not part of this document.

ITEM 1A. RISK FACTORS

Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should carefully consider the following risks, together with all of the other information contained in this Annual Report on Form 10-K, including the sections titled "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K. Any of the following risks could have an adverse effect on our business, financial condition, operating results, or prospects and could cause the trading price of shares of our Class A common stock to decline, which would cause you to lose all or part of your investment. Our business, financial condition, operating results, or prospects could also be harmed by risks and uncertainties not current known to use or that we currently do not believe are material.

Summary of Risk Factors

Our business is subject to a number of risks and uncertainties of which you should be aware before making a decision to invest in our Class A common stock. This summary does not address all of the risks that we face. These risks include, among others, the following:

- the effect of the volatility of the market price and liquidity risks on shares of our Class A common stock;
- the effect of the voting control exercised by holders of Class B common stock;
- our ability to attract and maintain key personnel;
- our ability to continue to open new dispensaries and cultivation facilities as anticipated;
- the illegality of cannabis under federal law;
- our ability to comply with state and federal regulations;
- the uncertainty regarding enforcement of cannabis laws;
- the effect of restricted access to banking and other financial services;
- the effect of constraints on marketing and risks related to our products;
- the effect of unfavorable tax treatment for cannabis businesses;
- the effect of proposed legislation on our tax liabilities and financial performance;
- the effect of security risks;
- the effect of infringement or misappropriation claims by third parties;
- our ability to comply with potential future U.S. Food and Drug Administration (the "FDA") regulations;
- our ability to enforce our contracts;
- the effect of unfavorable publicity or consumer perception;
- the effect of risks related to material acquisitions, dispositions and other strategic transactions;
- the effect of agricultural and environmental risks;
- the effect of climate change;
- the effect of risks related to information technology systems;
- the effect of unknown health impacts associated with the use of cannabis and cannabis derivative products;
- the effect of product liability claims and other litigation to which we may be subjected;
- the effect of risks related to the results of future clinical research;
- the effect of intense competition in the industry;
- the effect of the maturation of the cannabis market;
- the effect of adverse changes in the wholesale and retail prices;
- the effect of sustained inflation;
- the effect of political and economic instability;
- the effect of outbreaks of pandemic diseases, fear of such outbreaks or economic disturbances due to such outbreaks, particularly the impact of the COVID-19 pandemic; and
- the effect of general economic risks, such as the unemployment level, interest rates, and inflation, and challenging global economic conditions.

Risk Factors

Risks Related to Our Business and Industry

Cannabis remains illegal under U.S. federal law, and enforcement of cannabis laws could change.

We are currently engaged in the cannabis industry in the United States, both directly and indirectly, where local and state laws permit such activities. However, investors are cautioned that cannabis is a Schedule I controlled substance pursuant to the United States Controlled Substances Act (21 U.S.C. § 811) (the "CSA"), and is illegal under U.S. federal law. Even in those states in which the use of cannabis has been legalized, its use, cultivation, sale and distribution remains a violation of federal law. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would harm our business, prospects, results of operation, and financial condition.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and adult-use cannabis, for both adult-use and medical purposes, cannabis is largely regulated at the state level in the United States. To date, the cultivation and sale of cannabis for medical uses has been legalized in 37 states, four of five permanently inhabited U.S. territories and the District of Columbia. The adult-use of cannabis has been legalized in 21 states, the Northern Mariana Islands, Guam, and the District of Columbia. Although certain U.S. states have legalized the sale of medical or adult-use cannabis, the sale, distribution, and cultivation of cannabis and cannabis-related products remains illegal under U.S. federal law pursuant to the CSA. The CSA classifies cannabis as a Schedule I controlled substance, and as such, medical and adult-use cannabis use is illegal under U.S. federal law.

Unless and until the United States Congress ("Congress") amends the CSA with respect to cannabis (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. If that occurs, we may be deemed to be producing, cultivating or dispensing cannabis and drug paraphernalia in violation of federal law. Any person connected to the cannabis industry in the United States may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss.

We are directly or indirectly engaged in the medical and adult-use cannabis industry in the United States where local state law permits such activities. Although our activities are believed to be compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve us from liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against us. There can be no assurances that the federal government of the United States will not seek to enforce the applicable laws against us. Enforcement of federal law regarding cannabis is a significant risk and would greatly harm our business, prospects, revenue, results of operation and financial condition.

Due to the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses are subject to inconsistent laws and regulations. The Obama administration attempted to address the inconsistent treatment of cannabis under state and federal law in August 2013 in a memorandum which then-Deputy Attorney General James Cole sent to all U.S. District Attorneys (the "Cole Memorandum"). The Cole Memorandum outlined certain priorities for the Department of Justice (the "DOJ") relating to the prosecution of cannabis offenses and 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, processing, distribution, sale and possession of cannabis, conduct in compliance with such laws and regulations was not a priority for the DOJ. However, the DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum.

On January 4, 2018, then-U.S. Attorney General Jeff Sessions formally issued a memorandum (the "Sessions Memorandum") which rescinded the Cole Memorandum effective upon its issuance. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime," and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities.

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 thus it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

There can be no assurance that the federal government will not enforce federal laws relating to cannabis and seek to prosecute cases involving cannabis businesses that are otherwise compliant with state laws in the future. Mr. Sessions resigned as U.S. Attorney General on November 7, 2018. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. On January 7, 2021, then President-elect Joe Biden announced his nomination of current Chief Judge of the United States Court of Appeals for the District of Columbia Circuit, Merrick Garland, to succeed Mr. Barr as the U.S. Attorney General. Merrick Garland was officially sworn in as Attorney General of the United States on March 11, 2021. It is unclear what impact this development will have on U.S. federal government enforcement policy.

We may be subject to action by the U.S. federal government.

Since the cultivation, processing, production, distribution and sale of cannabis for any purpose, medical, adult-use or otherwise, remain illegal under U.S. federal law, it is possible that we may be forced to cease activities. The U.S. federal government, through, among others, the DOJ, its sub-agency, the Drug Enforcement Administration (the “DEA”), and the Internal Revenue Service (“IRS”), has the right to actively investigate, audit and shut down cannabis growing facilities, processors and retailers. The U.S. federal government may also attempt to seize our property. Any action taken by the DOJ, the DEA and/or the IRS to interfere with, seize or shut down our operations will have an adverse effect on our business, prospects, revenue, results of operation and financial condition.

Because federal law criminalizing the use of cannabis preempts state laws that legalize its use, the federal government can assert criminal violations of federal law despite state laws permitting the use of cannabis. While it does not appear that federal law enforcement and regulatory agencies are focusing resources on licensed cannabis related businesses that are operating in compliance with state law, this could change at any time. Additionally, while the MORE Act was passed by the House of Representatives on December 4, 2020, it was not passed by the Senate prior to the end of the 116th Congress. An updated version was subsequently reintroduced in the House of Representatives on May 28, 2021. On September 30, 2021, the House Judiciary Committee voted to advance the MORE Act once again in a first step towards passage in the full House. Before it could become law, the MORE Act would need to be passed by the House of Representatives and Senate and then signed into law by the president. There is no guaranty that the MORE Act will become law in its current form, if at all. Additionally, as the rescission of the Cole Memorandum and the implementation of the Sessions Memorandum demonstrate, the DOJ may at any time issue additional guidance that directs federal prosecutors to devote more resources to prosecuting cannabis related businesses. If the DOJ under the Biden administration aggressively pursues financiers or equity owners of cannabis-related businesses, and U.S. Attorneys follow the DOJ policies through pursuing prosecutions, then we could face:

- seizure of our cash and other assets used to support or derived from our cannabis subsidiaries;
- the arrest of our employees, directors, officers, managers and investors;
- ancillary criminal violations of the Controlled Substances Act for aiding and abetting, and conspiracy to violate the Controlled Substances Act by providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors and/or retailers of cannabis; and
- the barring of our employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

Because the Cole Memorandum was rescinded, the DOJ under the current or new administration or an aggressive federal prosecutor could allege that us and our Board, our executive officers and, potentially, our stockholders, "aided and abetted" violations of federal law by providing finances and services to our portfolio cannabis companies. Under these circumstances, federal prosecutors could seek to seize our assets, and to recover the "illicit profits" previously distributed to stockholders resulting from any of our financing or services. In these circumstances, our operations would cease, stockholders may lose their entire investments and directors, officers and/or stockholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Additionally, there can be no assurance as to the position the new administration under President Biden may take on cannabis, and the new administration could decide to enforce the federal laws strongly. Any enforcement of current federal cannabis laws could cause significant financial damage to us and our stockholders. Further, President Biden's administrations may choose to treat cannabis differently and potentially enforce the federal laws more aggressively.

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. These results could have a material adverse effect on us, including our reputation and ability to conduct business, our holding (directly or indirectly) of cannabis licenses in the United States, the listing of our Class A common stock on various stock exchanges, our financial position, operating results, profitability or liquidity or the market price of our shares of Class A common stock. In addition, it is difficult to estimate the time or resources that would be needed for the investigation or final resolution of any such matters because: (i) the time and resources that may be needed depend on the nature and extent of any information requested by the authorities involved, and (ii) such time or resources could be substantial.

U.S. state regulation of cannabis is uncertain.

Our activities are, and will continue to be, subject to evolving regulation and interpretation by various governmental authorities. The medical and adult-use cannabis industries are subject to various local, state and federal laws, regulations, guidelines, and licensing requirements relating to the manufacture, sale, distribution, management, transportation, storage, and disposal of cannabis, as well as being subject to laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. There is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Given the current regulatory environment in the United States, new risks may emerge, and management may not be able to predict all such risks. 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 state laws are repealed or curtailed, our business or operations in those states or under those laws would be materially and adversely affected. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect us, our business and our assets or investments.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, the rulemaking process at the state level that applies to cannabis operators in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All of our implemented operating policies and procedures are compliance-based and are derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding our efforts and diligence, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that we will receive or will continue to hold the requisite licenses, permits or cards to operate our businesses as currently operated or as proposed to be operated in the future, or that we will be able to complete business transactions, including acquisitions or transfers of licenses, permits, cards or other property.

In addition, local laws and ordinances could restrict our business activity. Although our operations are legal under the laws of the states in which we operate, local governments have the ability to limit, restrict and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances and similar laws could be adopted or changed and have a material adverse effect on our business.

Multiple states where medical and/or adult-use cannabis is legal have or are considering special taxes or fees on businesses in the cannabis industry. It is uncertain at this time whether other states are in the process of reviewing such additional taxes and fees. The implementation of special taxes or fees could have a material adverse effect upon our business, prospects, revenue, results of operation and financial condition.

We are affected by the dynamic laws and regulations of the industry.

The success of our business strategy depends on the legality of the cannabis industry. The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect us. Our current and proposed operations are subject to a variety of local, state and federal medical cannabis laws and regulations relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or alter certain aspects of their business plans.

In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of our business plans and result in a material adverse effect on certain aspects of its planned operations. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect our profitability or cause us to cease operations entirely. If cannabis is legalized at the federal level, our business and operations could be negatively affected if such legalization permits cannabis to be transported or sold across state lines, which could disrupt wholesale pricing in states with high wholesale prices. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, SEC, the DOJ, the Financial Industry Regulatory Authority or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or adult-use purposes in the United States.

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The medical and adult-use cannabis industries are subject to significant regulatory change at both the state and federal level. The regulatory uncertainty surrounding the industries may adversely affect our business and operations, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital. In addition, we will not be able to predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to its business. For example, see “*Risk Factors - We may be subject to heightened scrutiny by Canadian regulatory authorities*” below.

State regulatory agencies may require us to post bonds, maintain large insurance policies or post significant fees.

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the legal cannabis industry 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 taxes. We are not able to quantify at this time the potential scope of such bonds or fees in the states in which we currently operate or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of our business.

We may be subject to heightened scrutiny by Canadian regulatory authorities.

Our Class A common stock is traded on the CSE. Our business, operations and investments in the United States, and any future business, operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, we 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 our ability to operate or invest in the United States or any other jurisdiction.

In 2017, there were concerns that the Canadian Depository for Securities Limited, through its subsidiary CDS Clearing and Depository Services Inc. (“CDS”), Canada’s central securities depository (clearing and settling trades in the Canadian equity, fixed income and money markets), would refuse to settle trades for cannabis issuers that have investments in the United States. However, CDS has not implemented this policy.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 describing the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 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.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group, which is the owner and operator of CDS, announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Canadian securities exchanges to review the conduct of listed issuers.

The MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to the public interest and that the rules of each of the exchanges have been approved by the securities regulators. Pursuant to the MOU, CDS will not ban accepting deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the United States.

Although the MOU indicated that there are no plans to ban the settlement of securities through CDS, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were implemented at a time when shares of Class A common stock are listed on a Canadian stock exchange, it would have a material adverse effect on the ability of holders of shares of Class A common stock to make and settle trades. In particular, the shares of Class A common stock would become highly illiquid until an alternative (if available) was implemented, and investors would have no ability to effect a trade of shares of Class A common stock through the facilities of the applicable Canadian stock exchange.

We may face limitations on ownership of cannabis licenses.

In certain states, the cannabis laws and regulations limit not only the number of cannabis licenses and types of licenses issued, but also the number of cannabis licenses and types that one person or entity may own. We believe that, where such restrictions apply, the Company may still recognize revenue in the market through wholesale sales, exclusive marketing relations, the provision of management or support services, and joint ventures or similar contractual relationships with other operators to ensure continued compliance with the applicable regulatory guidelines. In addition, states may require that certain qualified applicants or individuals participate in the ownership of the licensed entity. Such limitations on the ownership of additional licenses within certain states may limit our ability to expand in such states.

Our ability to expand our product offerings and dispensary services may be limited.

As we introduce or expand our cannabis product offerings and dispensary services, we may incur losses or otherwise fail to enter certain markets successfully. Our expansion into new markets may place us in competitive and regulatory environments with which we are unfamiliar and involve various risks, including the need to invest significant resources and the possibility that returns on those investments will not be achieved for several years, if at all. In attempting to establish new product offerings or dispensary services, we may incur significant expenses and face various other challenges, such as expanding our work force and management personnel to cover these markets and complying with complicated cannabis regulations that apply to these markets. In addition, we may not successfully demonstrate the value of these product offerings and dispensary services to consumers, and failure to do so would compromise our ability to successfully expand these additional revenue streams.

We face risks associated with licensing relating to supply, supply chain, and market constraints.

The cannabis laws and regulations of states in which we operate limit the granting and number of licenses granted for dispensaries and cultivation and production facilities. The number of licenses by category, and issuance of individual licenses, may be limited, delayed, denied or otherwise unissued. This separate treatment of individual licenses as well as license categories, along with limits set on the number of licenses granted in each of these operating categories, can result in market and supply chain risks including, for example, mismatch between cultivation and production facilities and dispensaries relating to availability and production of cannabis products. This can result in, among other things, market, pricing and supply risks, which may have a material effect on the Company's business, financial condition and operations.

We may become subject to FDA or Bureau of Alcohol, Tobacco, Firearms and Explosives ("ATF") regulation.

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

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

Cannabis businesses are subject to applicable anti-money laundering laws and regulations and have restricted access to banking and other financial services.

We are subject to a variety of laws and regulations in the United States that involve money laundering, financial record-keeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (the "Bank Secrecy Act") as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (which we refer to as the USA Patriot Act), and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States. Since the cultivation, manufacture, distribution and sale 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) and the Bank Secrecy Act, among other applicable federal statutes. Accordingly, pursuant to 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 criminally prosecuted for willful violations of money laundering statutes, in addition to being subject to other criminal, civil, and regulatory enforcement actions.

Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services. The above-mentioned laws and regulations 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, including cannabis, which are illegal under federal law, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. We may also be exposed to the foregoing risks.

In February 2014, the FinCEN issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and 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. The FinCEN Memorandum directed prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct.

The revocation of the Cole Memorandum has not yet affected the status of the FinCEN Memorandum, nor has FinCEN given any indication that it intends to rescind the FinCEN Memorandum itself. Shortly after the Sessions Memorandum was issued, FinCEN did state that it would review the FinCEN Memorandum, but FinCEN has not yet issued further guidance.

Although the FinCEN Memorandum remains intact, it is unclear whether the current administration will continue to follow its guidelines. The DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state including states that have in some form legalized the sale of cannabis. Further, the conduct of the DOJ's enforcement priorities could change for any number of reasons. A change in the DOJ's priorities could result in the prosecution of banks and financial institutions for crimes that were not previously prosecuted.

If our operations, or proceeds thereof, dividend distributions or profits or revenues derived from our operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds from a crime (the sale of a Schedule I drug) under the Bank Secrecy Act's money laundering provisions. This may restrict our ability to declare or pay dividends or effect other distributions.

The FinCEN Memorandum does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear comfortable providing banking services to cannabis-related businesses or relying on this guidance given that it has the potential to be amended or revoked by the current administration. There are no assurances that this position will change under the Biden 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, we may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it operates in permits cannabis sales. Our inability or limitation of our 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 us to operate and conduct our business as planned or to operate efficiently.

Other potential violations of U.S. federal law resulting from cannabis-related activities include the Racketeer Influenced Corrupt Organizations Act ("RICO"). RICO is a federal statute providing criminal penalties in addition to a civil cause of action for acts performed as part of an ongoing criminal organization. Under RICO, it is unlawful for any person who has received income derived from a pattern of racketeering activity (which includes most felonious violations of the CSA), to use or invest any of that income in the acquisition of any interest, or the establishment or operation of, any enterprise which is engaged in interstate commerce. RICO also authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. Although RICO suits against the cannabis industry are rare, a few cannabis businesses have been subject to a civil RICO action. Defending such a case has proven extremely costly, and potentially fatal to a business' operations.

On March 18, 2021, the Secure and Fair Enforcement Banking Act (the "SAFE Banking Act") was reintroduced in the House of Representatives. On March 23, 2021, the bill was reintroduced in the Senate as well. The House previously passed the SAFE Banking Act in September 2019, but the measure stalled in the Senate. Most recently, on February 4, 2022, the House approved the America COMPETES Act of 2022, which includes the provisions of the SAFE Banking Act. The America COMPETES Act now advances to the Senate for consideration. As written, the SAFE Banking Act would allow financial institutions to provide their services to state-legal cannabis clients and ancillary businesses serving state-legal cannabis businesses without fear of federal sanctions. There is no guarantee the SAFE Banking Act will become law in its current form, if at all.

In the event that any of our operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States 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 our ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject us to civil and/or criminal penalties. Furthermore, in the event that a determination was made that the proceeds from our operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, we may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. We could likewise be required to suspend or cease operations entirely.

We are subject to proceeds of crime statutes.

We will be subject to a variety of laws that concern money laundering, financial recordkeeping and proceeds of crime. These include: the Bank Secrecy Act, as amended by Title III of the USA Patriot Act, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the rules and regulations under the Criminal Code of Canada and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of our activities, or any proceeds thereof, in the United States 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 have a material adverse effect on us and, among other things, could restrict or otherwise jeopardize our ability to declare or pay dividends or effect other distributions.

We face risks related to U.S. tax provisions related to controlled substances.

Limits on U.S. deductibility of certain expenses may have a material adverse effect on our financial condition, results of operations and cash flows. Section 280E (“Section 280E”) of the United States Internal Revenue Code of 1986, as amended (the “Code”), 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 in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state 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 issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E that is favorable to cannabis businesses.

If our tax filing positions were to be challenged by federal, state and local or foreign tax jurisdictions, we may not be wholly successful in defending our tax filing positions. We record reserves for unrecognized tax benefits based on our assessment of the probability of successfully sustaining tax filing positions. We, therefore, analyze and consider the appropriateness of recording reserves for unrecognized tax benefits each quarter. Management exercises significant judgment when assessing the probability of successfully sustaining tax filing positions, and in determining whether a contingent tax liability should be recorded and, if so, estimating the amount. If our tax filing positions are successfully challenged, payments could be required that are in excess of reserved amounts or we may be required to reduce the carrying amount of our net deferred tax asset, either of which result could be significant to our financial condition or results of operations.

We operate in a highly regulated sector and may not always succeed in complying fully with applicable regulatory requirements in all jurisdictions where we conduct business.

Our business and activities are heavily regulated in all jurisdictions where we carry on business. Our operations are subject to various laws, regulations and guidelines by state and local governmental authorities relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of cannabis 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 government agencies and self-regulatory bodies broad administrative discretion over our activities, including the power to limit, require, or restrict business activities as well as impose additional disclosure requirements on our products and services. Achievement of our business objectives is contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all necessary regulatory approvals for the manufacture, production, storage, transportation, sale, import and export, as applicable, of our products, and as may be required in connection with any business transactions, including acquisition or transfer of licenses, permits, cards or other property. The commercial cannabis industry is still a new industry at the state and local level. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in obtaining, or failure to obtain, applicable regulatory approvals which may be required may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on our business, prospects, revenue, results of operation and financial condition.

While we endeavor to comply with all relevant laws, regulations and guidelines and we are in compliance or are in the process of being assessed for compliance with all such laws, regulations and guidelines, any failure to comply with the regulatory requirements applicable to our operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate our business; the suspension or expulsion from a particular market or jurisdiction or of our key personnel; the imposition of additional or more stringent inspection, testing and reporting requirements; and the imposition of fines and censures. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increase compliance costs or give rise to material liabilities and/or revocation of our licenses and other permits, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, governmental authorities may change their administration, application or enforcement procedures at any time, which may adversely impact our ongoing costs relating to regulatory compliance.

We may face difficulties in enforcing our contracts.

Because our contracts involve cannabis and other activities that are currently illegal under U.S. federal law and the laws of certain other jurisdictions, we may face difficulties in enforcing our contracts in U.S. federal courts and certain state courts.

More specifically, some courts have determined that contracts relating to state legal cultivation and sale of cannabis are unenforceable on the grounds that they are illegal under federal law and therefore void as a matter of public policy. This could substantially impact the rights of parties making or defending claims involving us and any of our lenders or members.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Notwithstanding that cannabis related businesses operate pursuant to the laws of states in which such activity is legal under state law, judges 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 we will be able to legally enforce contracts we enter into if necessary. As we cannot be assured that we will have a remedy for breach of contract, investors must bear the risk of the uncertainty in the law. If borrowers fail or refuse to repay loans and we are unable to legally enforce our contracts, we may suffer substantial losses for which we have no legal remedy. The potential inability of us to enforce any of our contracts could have a material adverse effect on our business, revenues, operating results, financial condition or prospects.

We have limited trademark and intellectual property protection.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws which may be available to most businesses, such as federal trademark protection, may not be available to us. Because producing, manufacturing, processing, possessing, distributing, selling and using cannabis is 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, our intellectual property may never be adequately or sufficiently protected against use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, we can provide no assurance that we will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

Any infringement or misappropriation of our intellectual property could damage its value and limit our ability to compete. We may have to engage in litigation to protect the rights to our intellectual property, which could result in significant litigation costs and require a significant amount of our time.

Competitors may also harm our sales by designing products that mirror our products or processes without infringing on our intellectual property rights. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, our competitiveness could be impaired, which would limit our growth and future revenue.

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

We are and may continue to be subject to constraints on marketing our products.

We have committed and expect to continue committing significant resources and capital to develop and market existing products and new products and services. The development of our business and operating results may be adversely affected by applicable restrictions on sales and marketing activities imposed by regulatory bodies. Certain of the states in which we operate have enacted strict regulations regarding marketing and sales activities on cannabis products. There may be restrictions on sales and marketing activities imposed by government regulatory bodies that can hinder the development of our business and operating results. Restrictions may include regulations that specify what, where and to whom product information and descriptions may appear and/or be advertised. Marketing, advertising, packaging and labeling regulations also vary from state to state, potentially limiting the consistency and scale of consumer branding communication and product education efforts. The regulatory environment in the U.S. limits our ability to compete for market share in a manner similar to other industries. If we are unable to effectively market our 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 our products, our sales and operating results could be adversely affected.

We face risks related to the results of future clinical research.

Research regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as cannabidiol, commonly referred to as CBD, and tetrahydrocannabinol, commonly referred to as THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although we believe that various articles, reports and studies support our beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Further, the federal illegality of cannabis and associated limits on our ability to properly fund and conduct research on cannabis and the lack of formal FDA oversight of cannabis, there is limited information about the long-term safety and efficacy of cannabis in its various forms, when combusted or combined with various cannabis and/or non-cannabis derived ingredients and materials or when ingested, inhaled, or topically applied. Future research or oversight may reveal negative health and safety effects, which may significantly impact our reputation, operations and financial performance.

Given these risks, uncertainties and assumptions, prospective purchasers of shares of Class A common stock 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 Annual Report on Form 10-K or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for our products, with the potential to have a material adverse effect on our business, prospects, revenue, results of operation and financial condition.

We lack access to U.S. bankruptcy protections.

Because cannabis is illegal under U.S. federal law, and bankruptcy is a strictly federal proceeding, many courts have denied cannabis businesses federal bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If we were to seek protection from creditors pursuant to applicable bankruptcy or insolvency laws, there is no guarantee that U.S. federal bankruptcy protections would be available to our United States operations, which would have a material adverse effect on us, our lenders and other stakeholders. While state-level receivership options do exist in some states as an alternative to bankruptcy, the efficacy of these alternatives cannot be guaranteed.

Cannabis businesses may be subject to civil asset forfeiture.

As an entity that conducts business in the cannabis industry, we will potentially be subject to federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative enforcement mechanism for the federal government, any state, or local police force that wants to discourage residents from conducting transactions with cannabis related businesses but believes criminal liability is too difficult to prove beyond a reasonable doubt. Individuals may be required to forfeit property considered to be from proceeds of crime even if the individual is not convicted of a criminal offense, and the standard of proof in a civil forfeiture matter is lower than the burden in a criminal matter. Depending on the applicable law, whether federal or state, rather than having to establish liability beyond a reasonable doubt, the federal government or the state, as applicable, may be required to prove that the money or property at issue is proceeds of a crime only by either clear and convincing evidence or a mere preponderance of the evidence.

Our stockholders that are located in states where cannabis remains illegal may be at risk of prosecution under federal and/or state conspiracy, aiding and abetting, and money laundering statutes, and may be at further risk of losing their investments or proceeds thereof under forfeiture statutes. Many states remain able to take action to prevent the proceeds of cannabis businesses from entering their state. Because state legalization is relatively new, it remains to be seen whether these states would take such action and whether a court would approve it. Our stockholders and prospective stockholders should be aware of these potentially relevant federal and state laws in considering whether to invest in our securities.

We face security risks.

The business premises of our operating locations are targets for theft. While we have implemented security measures at each location and continue to monitor and improve such security measures, our cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and we fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers, other cannabis goods and cultivation and processing equipment could have a material adverse impact on our business, prospects, revenue, results of operation and financial condition.

As our business involves the movement and transfer of cash which is collected from dispensaries or patients/customers and deposited into our bank, there is a risk of theft or robbery during the transport of cash. Our transport, distribution, and delivery of finished cannabis goods inventory including but not limited to wholesale delivery of finished products to retail customers and delivery of finished goods to end consumers and other intermediaries, also is subject to risks of theft and robbery. We have engaged a security firm to provide security in the transport and movement of large amounts of cash and products. Employees sometimes transport cash and/or products and, if requested, may be escorted by armed guards. While we have taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Additionally, we store certain personally identifiable information, payment information and other confidential information of our customers on our systems. We may experience attempts by third parties to obtain unauthorized access to the personally identifiable information, payment information and other confidential information of our customers. This information could also be otherwise exposed through human error or malfeasance. The unauthorized access or compromise of this personally identifiable information, payment information and other confidential information could have a material adverse impact on our business, financial condition and results of operation.

We have not been materially impacted by the security risks described herein.

Our operational systems and networks have been, and will continue to be, subject to an increasing risk of continually evolving cybersecurity or other technological risks, which could result in a loss of customer business, financial liability, regulatory penalties, damage to our reputation or the disclosure of confidential information.

We rely on communications and information systems to conduct our business and maintain the security of confidential information and complex transactions, which subjects us to an increasing risk of cyber incidents from these activities due to a combination of new technologies and the increasing use of the Internet to conduct financial transactions, as well as a potential failure, interruption or breach in the security of these systems, including those that could result from attacks or planned changes, upgrades and maintenance of these systems.

Our computer systems, software and networks may be adversely affected by cyber incidents such as unauthorized access; loss or destruction of data (including confidential client information); account takeovers; unavailability of service; computer viruses or other malicious code; cyber-attacks; and other events.

Additionally, in response to the COVID-19 pandemic, we instituted certain remote work policies. The continued prevalence of remote working has increased our vulnerability to cybersecurity and other technological risks related to our computer and communications hardware and software systems and exacerbated certain related risks, including risks of phishing and other cybersecurity attacks.

We are a holding company.

We are a holding company and substantially all of our assets are the capital stock of our subsidiaries in our six geographic markets, including Illinois, Massachusetts, Michigan, New Jersey, Ohio, and Pennsylvania. As a result, our stockholders are subject to the risks attributable to our subsidiaries and each individual state laws, rules, and regulatory schemes. As a holding company, we conduct substantially all of our business through our subsidiaries, which generate substantially all of our revenues. Consequently, our cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. The ability of these entities to pay dividends and other distributions depends on their operating results and is subject to applicable laws and regulations, which require that solvency and capital standards be maintained by our subsidiaries and contractual restrictions are contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of our material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before us.

We face intense competition.

We face intense competition from other companies, some of which have longer operating histories and more financial resources and manufacturing, retail and marketing experience than us. Increased competition by larger and better financed competitors could materially and adversely affect our business, financial condition and results of operations.

Because of the early stage of the industry in which we operate, we face additional competition from new entrants. If the number of consumers of cannabis in the states in which we operate our business increases, the demand for products and qualified talent will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. Although our operations and strategy are focused in primarily limited license states, the competitive landscape is different in each state. As an example, Michigan does not impose caps on the number of dispensaries an operator can own or control and does not have limitations on canopy cultivation square footage, which has led some operators to build sizable outdoor grows that can be built at much lower cost than indoor cultivation sites and has put pressure on pricing for low- and mid-tier flower. States such as Illinois, Massachusetts, New Jersey and Ohio limit the number of dispensaries an operator can own and control, and also limit the number of cultivation licenses that may be owned by an operator and put caps on the canopy of these cultivation facilities. To remain competitive, we will require a continued high level of investment in research and development, marketing, sales, talent retention and client support. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect our business, financial condition and results of our operations.

Competition for the acquisition and leasing of properties suitable for the cultivation, production and sale of medical and adult-use cannabis may impede our ability to make acquisitions or increase the cost of these acquisitions, which could adversely affect our operating results and financial condition.

We compete for the acquisition of properties suitable for the cultivation, production and sale of medical and adult-use cannabis with entities engaged in agriculture, real estate investment, consumer products manufacturing and retail activities, including corporate agriculture companies, cultivators, producers and sellers of cannabis. These competitors may prevent us from acquiring and leasing desirable properties, may cause an increase in the price we must pay for properties or may result in us having to lease our properties on less favorable terms than we expect. Our competitors may have greater financial and operational resources than we do and may be willing to pay more for certain assets or may be willing to accept more risk than we believe can be prudently managed. Larger companies may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, due to a number of factors, including but not limited to potential greater clarity of the laws and regulations governing cannabis by state and federal governments, the number of entities and the amount of funds competing for suitable properties may increase, resulting in increased demand and increased prices paid for these properties. If we pay higher prices for properties or enter into leases for such properties on less favorable terms than we expect, our profitability and ability to generate cash flow and make distributions to our stockholders may decrease.

We face risks due to industry immaturity or limited comparable, competitive or established industry best practices.

As a relatively new industry, there are not many established operators in the medical and adult-use cannabis industries whose business models we can follow or build upon. Similarly, there is no or limited information about comparable companies available for potential investors to review in deciding about whether to invest in us.

Stockholders and investors should consider, among other factors, our prospects for success considering the risks and uncertainties encountered by companies, like us, that are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, which may result in material delays in the operation of our business. We may fail to successfully address these risks and uncertainties or successfully implement our operating strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could impair the value of the shares of Class A common stock to the extent that investors may lose their entire investments.

Our business is subject to the risks inherent in agricultural operations.

Medical and adult-use cannabis is an agricultural product. There are risks inherent in the cultivation business, such as insects, plant diseases and similar agricultural risks. Although the products are usually grown indoors or in greenhouses under climate-controlled conditions, with conditions monitored, there can be no assurance that natural elements will not have a material adverse effect on the production of our products and, consequentially, on the anticipated business, financial condition or results of our operations.

We may be adversely impacted by rising or volatile energy costs and dependent on inputs.

Our cannabis cultivation operations consume considerable energy, which makes it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may adversely affect our business and our ability to operate profitably.

In addition, our business is dependent on a number of key inputs and their related costs, including raw materials and supplies related to our growing operations, as well as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact our financial condition and operating results. Further, the invasion of Ukraine by Russia and the resulting measures that have been taken, and could be taken in the future, may have a negative impact on our costs, including for input materials, energy, and transportation. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on our business, financial condition and operating results.

We may encounter unknown environmental risks.

There can be no assurance that we will not encounter hazardous conditions, such as asbestos or lead, at the sites of the real estate used to operate our businesses, which may delay the development of our businesses. Upon encountering a hazardous condition, work at our facilities may be suspended. If we receive notice of a hazardous condition, we may be required to correct the condition prior to continuing construction. If additional hazardous conditions were present, it would likely delay construction and may require significant expenditure of our resources to correct the conditions. Such conditions could have a material impact on our investment returns.

Climate change may have an adverse effect on our operations.

Over the past several years, changing weather patterns and climatic conditions due to natural and man-made causes have added to the unpredictability and frequency of extreme weather events such as severe weather, heat waves, wildfires, flooding, hailstorms, snow storms, and the spread of disease and insect infestations. These events could damage, destroy or hinder the operations at our physical facilities, or the facilities of our suppliers or customers, and adversely affect our financial results as a result of decreased production output, increased operating costs or reduced availability of transportation. Government action to address climate change, greenhouse gas emissions, and water and land use may result in the enactment of additional or more stringent laws and regulations that may require us to incur additional capital expenditures, higher taxes, increased transportation costs, or could otherwise adversely affect our financial conditions.

In addition, increasingly our employees, customers and investors expect that we minimize the negative environmental impacts of our operations. Failure to mitigate or adequately respond to the risks of climate change could result in missed opportunities, additional regulatory scrutiny, loss of team members, customers and investors, and an adverse impact on our brand and reputation.

We are dependent on key inputs, suppliers, and skilled labor.

We are 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, such as the raw material cost of cannabis, or natural or other disruptions to power or other utility systems, could materially impact our business, financial condition, results of operations or prospects. 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, we 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 us 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 our business, prospects, revenue, results of operation and financial condition.

Our ability to compete and grow will be dependent on us having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that we will be successful in maintaining our required supply of skilled labor, equipment, parts and components. This could have an adverse effect on our financial results.

We must attract and maintain key personnel or our business may fail.

Our success is dependent upon the ability, expertise, judgment, discretion and good faith of our senior management and key personnel. We compete with other companies both within and outside the cannabis industry to recruit and retain competent employees. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. We may also incur additional expenses to recruit and retain new executive officers.

Our continuing ability to attract and retain highly qualified personnel will also be critical to our success because we will need to hire and retain additional personnel as our business grows. There can be no assurance that we will be able to attract or retain highly qualified personnel. We face significant competition for skilled personnel in our industries. In particular, if the cannabis industry continues to grow, demand for personnel may become more competitive. This competition may make it more difficult and expensive to attract, hire, and retain qualified managers and employees. Because of these factors, we may not be able to effectively manage or grow our business, which could adversely affect our financial condition, operations or prospects. As a result, the value of an investment in our securities could be significantly reduced or completely lost. If we cannot maintain qualified employees to meet the needs of our anticipated growth, our business and financial condition could be materially adversely affected.

There may be unknown health impacts associated with the use of cannabis and cannabis derivative products.

There is little in the way of longitudinal studies on the short-term and long-term effects of cannabis use on human health, whether used for recreational or medicinal purposes. As such, there are inherent risks associated with using our cannabis and cannabis derivative products, including unexpected side effects or safety concerns, the discovery of which could lead to civil litigation, regulatory actions and even possibly criminal enforcement actions.

Previously unknown or unforeseeable adverse reactions arising from human consumption of cannabis products may occur and consumers should consume cannabis at their own risk or in accordance with the direction of a health care practitioner.

We face an inherent risk of product liability and similar claims.

As a distributor of products designed to be ingested by humans, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have failed to meet expected standards or to have caused significant loss or injury. In addition, the sale of our products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown or unforeseeable adverse reactions resulting from human consumption of our products alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including, among others, that our products caused injury, illness or death, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. As an agricultural product, the quality of cannabis is inherently variable, and consumers may raise claims that our quality control or labeling processes have not sufficiently ensured that our grown and manufactured processes are sufficient to meet expected standards.

A product liability claim or regulatory action against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally and could have a material adverse effect on our business, results of operations and financial condition. There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our potential products.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could subject us to significant liabilities and other costs.

Our success may depend on our ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. We cannot assure that third parties will not assert intellectual property claims against us. We are subject to additional risks if entities licensing intellectual property to us do not have adequate rights to the licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against us, we will be required to defend ourselves in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, require us to pay ongoing royalties or subject us to injunctions that may prohibit the development and operation of our applications.

Our products may be subject to product recalls.

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

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

Adverse changes in the wholesale and retail prices could result in earnings declines.

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to shifts in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as new entrants into retail markets, new entrants into the cultivation markets or cultivation expansions by existing operators, weather, fuel, equipment and labor costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by government agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond our control. Our operating income may be significantly and adversely affected by a decline in the price of cannabis and will be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as our profitability is directly related to the price of cannabis. There is currently not an established market price for cannabis and the price of cannabis is affected by numerous factors beyond our control. Any price decline may have a material adverse effect on us.

We may face unfavorable publicity or consumer perception.

Our ability to generate revenue and be successful in the implementation of our business plan is dependent on consumer acceptance of and demand for our product lines. Management believes the medical and adult-use cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced.

Acceptance of our products depends on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety and reliability. If customers do not accept our products, or if such products fail to adequately meet customers' needs and expectations, our ability to continue generating revenues could be affected.

Consumer perception of our current or proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that is perceived as less favorable than, or questions earlier research reports, findings or publicity could have a material adverse effect on the demand for our products. Our dependence upon consumer perceptions means that such adverse reports, whether or not accurate or with merit, could ultimately have a material adverse effect on our business, results of operations, financial condition and cash flows.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or our products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect on us. Although we use quality control processes and procedures to ensure our consumer packaged goods meet our standards, a failure or alleged failure of such processes and procedures could result in negative consumer perception of our products or legal claims against us. Adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

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

Our business is highly dependent upon our brand recognition and reputation, and the erosion or degradation of our brand recognition or reputation would likely adversely affect our business and operating results.

We believe that our business is highly dependent on the Ascend brand identity and our reputation, which is critical to our ability to attract and retain customers and consumers. We also believe that the importance of our brand recognition and reputation will continue to increase as competition in the markets in which we operate continues to develop. Our success in this area will depend on a wide range of factors, some of which are within our control and some of which are not. The factors affecting our brand recognition and reputation that are within our control include the following:

- the efficacy of our marketing efforts;
- our ability to maintain high satisfaction among consumers and customers;
- the quality of our products;
- our ability to successfully differentiate our products from competitors' products; and
- our compliance with laws and regulations.

In addition, our brand recognition and reputation may be affected by factors that are outside our control, such as:

- actions of competitors or other third parties;
- consumers' experiences with our services or products;
- positive or negative publicity, including with respect to events or activities attributed to us, our employees, partners or others associated with any of these parties; and
- litigation or regulatory developments.

Damage to our reputation and loss of brand equity from one or more of the factors listed above may reduce demand for our products and have an adverse effect on our business, operating results and financial condition. Moreover, any attempts to rebuild our reputation and restore the value of our brand may be costly and time-consuming, and such efforts may not ultimately be successful.

We may face competition from synthetic production and technological advances.

The pharmaceutical industry may attempt to dominate the cannabis industry, and in particular, legal cannabis, through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could materially adversely affect our ability 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.

We may have increased labor costs based on union activity.

Labor unions are working to organize workforces in the cannabis industry in general. During 2022, we entered into five collective bargaining agreements with local chapters of labor unions, with expiration dates ranging from January 2025 to June 2025. Although we believe that our relationship with our employees is good, and we have not experienced any material work stoppages, work stoppages may occur in the future. Union activities also may significantly increase our labor costs and adversely affect our business, profitability, and our ability to reinvest into the growth of our business. As of December 31, 2022, approximately 23% of our workforce has elected to be represented by a labor organization for purposes of collective bargaining. In addition, we regularly communicate with unions who may in the future represent our workforce at our locations, and it is possible that certain retail and/or manufacturing locations will be organized in the future. We cannot predict how stable our relationships with U.S. labor organizations would be or whether we would be able to meet any unions' requirements without impacting our financial condition. Labor unions may also limit our flexibility in dealing with our workforce. Work stoppages and instability in our union relationships could delay the production and sale of our products, which could strain relationships with customers and cause a loss of revenues which would adversely affect our operations.

As the cannabis market continues to mature, our products may become obsolete, less competitive, or less marketable.

Because the cannabis market and associated products and technology are rapidly evolving, both domestically and internationally, we may be unable to anticipate and/or respond to developments in a timely and cost-efficient manner. The process of developing our products is complex and requires significant costs, development efforts, and third-party commitments. Our failure to develop new products and technologies and the potential disuse of our existing products and technologies could adversely affect our business, financial condition and operations. Our success will depend, in part, on our ability to continually invest in research and development and enhance our existing technologies and products in a competitive manner.

Risks Related to Ownership of Our Class A Common Stock

We do not intend to pay dividends on our shares of Class A common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our shares of Class A common stock.

We have never declared or paid any cash dividend on our shares of Class A common stock and do not currently intend to do so in the foreseeable future. We currently anticipate that we will retain future earnings, if materialized, for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. Therefore, the success of an investment in our shares of Class A common stock will depend upon any future appreciation in their value. Our shares of Class A common stock may not appreciate in the short term or long term or even maintain the price at which said shares of Class A common stock were purchased. A holding of shares of Class A common stock is speculative and involves a high degree of risk and should be undertaken only by holders whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Holding shares of Class A common stock is appropriate only for holders who have the capacity to absorb a loss of some or all of their holdings.

Our voting control is concentrated.

Abner Kurtin, one of our founders, a director, and our Executive Chairman, and Frank Perullo, one of our founders, a director and our President and Interim Co-Chief Executive Officer, have the ability to exercise significant voting power with respect to our outstanding shares because of the shares of Class B common stock that are held by AGP, an entity Mr. Kurtin and Mr. Perullo control. Shares of Class B common stock are entitled to 1,000 votes per share. Mr. Kurtin and Mr. Perullo control approximately 14% of our total issued and outstanding shares and approximately 32% of the voting power attached to all of our issued and outstanding shares.

As a result, Mr. Kurtin and Mr. Perullo have the ability to exercise significant voting power on decisions that require stockholder approval, including the election and removal of directors and significant corporate transactions. This ability to exercise significant voting power could delay, defer or prevent a change of control, arrangement or merger or sale of all or substantially all of our assets that our other stockholders may support, which in turn could have a material adverse effect on the market price of our Class A common stock. Conversely, this concentrated control could allow the holders of the Class B common stock to consummate such a transaction that our other stockholders do not support. In addition, the holders of the Class B common stock may make long-term strategic investment decisions and take risks that may not be successful and/or may seriously harm our business.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions described in our certificate of incorporation. Each share of our Class B common stock is convertible at any time at the option of the Class B holder into one share of Class A common stock. The conversion of Class B common stock to Class A common stock would dilute the overall voting power of Mr. Kurtin and Mr. Perullo and the voting power of holders of Class A common stock in terms of voting power within the Class A common stock.

Our capital structure and voting control may cause unpredictability in the price of our Class A common stock.

Given the concentration of voting control that is held by the holders of the Class B common stock, this capital structure and voting control could result in a lower trading price for, or greater fluctuations in, the trading price of our shares of Class A common stock, adverse publicity or other adverse consequences.

The market price for the shares of Class A common stock may be volatile, which may affect the price at which you could sell the shares of Class A common stock.

The market price for securities of cannabis companies generally are likely to be volatile. In addition, the market price for the shares of Class A common stock has been and may be subject to wide fluctuations in response to numerous factors beyond our control, including, but not limited to:

- actual or anticipated fluctuations in our quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which we operate;
- addition or departure of our executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding shares of Class A common stock;
- sales or perceived sales of additional shares of Class A common stock;
- operating and financial performance that varies from the expectations of management, securities analysts and investors;
- regulatory changes affecting our industry generally and our business and operations both domestically and abroad, or legislative or regulatory decisions to halt adult-use or medical cannabis programs;
- announcements of developments and other material events by us or our competitors;
- fluctuations in the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- operating and share price performance of other companies that investors deem comparable to us or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets.

Financial markets have at times historically experienced significant price and volume fluctuations that: (i) have particularly affected the market prices of equity securities of companies, and (ii) have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares of Class A common stock from time to time may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that may result in impairment losses to us. Further fluctuations in price and volume of equity securities may occur in the future. If increased levels of volatility and market turmoil continue, our operations could be adversely impacted, and the trading price of the shares of Class A common stock may be materially adversely affected.

Sales of substantial amounts of shares of Class A common stock by our existing stockholders in the public market may have an adverse effect on the market price of the shares of Class A common stock.

Sales of a substantial number of shares of Class A common stock in the public market could occur at any time, subject to certain restrictions described below. These sales, or the perception in the market that holders of many shares intend to sell shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the shares of Class A common stock. A decline in the market prices of the shares of Class A common stock could impair our ability to raise additional capital through the sale of securities should it desire to do so.

A decline in the price of the shares of Class A common stock could affect our ability to raise further capital and adversely impact our ability to continue operations.

A prolonged decline in the price of the shares of Class A common stock could result in a reduction in the liquidity of the shares of Class A common stock and a reduction in our ability to raise capital. Because a significant portion of our operations have been and will be financed through the sale of equity securities, a decline in the price of our Class A common stock could be especially detrimental to our liquidity and our operations. Such reductions may force us to reallocate funds from other planned uses and may have a significant negative effect on our business plan and operations, including our ability to develop new products and continue our current operations. If our stock price declines, there can be no assurance that we will be able to raise additional capital or generate funds from operations sufficient to meet our obligations. If we are unable to raise sufficient capital in the future, we may not be able to have the resources to continue our normal operations.

Additional issuances of shares of Class A common stock may result in further dilution.

We may issue additional equity or convertible debt securities in the future, which may dilute an existing stockholder's holdings. Our certificate of incorporation permits the issuance of 750,000,000 shares of our Class A common stock, and existing stockholders will have no preemptive rights in connection with such further issuances. Our Board has discretion to determine the price and the terms of further issuances, and such terms could include rights, preferences and privileges superior to those existing holders of shares of Class A common stock. To the extent holders of our options or other convertible securities convert or exercise their securities and sell shares of Class A common stock they receive, the trading price of the shares of Class A common stock may decrease due to the additional amount of shares of Class A common stock available in the market. We cannot predict the size or nature of future issuances or the effect that future issuances and sales of shares of Class A common stock will have on the market price of the shares of Class A common stock. Issuances of a substantial number of additional shares of Class A common stock, or the perception that such issuances could occur, may adversely affect prevailing market prices for the shares of Class A common stock. With any additional issuance of shares of Class A common stock, our investors will suffer dilution to their voting power and economic interest.

We may face liquidity risks.

Shares of Class A common stock are listed on the CSE and continued listing of our Class A common stock will be subject to us continuing to fulfill all of the ongoing requirements of the CSE. We cannot predict at what prices the shares of Class A common stock will continue to trade, and an active trading market may not be sustained.

Our shares of Class A common stock do not currently trade on any U.S. securities exchange. In the event our shares of Class A common stock do trade on any U.S. securities exchange, we cannot predict at what prices the shares of Class A common stock will trade and there is no assurance that an active trading market will develop or be sustained.

We are subject to increased costs as a result of being a United States company listed on the CSE and maintaining a public listing.

Shares of our Class A common stock are listed on the CSE and we are subject to rules and regulations of the SEC and Canadian securities regulators. As a result, we are, and will continue to be, subject to the reporting requirements, rules and regulations under the applicable Canadian and U.S. securities laws and rules of stock exchanges on which our securities may be listed. There are costs associated with legal, accounting and other expenses related to compliance with requirements of existing and potential future rules and regulations and may make some activities more difficult, time-consuming or costly and may place undue strain on our personnel, systems and resources, which could adversely affect our business, financial condition and results of operations.

Anti-takeover provisions in our certificate of incorporation and bylaws and Delaware law could discourage a takeover.

Our certificate of incorporation and bylaws contain provisions that might enable our management to resist a takeover. These provisions include:

- authorizing the issuance of "blank check" preferred stock that could be issued by our Board to increase the number of outstanding shares and thwart a takeover attempt;
- advance notice requirements applicable to stockholders for matters to be brought before a meeting of stockholders and requirements as to the form and content of a stockholder's notice;

- restrictions on the transfer of our outstanding shares of Class B common stock, which shares represent approximately 25% of the voting rights of our capital stock;
- the dual-class structure of our common stock, which gives our founders significant influence over all matters requiring stockholder approval, including the election of directors, amendments to our charter documents and significant corporate transactions, such as a merger or other sale of our company or its assets;
- the inability of our stockholders to act by written consent;
- a requirement that the authorized number of directors may be changed only by resolution of the Board;
- allowing all vacancies, including newly created directorships, to be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum, except as otherwise required by law;
- limiting the forum for certain litigation against us to Delaware; and
- limiting the persons that can call special meetings of our stockholders to our Board, the chief executive officer, the president, the secretary or a majority of the authorized number of directors.

These provisions might discourage, delay or prevent a change in control of our company or a change in our Board or management. The existence of these provisions could adversely affect the voting power of holders of Class A common stock and limit the price that investors might be willing to pay in the future for shares of our Class A common stock. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the price of our Class A common stock.

Our certificate of incorporation authorizes us to issue one or more series of preferred stock. Our Board has the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discourage bids for our Class A common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our Class A common stock.

Our bylaws provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders, (iii) any action asserting a claim arising pursuant to the Delaware General Corporation Law or our certificate of incorporation or bylaws, (iv) any action to interpret apply, enforce or determine the validity of our certificate of incorporation or bylaws, or (v) any action asserting a claim governed by the internal affairs doctrine.

This exclusive forum provision would not apply to suits brought to enforce any liability or duty created by the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act of 1934, as amended (the "Exchange Act") or any other claim for which the federal courts have exclusive jurisdiction. Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act or the Exchange Act.

The choice of forum provisions above may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees or could result in increased costs for a stockholder to bring a claim, both of which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

It may be difficult to enforce civil liabilities in the U.S. under Canadian securities laws.

We are incorporated in the State of Delaware and our corporate headquarters are located in New York. A majority of our directors and executive officers and certain of the experts named in this Quarterly Report on Form 10-Q reside principally in the U.S. and the majority of our assets and all or a substantial portion of the assets of these persons is located outside of Canada. It may be difficult for investors who reside in Canada to effect service of process upon these persons in Canada, or to enforce a Canadian court judgment predicated upon the civil liability provisions of the Canadian securities laws against us or any of these persons. U.S. courts may refuse to hear a claim based on an alleged violation of Canadian securities laws against us or these persons on the grounds that the U.S. is not the most appropriate forum in which to bring a claim. Even if a U.S. court agrees to hear a claim, it may determine that U.S. law and not Canadian law is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by U.S. law.

We are an SEC foreign issuer under Canadian securities laws and, therefore, are exempt from certain requirements of Canadian securities laws applicable to other Canadian reporting issuers.

Although we are currently a reporting issuer in Canada, we are an "SEC foreign issuer" as defined in National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuer*s, and are exempt from certain Canadian securities laws relating to continuous disclosure obligations and proxy solicitation if we comply with certain reporting requirements applicable in the U.S., provided that the relevant documents filed with the SEC are filed in Canada and sent to our stockholders in Canada to the extent and in the manner and within the time required by applicable U.S. requirements. In some cases, the disclosure obligations applicable in the U.S. are different or less onerous than the comparable disclosure requirements applicable in Canada for a Canadian reporting issuer that is not exempt from Canadian disclosure obligations. Therefore, there may be less or different publicly available information about us than would be available if we were a Canadian reporting issuer that is not exempt from such Canadian disclosure obligations. While we expect to be an SEC foreign issuer for the foreseeable future, we may lose the ability to rely upon such exemption in the event of a significant increase in the number of our Canadian resident stockholders and/or in the event of a significant change in the administration of our business or the location of our assets, which would in turn require us, as a consequence, to comply with the Canadian disclosure requirements in addition to those of the U.S., thereby necessitating the devotion of further administrative and legal resources in order to meet such requirement.

Risks Related to Our Finances, Acquisitions, and Capital Requirements

We may acquire other companies or technologies.

Our success will depend, in part, on our ability to grow our business in response to the demands of consumers and other constituents within the cannabis industry as well as competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to successfully complete identified acquisitions. In addition, we may not realize the expected benefits from completed acquisitions.

We may face difficulties acquiring additional or traditional financing.

Due to the present state of the laws and regulations governing financial institutions in the U.S., banks often refuse to provide banking services to businesses involved in the cannabis industry. Consequently, it may be difficult for us to obtain financing from large U.S. financial institutions.

We have historically, and continue to have, access to equity and debt financing from non-public (i.e., private placement) markets. Our business plan continues to include aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Accordingly, we may require equity and/or debt financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions and/or other business combination transactions. There can be no assurance that additional financing will be available to us when needed or on terms which are acceptable. Our inability to raise financing through traditional banking to fund ongoing operations, capital expenditures or acquisitions could limit our growth and may have a material adverse effect upon our business, prospects, revenue, results of operation and financial condition.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

Under Section 382 and related provisions of the Code, if a corporation undergoes an "ownership change" (generally defined as a greater than 50% change (by value) in its equity ownership over a rolling three year period), the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. As of December 31, 2022, we had gross state and local net operating loss carryforwards totaling approximately $26.4 million, which begin to expire in 2029. We have not completed a study to assess whether an "ownership change" for purposes of Section 382 and related provisions of the Code has occurred, and it cannot be determined whether we may, in the future as a result of subsequent shifts in our stock ownership, experience an "ownership change." Thus, our ability to utilize carryforwards of our net operating losses and other tax attributes to reduce future tax liabilities may be substantially restricted for federal or (if applicable) state and local tax purposes.

Material acquisitions, dispositions and other strategic transactions involve a number of risks for us.

Material acquisitions, dispositions and other strategic transactions involve a number of risks for us, including: (i) potential disruption of our ongoing business; (ii) distraction of management; (iii) increased financial leverage; (iv) the anticipated benefits and cost savings of those transactions may not be realized or may take longer to realize than anticipated; (v) increased scope and complexity of our operations; and (vi) loss or reduction of control over certain of our assets.

Additionally, we may issue additional shares of Class A common stock in connection with such transactions, which would dilute a stockholder's holdings in us.

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

We may be subject to growth-related risks.

We may be subject to growth-related risks, including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Our inability to deal with this growth may have a material adverse effect on our business, prospects, revenue, results of operation and financial condition.

Our growth strategy is dependent upon expanding our product and service offerings into new business areas or new geographic markets. There can be no assurance that any new business areas and geographic markets will generate the clients and revenue anticipated. In addition, any expansion into new business areas or geographic markets could expose us to new risks, including compliance with applicable laws and regulations, changes in the regulatory or legal environment, differing customer preferences or habits, adverse exchange rate fluctuations, adverse tax consequences, difficulties staffing and managing new operations, infringement of third-party intellectual property rights, new costs to adapting our products and services for new markets, and difficulties collecting accounts receivable. As a result of such expansion, we may incur losses or otherwise fail to enter new markets successfully.

We may experience risks relating to the closing of acquisitions or investments.

We may experience risks relating to the challenges and costs of closing an acquisition or investment, including the transfers of licenses, permits, cards or other property, and the risk that an announced transaction may not close. Completion of certain acquisition and investment transactions are conditioned upon, among other things, the receipt of necessary approvals, including the receipt of required regulatory clearances which could delay the completion a transaction for a significant period of time or prevent it from occurring at all.

In addition, we may experience risks closing transactions for which we have received regulatory approval. Acquisition targets may seek to terminate, whether validly or invalidly, definitive transaction agreements. We may incur costs related to the enforcement of our rights under such definitive agreements, as we have relating to our previously contemplated investment in MedMen NY, Inc.

We may invest in pre-revenue and other revenue-generating cannabis companies which may not be able to meet anticipated revenue targets in the future.

We may make investments in companies with no significant sources of operating cash flow and no revenue from operations. Our investments in such companies will be subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that our investment in these pre-revenue companies will not be able to meet anticipated revenue targets or will generate no revenue at all. The risk is that underperforming pre-revenue companies may lead to these businesses failing, which could have a material adverse effect on our business, prospects, revenue, results of operation and financial condition.

There can be no assurance that our current and future contractual relationships or strategic alliances or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.

We currently have, and may in the future enter into, additional strategic alliances and partnerships with third parties that we believe will complement or augment our existing business. Our ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business and may involve risks that could adversely affect us, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that our existing strategic alliances will continue to achieve, the expected benefits to our business or that we will be able to consummate future strategic alliances on satisfactory terms, if at all. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our sales are difficult to forecast.

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industries and unreliable levels of market supply, the market data available is limited and unreliable. We must rely largely on our own market research to forecast sales, as detailed forecasts are not generally obtainable from other sources in the states in which our business operates. Additionally, any market research and our projections of estimated total retail sales, demographics, demand and similar consumer research, are based on assumptions from limited and unreliable market data. 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 operating expenses, changes or shifts in regulations or applicable laws, undiscovered or unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, our stockholders should not rely on any projections to indicate the actual results we might achieve.

Changes in our customer, product, or competition mix could cause our product margin to fluctuate.

From time to time, we may experience changes in our customer mix, our product mix or our competition mix. Changes in our customer mix may result from geographic expansion or contractions, legislative or enforcement priority changes affecting the products we distribute, selling activities within current geographic markets and targeted selling activities to new customer sectors. Changes in our product mix may result from marketing activities to existing customers, the needs communicated to us from existing and prospective customers and from legislative changes. Changes in our competition mix may result from well-financed competitors entering into our business segment. If customer demand for lower-margin products increases and demand for higher-margin products decreases, our business, results of operations and financial condition may suffer.

We have a limited operating history and a history of net losses and negative cash flows from operating activities, and we may not achieve or maintain profitability or positive cash flows in the future.

We began operating in May 2018 and have yet to generate a profit. We generated a net loss of $80.9 million during the year ended December 31, 2022, which includes a settlement expense of $5.0 million from a settlement agreement, as further described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Legal Matter.*" We may be subject to further litigation that, if we suffer an adverse outcome or enter into unfavorable settlement agreement, may impact results from operations. During the year ended December 31, 2022, we had negative cash flows from operating activities of $38.4 million. Our "cash and cash equivalents" as of December 31, 2022 was approximately $74.1 million. We intend to continue to expend significant funds to expand our cultivation and processing facilities, to make acquisitions, and to fund our working capital. We cannot guarantee we will have a positive cash flow status in the future.

Our efforts to grow our business may be more costly than we expect and we may not be able to increase our revenue enough to offset higher operating expenses. We may incur significant losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications and delays, the other risks described in this Annual Report on Form 10-K and our other reports and disclosure documents as well as other unknown events. The amount of future net losses will depend, in part, on the growth of our future expenses and our ability to generate revenue. If we continue to incur losses in the future, the net losses and negative cash flows incurred to date, together with any such future losses, will have an adverse effect on our stockholders' equity and working capital. Because of the numerous risks and uncertainties associated with producing cannabis products, as outlined herein, we are unable to accurately predict when, or if, we will be able to achieve profitability. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. If we are unable to achieve and sustain profitability, the market price of our Class A common stock may significantly decrease and our ability to raise capital, expand our business or continue our operations may be impaired. A decline in our value may also cause you to lose all or part of your investment.

We face increased costs as a result of operating as a public company and our management will be required to devote substantial time to new compliance initiatives.

Our management and other personnel have limited experience operating a public company, which may result in operational inefficiencies or errors, or a failure to improve or maintain effective internal controls over financial reporting, and disclosure controls and procedures, necessary to ensure timely and accurate reporting of operational and financial results. Our existing management team will need to devote a substantial amount of time to these compliance initiatives, and we may need to hire additional personnel to assist us with complying with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time consuming and costly.

There is no assurance that our management's past experience will be sufficient to enable us to operate successfully as a public company.

There is no guarantee that our current cash position, expected revenue growth and anticipated financing transactions will be sufficient to fund our operations for the next twelve months.

We have an accumulated deficit of $267.1 million and $186.2 million as of December 31, 2022 and 2021, respectively, as well as a net loss for the year ended December 31, 2022, 2021, and 2020, respectively, and negative cash flows from operating activities for the year ended December 31, 2022, 2021, and 2020, respectively. The recurring net losses and negative cash flows from operating activities are indicators of substantial doubt as to our ability to continue as a going concern for at least one year from issuance of the financial statements included in this report. If we are unable to raise additional capital on favorable terms, if at all, during the next twelve months, we may be forced to decelerate or curtail certain of our operations until such time as additional capital becomes available.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*" for a discussion regarding management's belief that the substantial doubt of our ability to continue as a going concern for at least one year from the issuance of the financial statements included in this Annual Report on Form 10-K has been alleviated.

We are subject to a number of restrictive debt covenants under our loan agreements.

Many of our loan agreements contain certain restrictive covenants, which restrict our ability to, among other things, incur additional indebtedness, incur certain liens on our assets or sell assets, make investments, make capital expenditures, pay dividends and make other restricted payments. Many of our loan agreements also require us to maintain specified financial ratios under certain conditions and satisfy financial condition tests, including minimum cash balances and debt to assets ratios.

Our ability to meet those financial ratios and tests and otherwise comply with our financial covenants may be affected by the factors described herein and other factors outside our control, and we may not be able to meet those ratios, tests and covenants. Our ability to generate sufficient cash from operations to meet our debt obligations will depend upon our future operating performance, which will be affected by general economic, financial, competitive, business and other factors beyond our control. A breach of any of these covenants, ratios, tests or restrictions, as applicable, or any inability to pay interest on, or principal of, our outstanding debt as it becomes due could result in an event of default. Upon an event of default, if not waived by our lenders, our lenders may declare all amounts outstanding as due and payable. Such an acceleration of the maturity of our indebtedness may, among other things, prevent or limit us from engaging in transactions that benefit us, including responding to changing business and economic conditions and taking advantage of attractive business opportunities.

General Risk Factors

If securities or industry analysts do not publish or cease publishing research or reports or publish misleading, inaccurate or unfavorable research about us, our business or our market, our stock price and trading volume could decline.

The trading market for our shares of Class A common stock will be influenced by the research and reports that securities or industry analysts publish about us, our business, our market or our competitors. If no or few securities or industry analysts cover us, the trading price and volume of our shares would likely be negatively impacted. If one or more of the analysts who covers us downgrades our shares or publishes inaccurate or unfavorable research about our business, or provides more favorable relative recommendations about our competitors, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our shares could decrease, which could cause our stock price or trading volume to decline.

We are eligible to be treated as an "emerging growth company" as defined in the JOBS Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make the shares of Class A common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"), (2) reduced disclosure obligations regarding executive compensation in this Annual Report on Form 10-K and periodic reports and proxy statements, and (3) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of the shares of Class A common stock held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, or if we have total annual gross revenue of $1.07 billion or more during any fiscal year before that time, in which case we would no longer be an emerging growth company as of the following December 31. Additionally, if we issue more than $1.0 billion in non-convertible debt during any three-year period before December 31, 2026, we would cease to be an emerging growth company immediately. We cannot predict if investors will find the shares of Class A common stock less attractive because we may rely on these exemptions. If some investors find the shares of Class A common stock less attractive as a result, there may be a less active trading market for the shares of Class A common stock, and the stock price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies.

We have broad discretion in the use of our cash, cash equivalents, and investments and may not use them effectively.

Our management will have broad discretion in the application of our cash, cash equivalents, and investments and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our Class A common stock. The failure by our management to use our cash, cash equivalents and investments effectively could result in financial losses that could have a material adverse impact on our business, cause the price of our Class A common stock to decline, and delay the development of additional products or the opening of new locations. Pending their use, we may invest our cash, cash equivalents, and investments in a manner that does not produce income or that loses value.

Proposed legislation in the U.S. Congress, including changes in U.S. tax law and the recently enacted Inflation Reduction Act of 2022, may adversely impact us and the value of shares of our Class A common stock.

Changes to U.S. tax laws (which changes may have retroactive application) could adversely affect us or holders of our Class A common stock. In recent years, many changes to U.S. federal income tax laws have been proposed and made, and additional changes to U.S. federal income tax laws are likely to continue to occur in the future.

The U.S. Congress is currently considering numerous items of legislation which may be enacted prospectively or with retroactive effect, which legislation could adversely impact our financial performance and the value of shares of our Class A common stock. Additionally, states in which we operate or own assets may impose new or increased taxes. If enacted, most of the proposals would be effective for the current or later years. The proposed legislation remains subject to change, and its impact on us or our investors is uncertain.

In addition, the Inflation Reduction Act of 2022 was recently signed into law and includes provisions that will impact the U.S. federal income taxation of corporations. Among other items, this legislation includes provisions that will impose a minimum tax on the book income of certain large corporations and an excise tax on certain corporate stock repurchases that would be imposed on the corporation repurchasing such stock. It is unclear how this legislation will be implemented by the U.S. Department of Treasury and we cannot predict how this legislation or any future changes in tax laws might affect us or investors in our Class A common stock.

Due to the high degree of uncertainty regarding the implementation and impact of the CARES Act and other legislation related to COVID-19, and their application to businesses substantially similar to ours, there can be no assurance that we will be able to comply with the applicable terms and conditions of the CARES Act and retain such assistance.

On March 27, 2020, the CARES Act was signed into law, aimed at providing emergency assistance and health care for individuals, families, and businesses affected by the COVID-19 pandemic and generally supporting the U.S. economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, and modifications to the net interest deduction limitations. In November 2022, we filed for an Employee Retention Tax Credit ("ERTC") distribution in the amount of approximately $22.8 million. ERTC distributions are refundable tax credits for 50% of qualified wages paid to employees during the pandemic. A company is eligible for the ERTC if it has not received a Paycheck Protection Program loan under the Cares Act and (1) its operations have been fully or partially suspended because of COVID-19 or (2) its gross receipts in a calendar quarter in 2020 declined by more than 50% from the same period in 2019. No formal determination regarding our claim for the ERTC has been received. Due to the high degree of uncertainty regarding the implementation of the CARES Act and other stimulus legislation, and due to the nature of our business, there can be no assurance that we will receive any ERTC distributions or that we will be permitted to retain any ERTC distributions we ultimately receive which could have an impact on us and our financial operations.

We face exposure to fraudulent or illegal activity by employees, contractors and consultants.

We face exposure to the risk that employees, independent contractors or consultants may engage in fraudulent or other illegal activities. Misconduct by these parties could be intentional, reckless and/or negligent conduct. There may be disclosure of unauthorized activities that violate government regulations, manufacturing standards, healthcare laws, abuse laws and other financial reporting laws. Further, it may not always be possible for us to identify and deter misconduct by our employees and other third parties, and the precautions we take to detect and prevent these activities may not always be effective in controlling unknown or unmanaged risks or losses, or in protecting us 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 us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, or curtailment of our operations, any of which could have a material adverse effect on our business, financial condition, results of operations or prospects.

Our reputation and ability to do business may be negatively impacted by the improper conduct by our business partners, employees or agents.

In certain states, we depend on third-party suppliers to produce and ship our orders. Products purchased from our suppliers are resold to our customers. These suppliers could fail to produce products to our specifications or quality standards and may not deliver units on a timely basis. Any changes in our suppliers' production or product availability could impact our ability to fulfill orders and could also disrupt our business due to delays in finding new suppliers.

Furthermore, we cannot provide assurance that our internal controls and compliance systems will protect us from acts committed by our employees, agents or business partners in violation of U.S. federal or state or local laws. Any improper acts or allegations could damage our reputation and subject us to civil or criminal investigations and related stockholder lawsuits, could lead to substantial civic and criminal monetary and non-monetary penalties and could cause us to incur significant legal and investigatory fees.

We face risks related to our information technology systems, and potential cyber-attacks and security breaches.

Our operations depend, in part, on how well we and our suppliers protect networks, equipment, information technology ("IT") systems and software against damage and 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. We are susceptible to operational, financial and information security risks resulting from cyber-attacks and/or malfunctioning technology. Our operations also depend on the timely maintenance and replacement of network equipment, IT systems and software, as well as preemptive expenses to mitigate associated risks. Any of the foregoing and other events could result in information system failures, delays, increase in capital expenses, financial losses, the inability to process transactions, the unauthorized release of customer information and reputational risk. If there was a breach in security or if there was a failure in information systems, it could adversely affect our reputation and business continuity.

Additionally, we may store and collect personal information about customers and are responsible for protecting that information from privacy breaches that may occur through procedural or process failure, IT malfunction or deliberate unauthorized intrusions. We are subject to laws, rules and regulations in the United States and other jurisdictions relating to the collection, processing, storage, transfer and use of personal data. Our ability to execute transactions and to possess and use personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require us to notify regulators and customers, employees and other individuals of a data security breach. Any such theft or privacy breach would have a material adverse effect on our business, prospects, revenue, results of operation and financial condition.

In addition, non-compliance could result in proceedings against us by governmental entities and/or significant fines, could negatively impact our reputation and may otherwise adversely impact our business, financial condition and operating results.

We have not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that we will not incur any further losses in the future. Our 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 is a priority. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

We face risks related to our insurance coverage and uninsurable risks.

Our business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labor disputes, destruction from civil unrest 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 we intend to continue to maintain insurance to protect against certain risks in such amounts as we consider to be reasonable, our insurance will not cover all the potential risks associated with our operations. We 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 our operations is not generally available on acceptable terms. We might also become subject to liability for pollution or other hazards which it may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon our financial performance and results of operations.

We may be subject to litigation.

We are, and may in the future, become from time to time in the ordinary course of business, party to litigation, which could adversely affect our business. Should any litigation in which we become involved be determined against us, such a decision could adversely affect our ability to continue operating and the market price for the shares of Class A common stock and could potentially use significant resources. Even if we are successful in litigation, litigation can redirect our significant resources and/or the significant resources of our subsidiaries. Please refer to the "*Legal Proceedings*" section of this Annual Report on Form 10-K for a description of our significant legal matters.

We may be negatively impacted by challenging global economic conditions.

Our business, financial condition, results of operations and cash flow may be negatively impacted by challenging global economic conditions. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability of or increases in the cost of credit and capital, increases in inflation or interest rates, high unemployment, natural disasters, epidemics and pandemics (such as COVID-19), state or local government insolvency, or a combination of these or other factors.

These macroeconomic developments could negatively impact our business, which depends on the general economic environment and levels of consumer spending. As a result, we may not be able to maintain our existing customers or attract new customers, or we may be forced to reduce the price of our products. We are unable to predict the likelihood of the occurrence, duration or severity of such disruptions in the credit and financial markets or adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on our business, financial condition, results of operations and cash flow. To date, the Company has not been significantly impacted by inflationary pressure, however, continued and sustained increased inflation and any economic conditions resulting from governmental effort to manage or reduce inflation, may negatively impact the economy and may adversely impact the Company's costs as well as the demand for its products and services. While we would intend to take actions, wherever possible, to reduce the impact of the effects of inflation, in the case of sustained inflation in the markets in which we operate, it could become increasingly difficult to effectively mitigate the increases to our costs. If we are unable to take actions to effectively mitigate the effect of the increased inflation and changes to economic conditions, our business, financial condition and results of operations could be negatively impacted.

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

We are subject to risks arising from epidemic diseases, such as the outbreak of the COVID-19 illness.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. A public health epidemic, including COVID-19, or the fear of a potential pandemic, poses the risk that we or our employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns or other preventative measures taken to limit the potential impact from a public health epidemic that may be requested or mandated by governmental authorities.

Our priorities during the COVID-19 pandemic have been protecting the health and safety of our employees and our customers, following the recommended actions of government and health authorities. In the future, the pandemic may cause reduced demand for our products and services if, for example, the pandemic results in a recessionary economic environment.

Furthermore, as a result of the COVID-19 pandemic, we have adopted remote and hybrid work arrangements for many of our employees. It is possible that widespread remote work arrangements may have a negative impact on our operations; the execution of our business plans; our ability to recruit, train, manage, and retain employees; the productivity and availability of key personnel and other employees necessary to conduct our business; and on third-party service providers who perform critical services for us, or otherwise cause operational failures. If a natural disaster, power outage, connectivity issue, or other event occurred that impacted our employees' ability to work remotely, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The increase in remote working may also result in increased consumer privacy, data security, and fraud risks.

The continued spread of COVID-19 (or any other actual or potential pandemic) and the measures taken by the governments of countries affected could disrupt the supply chain and the manufacture or shipment or sale of our products and adversely impact our business, financial condition or results of operations. It could also affect the health and availability of our workforce at our facilities, as well as those of our suppliers. The COVID-19 outbreak and mitigation measures may also have an adverse impact on global economic conditions which could have an adverse effect on our business and financial condition. The extent to which the COVID-19 outbreak impacts our results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact. Because cannabis remains federally illegal, it is possible that we would not be eligible to participate in any government relief programs (such as federal loans or access to capital) resulting from COVID-19 or any other actual or potential pandemic.

While the U.S. and other jurisdictions have relaxed restrictions implemented in response to the COVID- 19 pandemic, the potential for new and more-transmissible variants means that the situation remains dynamic and subject to rapid and possibly material changes.

Our business may be affected by political and economic instability.

We may be affected by political or economic instability, including political or economic instability resulting from the recent invasion of Ukraine by Russia. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, high rates of inflation and other negative impacts on the global economy, capital markets or other geopolitical conditions. Changes in medical and agricultural development or investment policies or shifts in political viewpoints of certain countries may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people, and water use. The effect of these factors cannot be accurately predicted.

Our internal controls over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.

As a public company, we are required to evaluate our internal controls over financial reporting. Furthermore, at such time as we cease to be an "emerging growth company," as more fully described in these Risk Factors, we shall also be required to comply with the auditor attestation requirements of Section 404. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. We cannot be certain as to the timing of completion of our evaluation, testing and any remediation actions or the impact of the same on our operations. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent registered public accounting firm may issue an adverse opinion due to ineffective internal controls over financial reporting and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. As a result, there could be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal control system and the hiring of additional personnel. Any such action could negatively affect our results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We lease office space in New York, NY that houses our corporate headquarters.

As of December 31, 2022, we lease cultivation and manufacturing facilities in Barry, IL, Athol, MA, Lansing, MI, and Franklin, NJ consisting of a total of approximately 560,000 square feet and own the manufacturing facilities in Monroe, OH and Smithfield, PA. We lease approximately 128,000 square feet for our dispensary operations and own the 15,000 square foot building that houses our Boston, MA dispensary.

Our cultivation leases generally have a term of eighteen to twenty years. Most leases for our cultivation and manufacturing operations provide for a base rent, typically with three percent annual escalators and generally require us to pay insurance, utilities, real estate taxes and repair and maintenance expenses.

Our retail leases generally have a term of ten years with two five-year renewal options. Most leases for our retail stores provide for a base rent, typically with 2-3 percent annual escalations and generally require us to pay insurance, utilities, real estate taxes, and repair and maintenance expenses.

The average size of our stores is approximately 5,000 square feet. The following table summarizes our principal physical properties by state and their designation by use or planned use, as of December 31, 2022:

State	Cultivation/ Processing	Retail[(1)]	Ancillary
Illinois	1	10	3
Massachusetts	1	3	1
New Jersey	1	3	2
Michigan	1	8	—
Ohio	2	5	—
Pennsylvania	1	2	—
Total	7	31	6

(1) Includes three locations in Ohio and two locations in Illinois that the Company expects to acquire through definitive agreements that were signed in August 2022.

ITEM 3. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please see Note 15, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Dividends, and Stockholders

Shares of our Class A common stock are listed on the CSE under the ticker symbol "AAWH.U" and are quoted on the OTCQX under the symbol "AAWH." The Company has not declared cash dividends in the past. The Company currently intends to reinvest all future earnings to finance the development and growth of the business. As a result, the Company does not intend to pay dividends on its common stock 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 Company is not bound or limited in any way to pay dividends in the event that the Board determines that a dividend is in the best interest of its shareholders.

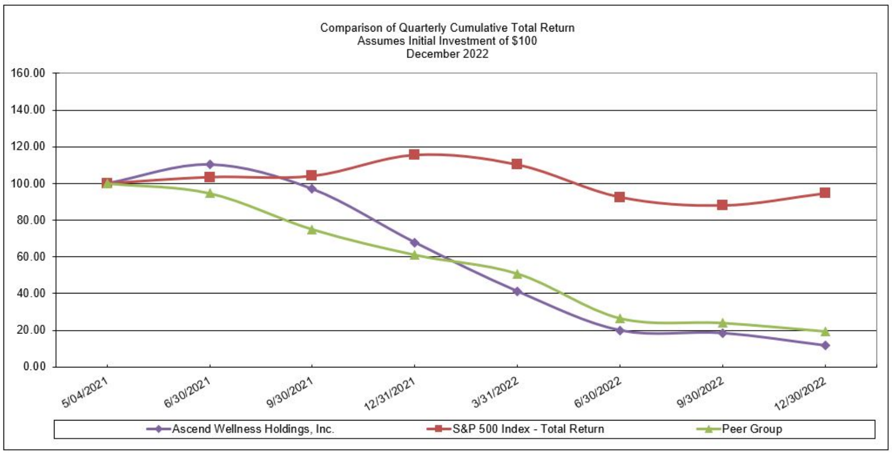
As of March 13, 2023, there were 135 registered holders of shares of our Class A common stock. These totals do not include the number of person whose stock is in nominee or "street" name accounts through brokers.

Equity Compensation Plans

For more information on equity compensation plans, see Item 12 of Part III of this Annual Report.

Peer Performance Table

The following graph compares the cumulative total shareholder return on shares of Ascend Wellness Holdings, Inc.'s Class A common stock from May 4, 2021, when Ascend Wellness Holdings, Inc. began trading on the CSE, through December 31, 2022, with the comparative cumulative return of the S&P 500 Index and a selected peer group of companies. The comparison assumes all dividends have been reinvested (if any) and an initial investment of $100 on May 4, 2021. The returns of each company in the peer group have been weighted to reflect their market capitalizations.



	Base Period 5/4/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	09/30/2022	12/31/2022
Ascend Wellness Holdings, Inc.	$ 100	$ 110	$ 97	$ 68	$ 41	$ 20	$ 19	$ 12
S&P 500 Index	$ 100	$ 103	$ 104	$ 116	$ 110	$ 92	$ 88	$ 95
Peer Group	$ 100	$ 95	$ 75	$ 61	$ 51	$ 26	$ 24	$ 19

The Peer Group is comprised of: Ayr Wellness Inc., Columbia Care Inc., Cresco Labs Inc., Curaleaf Holdings, Inc., Green Thumb Industries Inc., Jushi Holdings Inc., TerrAscend Corp., Verano Holdings Corp, and Trulieve Cannabis Corp.

This performance graph and other information furnished under this Item 5 of Part II of this Form 10-K shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act. The comparisons in the performance graph are based on historical data and are not indicative of, or intended to forecast, the possible future performance of our common stock.

Issuer Purchases of Equity Securities

None.

Recent Sales of Unregistered Securities

Except as described below, all unregistered sales of equity securities during the period covered by this Annual Report on Form 10-K were previously disclosed in our current reports on Form 8-K or quarterly reports on Form 10-Q. The following information represents securities sold by the Company which were not registered under the Securities Act. Included are new issues, securities issued upon conversion from other share classes, and securities issued in exchange for property, services, or other securities.

On November 23, 2022, in conjunction with Joshua Gold's appointment to the board of directors, the Company issued to him a warrant to purchase 188,000 shares of Class A common stock at a strike price of $2.64 per share, which was immediately exercisable and expires 30 months from the date of issuance. The issuance of the warrant was made pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to assist in the understanding of the results of operations and financial condition of Ascend Wellness Holdings, Inc. and its subsidiaries (collectively referred to as "AWH," "Ascend," "we," "us," "our," or the "Company"). This MD&A is provided as a supplement to, and should be read in conjunction with the consolidated financial statements and the accompanying notes thereto, (the "Financial Statements") appearing elsewhere in this Annual Report on Form 10-K (the "Annual Report" or "Form 10-K"). The Financial Statements were prepared in accordance with accounting principles generally accepted in the United States of America, which we refer to as "GAAP."

This following MD&A should be read in conjunction with, and is qualified in its entirety by, the Financial Statements. In addition to historical information, this MD&A contains both historical and forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, and forward-looking information, within the meaning of applicable Canadian securities laws, (collectively, "forward-looking statements"), that involve risks and uncertainties.

Forward-looking statements in this Form 10-K include, but are not limited to, statements with respect to: operating results; profitability; financial condition and resources; anticipated needs for working capital; liquidity; capital resources; capital expenditures; milestones; licensing milestones; information with respect to future growth and growth strategies; anticipated trends in the industry in which the Company operates; the Company's future financing plans; timelines; currency fluctuations; government regulation; inflationary pressure; unanticipated expenses; commercial disputes or claims; limitations on insurance coverage; availability and expectations regarding of cash flow to fund capital requirements; the product offerings of the Company; the competitive conditions of the industry; the competitive and business strategies of the Company; on-going implications of the novel coronavirus ("COVID-19"); statements relating to the business and future activities of, and developments related to, the Company, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans; and other events or conditions that may occur in the future.

We make forward-looking statements related to future expectations, estimates, and projections that are uncertain and often contain terminology such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "likely," "may," "outlook," "plan," "predict," "should," "target," or other similar words or phrases, or by the use of words or phrases which state that certain actions, events, or results, may, could, would, or might occur or be achieved. There can be no assurance that such forward-looking statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and assumptions that are difficult to predict. Factors that might cause such differences include, but are not limited to, those discussed in Part 1. of this Form 10-K under Item 1A., "Risk Factors," which are incorporated herein by reference. Our future results and financial condition may be materially different from those we currently anticipate and historical results may not be indicative of future performance. See "Forward-Looking Statements" for more information. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions, or expectations upon which they are placed will occur. Forward-looking information in this MD&A is expressly qualified by this cautionary statement.

Financial information and unit or share figures, except per-unit or per-share amounts, presented in this MD&A are presented in thousands of United States dollars ("$"), unless otherwise indicated. We round amounts in this MD&A to the thousands and calculate all percentages, per-unit, and per-share data from the underlying whole-dollar amounts. Thus, certain amounts may not foot, crossfoot, or recalculate based on reported numbers due to rounding. Unless otherwise indicated, all references to years are to our fiscal year, which ends on December 31.

The Company's shares of Class A common stock are listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "AAWH.U" and are quoted on the OTCQX® Best Market (the "OTCQX") under the symbol "AAWH." We are an emerging growth company under federal securities laws and as such we are able to elect to follow scaled disclosure requirements for this filing.

BUSINESS OVERVIEW

Established in 2018 and headquartered in New York, New York, AWH is a vertically integrated multi-state operator focused on adult-use or near-term adult-use cannabis states in limited license markets. Our core business is the cultivation, manufacturing, and distribution of cannabis consumer packaged goods, which we sell through our company-owned retail stores and to third-party licensed retail cannabis stores. We believe in bettering lives through cannabis. Our mission is to improve the lives of our employees, patients, customers, and the communities we serve through the use of the cannabis plant. We are committed to providing safe, reliable, and high-quality products and providing consumers options and education to ensure they are able to identify and obtain the products that fit their personal needs.

The Company was originally formed on May 15, 2018 as Ascend Group Partners, LLC, and changed its name to "Ascend Wellness Holdings, LLC" on September 10, 2018. On April 22, 2021, Ascend Wellness Holdings, LLC converted into a Delaware corporation and changed its name to "Ascend Wellness Holdings, Inc." and effected a 2-for-1 reverse stock split (the "Reverse Split"), which is retrospectively presented for all periods in this filing. We refer to this conversion throughout this filing as the "Conversion." As a result of the Conversion, the members of Ascend Wellness Holdings, LLC became holders of shares of stock of Ascend Wellness Holdings, Inc.

In May 2021, the Company completed an Initial Public Offering ("IPO") of its Class A common stock, in which it issued and sold a total of 11,500 shares of Class A common stock, including the underwriters' over-allotment option, at a price of $8.00 per share with net proceeds of approximately $86,065, after deducting underwriting discounts and commissions and certain expenses paid by us. In connection with the IPO, the historical common units, Series Seed Preferred Units, Series Seed+ Preferred Units, and Real Estate Preferred Units then-outstanding automatically converted into a total of 113,301 shares of Class A common stock and 65 historical common units were allocated as shares of Class B common stock. Additionally, 3,420 shares of Class A common stock were issued for a beneficial conversion feature associated with the conversion of certain historical preferred units and the Company's convertible notes, plus accrued interest, converted into 37,388 shares of Class A Common Stock. See Note 12, "Stockholders' Equity," in the Financial Statements for additional details.

Since our formation, we have expanded our operational footprint, primarily through acquisitions. As of December 31, 2022, we had direct or indirect operations or financial interests in six United States geographic markets: Illinois, Michigan, Ohio, Massachusetts, New Jersey, and Pennsylvania and employed approximately 2,200 people. In January 2023, we signed a definitive agreement that, upon closing, will expand our operations into the state of Maryland and represent our seventh United States geographic market.

We are committed to being vertically integrated in every state we operate in, which entails controlling the entire supply chain from seed to sale. We are currently vertically integrated in six states in which we operate with expansion plans underway to achieve vertical integration in each of our geographic markets. While we have been successful in opening facilities and dispensaries, we expect continued growth to be driven by opening new operational facilities and dispensaries under our current licenses, expansion of our current facilities, and increased consumer demand.

Our consumer products portfolio is generated primarily from plant material that we grow and process ourselves. As of December 31, 2022, we produce our consumer packaged goods in six manufacturing facilities with approximately 245,000 square feet of operational canopy and total current capacity of approximately 122,500 pounds annually. As of December 31, 2022, our product portfolio consists of 497 stock keeping units ("SKUs"), across a range of cannabis product categories, including flower, pre-rolls, concentrates, vapes, edibles, and other cannabis-related products. As of December 31, 2022, we had 24 open and operating retail locations and subsequently opened dispensaries in New Bedford, Massachusetts and Grand Rapids, Michigan. We expect to have 39 retail locations by mid-2024, which includes 4 dispensaries in Maryland that we expect to acquire pursuant to a definitive agreement that was signed in January 2023 and is pending regulatory approval. Our new store opening plans are flexible and will ultimately depend on market conditions, local licensing, construction, and other regulatory permissions. All of our expansion plans are subject to capital allocations decisions, the evolving regulatory environment, and the COVID-19 pandemic.

On November 22, 2022, the Company filed a registration statement on Form S-3 (the "Registration Statement") containing a base shelf prospectus with the SEC (the "Shelf Prospectus"), which Registration Statement became effective on December 22, 2022. A corresponding base shelf prospectus (the "Canadian Prospectus") was filed with, and receipted by, the securities regulatory authorities in each of the provinces and territories Canada under the U.S.-Canada multijurisdictional disclosure system (MJDS). The Registration Statement and Canadian Prospectus qualify the distribution from treasury of up to an aggregate amount of $100,000 worth of shares of Class A common stock, preferred stock, warrants, debt securities, subscription rights and/or units of the Company ("Securities") for a period of three years. The terms of any Securities to be offered under the base prospectus will be specified in a prospectus supplement, which will be filed with the applicable U.S. and Canadian securities regulatory authorities in connection with any such offering. To date, no prospectus supplement has been filed. The Shelf Prospectus and the Canadian Prospectus were filed to provide maximum flexibility to pursue strategic initiatives.

Recent Developments

Business Developments

AWH continues to expand and further develop its business and operations. Some of the highlights achieved during the year include:

- expanding into our sixth market in the United States by acquiring Story of PA CR, LLC ("Story of PA") in April 2022, as further described below, and, during the fourth quarter, opening our first two dispensaries that are located in Scranton and Wayne, Pennsylvania, along with building out our cultivation facility which we expect will have its first harvest during the first quarter of 2023;
- entering into a definitive agreement with Ohio Patient Access LLC ("OPA") that provides the option to acquire three medical dispensaries in Ohio, as further described below;
- entering into definitive agreements to acquire two additional licenses in Illinois, as further described below;
- the commencement of adult-use sales at our Rochelle Park, New Jersey dispensary in April 2022 and at our Montclair, New Jersey dispensary in August, along with the commencement of medical sales at our Fort Lee, New Jersey dispensary in August and the subsequent commencement of adult-use sales in November, as well as adding approximately 25,000 square feet of canopy at our New Jersey cultivation facility;
- further strengthening our balance sheet with $65,000 of additional senior debt financing under our credit facility, as described in "*Liquidity and Capital Resources;*"
- adding 69,000 square feet of canopy across the network, including phase 2 in Massachusetts, phase 2 in New Jersey, and phase 1 in Pennsylvania, bringing total canopy to approximately 245,000 square feet;
- opening our East Lansing, Michigan dispensary in addition to the Fort Lee, New Jersey, Scranton, Pennsylvania, and Wayne, Pennsylvania dispensaries, discussed above; and
- expanding our partnership portfolio into additional markets, including launching: AiroPro in New Jersey, Lowell in Illinois and Massachusetts, Miss Grass in Massachusetts, Illinois, and New Jersey, and Edie Parker across the portfolio.

Acquisition of Story of PA

On April 19, 2022, we acquired Story of PA. Total consideration for the acquisition of the outstanding equity interests in Story of PA was $53,127, consisting of 12,900 shares of Class A common stock with a fair value of $42,957 and cash consideration of $10,170. Story of PA received a clinical registrant permit from the Pennsylvania Department of Health on March 1, 2022. Through a research collaboration agreement with the Geisinger Commonwealth School of Medicine ("Geisinger"), a Pennsylvania Department of Health-Certified Medical Marijuana Academic Clinical Research Center, this transaction allows us to open a cultivation and processing facility and up to six medical dispensaries throughout the Commonwealth of Pennsylvania. We will help fund clinical research to benefit the patients of Pennsylvania by contributing $30,000 to Geisinger over the next two years (of which $15,000 was funded in April 2022), and up to an additional $10,000 over the next ten years.

The transaction was accounted for as an asset acquisition and the total acquisition cost of $137,594 was allocated to the license intangible asset acquired. The total acquisition cost includes the consideration transferred for the equity interests in Story of PA, the research funding commitment, other liabilities assumed in the transaction, and certain transaction costs. Additionally, this total includes an acquisition-related deferred tax liability of $37,391 that was recorded during the fourth quarter of 2022. Refer to Note 4, “Acquisitions,” in the Financial Statements for additional information.

Through this transaction, AWH entered its sixth market in the United States. We opened our first dispensary in the state in Scranton in October 2022 and the second dispensary in Wayne in November 2022. We are also continuing the build out of the cultivation facility and are expecting the first harvest will occur during the first quarter of 2023.

Acquisition of Ohio Patient Access

On August 12, 2022, the Company entered into a definitive agreement (the “Ohio Agreement”) that provides the Company the option to acquire 100% of the equity of OPA, the holder of a license that grants it the right to operate three medical dispensaries in Ohio, which operations have not yet commenced. The Ohio Agreement is subject to regulatory review and approval. Once the regulatory approval is received, the Company may exercise the option, and the exercise is solely within the Company’s control. The Company may exercise the option until the fifth anniversary of the agreement date or can elect to extend the exercise period for an additional year. Under the Ohio Agreement, the Company will also acquire the real property of the three dispensary locations. In conjunction with the Ohio Agreement, the parties also entered into a support services agreement under which the Company will provide management and advisory services to OPA for a set monthly fee. The parties also entered into a working capital loan agreement under which the Company may, at its full discretion, loan OPA up to $10,000 for general working capital needs. The Company determined OPA is a variable interest entity (“VIE”) and the Company became the primary beneficiary as of the signing date; therefore, OPA is consolidated as a VIE. Refer to Note 8, “Variable Interest Entities,” in the Financial Statements for additional information regarding the Company’s VIEs.

The Ohio Agreement also includes an earn-out provision of $7,300 that is dependent upon the commencement of adult-use cannabis sales in Ohio. The sellers may elect to receive the earn-out payment as either cash or shares of the Company’s Class A common stock, or a combination thereof. Refer to Note 4, “Acquisitions,” in the Financial Statements for additional information.

The total estimated fair value of the transaction consideration was determined to be $24,132 and consisted of the fair value of the cash consideration of $19,290 plus the estimated fair value of the contingent consideration of $4,842. Of the total cash consideration, $11,300 was funded at signing pursuant to note agreements. The $11,000 payment that is due at final closing was recorded net of a discount of $3,010 based on the estimated payment date utilizing the Company’s incremental borrowing rate. This discounted payment is included within “Long-term debt, net” on the Consolidated Balance Sheet in the Financial Statements at December 31, 2022; refer to Note 11, “Debt,” in the Financial Statements for additional information. The contingent consideration is included within “Other non-current liabilities” on the Consolidated Balance Sheet in the Financial Statements at December 31, 2022.

The license intangible asset acquired was determined to have an estimated fair value of $21,684 and the three properties had an estimated fair value of $2,448. Direct transaction expenses of $224 are included in “General and administrative expenses” on the Consolidated Statements of Operations in the Financial Statements for the year ended December 31, 2022. Refer to Note 4, “Acquisitions,” in the Financial Statements for additional information related to this transaction.

Through this transaction, the Company will expand its footprint in Ohio to five dispensaries. The three additional dispensaries are expected to be built-out over the next year.

Illinois Licenses

In August 2022, the Company entered into definitive agreements to acquire two additional licenses in Illinois. Neither of these licenses were associated with active operations at signing and the transfer of each license is subject to regulatory review and approval.

One transaction was entered on August 11, 2022 for total cash consideration of $5,500. The Company accounted for this transaction as an asset acquisition and allocated the cash consideration as the cost of the license acquired. Of the total cash consideration, $3,000 was paid at signing and $2,500 is due at final closing and is included as a sellers' note within "Long-term debt, net" on the Consolidated Balance Sheet in the Financial Statements at December 31, 2022; refer to Note 11, "Debt," in the Financial Statements for additional information. Direct transaction expenses were immaterial.

The second transaction was entered on August 12, 2022 for total cash consideration of $5,600. The Company accounted for this transaction as an asset acquisition and allocated the cash consideration as the cost of the license acquired. The consideration will be paid at final closing and is included as a sellers' note within "Long-term debt, net" on the Consolidated Balance Sheet in the Financial Statements at December 31, 2022. Direct transaction expenses were immaterial.

The licenses acquired will be amortized in accordance with the Company's policy once the related operations commence. Refer to Note 4, "Acquisitions," in the Financial Statements for additional information on these transactions.

Acquisition of Marichron

Effective October 14, 2022, the Company acquired Marichron Pharma LLC ("Marichron"), a medical cannabis processor in Ohio, for total consideration of $2,600, consisting of cash consideration of $1,750, of which $1,500 was previously funded under a promissory note, settlement of approximately $1,000 due under a working capital loan, less settlement of $150 of other pre-acquisition amounts. Acquisition-related costs incurred during the year ended December 31, 2022 were not material. Refer to Note 4, "Acquisitions," in the Financial Statements for additional information.

Operational and Regulation Overview

We believe our operations are in material compliance with all applicable state and local laws, regulations, and licensing requirements in the states in which we operate. However, cannabis is illegal under United States federal law. Substantially all of our revenue is derived from United States cannabis operations. For information about risks related to United States cannabis operations, refer to Item 1A., "*Risk Factors*," of this Form 10-K.

Key Financial Highlights

- Revenue increased by $73,545, or 22%, during 2022, as compared to 2021, primarily driven by growth from our existing business, including the commencement of adult-use-sales at our three New Jersey dispensaries, as well as new site openings and acquisitions.

- Operating loss decreased by $9,678 during 2022, as compared to 2021, primarily driven by lower total operating expenses.

- Net decrease in cash and cash equivalents of $81,335 during 2022, primarily driven by net cash used in investing activities, including payments related to acquisitions, and net cash used to support working capital needs and operating activities, partially offset by proceeds received under our credit facility.

RESULTS OF OPERATIONS

The Year Ended December 31, 2022 Compared with the Year Ended December 31, 2021

($ in thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021	Increase / (Decrease)	
Revenue, net	$ 405,926	$ 332,381	$ 73,545	22%
Cost of goods sold	(271,363)	(196,409)	74,954	38%
Gross profit	134,563	135,972	(1,409)	(1)%
Gross profit %	*33.1 %*	*40.9 %*		
Operating expenses				
General and administrative expenses	137,089	116,665	20,424	18%
Settlement expense	5,000	36,511	(31,511)	(86)%
Total operating expenses	142,089	153,176	(11,087)	(7)%
Operating loss	(7,526)	(17,204)	(9,678)	(56)%
Other (expense) income				
Interest expense	(32,436)	(63,989)	(31,553)	(49)%
Other, net	756	256	500	195%
Total other expense	(31,680)	(63,733)	(32,053)	(50)%
Loss before income taxes	(39,206)	(80,937)	(41,731)	(52)%
Income tax expense	(41,693)	(41,720)	(27)	NM*
Net loss	$ (80,899)	$ (122,657)	$ (41,758)	(34)%

*Not meaningful

Revenue

Revenue increased by $73,545, or 22%, during 2022, as compared to 2021. We had 24 open dispensaries as of December 31, 2022, compared to 20 as of December 31, 2021. Revenue from our legacy retail locations increased by $53,164, which includes the benefit of the commencement of adult-use sales at our New Jersey dispensaries that began in 2022, and new dispensaries that opened during late 2021 and during 2022 contributed $8,935 to our revenue growth. Additionally, we recognized incremental revenue from acquisitions of $12,493, which includes a total of $587 from the Ohio cultivation site that we acquired in 2021 and the Ohio processor that we acquired in 2022. The current year also benefited from an increase in wholesale volume sold, particularly in New Jersey and Massachusetts, but was partially offset by pricing pressure across the markets in which we operate, which also led to an increase in intercompany sales, for a decrease of $1,047 in net revenue related to our wholesale operations. As of December 31, 2022, we had 497 SKUs for our cultivation products, compared to 224 SKUs as of December 31, 2021.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased by $74,954, or 38%, during 2022, as compared to 2021. Cost of goods sold represents direct and indirect expenses attributable to the production of wholesale products as well as direct expenses incurred in purchasing products from other wholesalers. The increase in cost of goods sold in 2022 was driven by expansion of our operations, including $8,025 of incremental cost of goods sold from acquisitions. Gross profit for 2022 was $134,563, representing a gross margin of 33.1%, compared to gross profit of $135,972 and gross margin of 40.9% for 2021. The decrease in gross margin was primarily driven by lower margins at our Illinois cultivation facility as pricing decreased compared to prior year, partially offset by gross profit margin increases in Massachusetts, Michigan, and New Jersey as assets came online. Additionally, we recognized $7,306 of write-downs of certain inventory items within our Michigan business. Margins across our retail stores in Illinois, Massachusetts, and Michigan were down slightly due to pricing pressure in those markets.

General and Administrative Expenses

General and administrative expenses increased by $20,424, or 18%, during 2022, as compared to 2021. The increase was primarily related to:

- a $5,730 increase in compensation expense resulting from higher headcount of approximately 2,200 as of December 31, 2022 compared to approximately 1,500 as of December 31, 2021 to support our expanded operations;
- a $4,059 increase in depreciation and amortization expense due to $2,663 of incremental amortization of licenses and $1,396 of incremental depreciation expense due to a larger average balance of fixed assets in service;
- a $1,704 expense related to the write-off of certain previously capitalized costs and an estimated reserve of $3,700 related to certain amounts associated with the New York transaction (refer to *"Management's Discussion and Analysis of Financial Condition and Results of Operations–Legal Matters–MedMen NY Litigation"* for additional information);
- a $2,981 increase in rent and utilities and related overhead expenses to support the expansion of our operations; and
- a $1,053 increase in professional services, driven by higher legal expenses for ongoing litigation matters, partially offset by the absence of a $2,000 termination fee associated with a management services agreement that was incurred in the prior year following our IPO and lower external support expenses.

Settlement Expense

During 2022, we recognized an expense of $5,000 related to the settlement of a stockholder dispute (refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Legal Matters–Stockholder Dispute*" for additional information). During 2021, we recognized a settlement expense of $36,511 for a matter related to two property purchase agreements.

Interest Expense

Interest expense decreased by $31,553, or 49%, during 2022, as compared to 2021. The decrease was primarily due to the absence of $30,967 of non-cash interest recognized with our IPO. Additionally, in the prior year we recognized a $6,637 net loss upon extinguishment of previously outstanding debt. The absence of these amounts was partially offset by higher cash interest expense in the current year associated with additional borrowings under our credit facility, as well as a $2,180 loss on extinguishment recognized in the current year (refer to "*Liquidity and Capital Resources*" for further information). During 2022, we had a weighted-average outstanding debt balance of $285,802 with a weighted-average interest rate of 9.8%, excluding finance leases, compared to an average debt balance of $218,559 during 2021 with a weighted-average interest rate of 10.6%.

Income Tax Expense

Since the Company operates in the cannabis industry, it is subject to the limitations of Internal Revenue Code ("IRC") Section 280E, which prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting ordinary and necessary business expenses from gross profit. Cannabis businesses operating in states that align their tax codes with IRC Section 280E are also unable to deduct ordinary and necessary business expenses for state tax purposes. Ordinary and necessary business expenses deemed non-deductible under IRC Section 280E are treated as permanent book-to-tax differences. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

The statutory federal tax rate was 21% during both periods. The Company has operations in six U.S. geographic markets: Illinois, Michigan, Ohio, Massachusetts, New Jersey, and Pennsylvania, which have state tax rates ranging from 6% to 11.5%. Certain states, including Michigan and, effective as of January 1, 2022, Massachusetts, do not align with IRC Section 280E for state tax purposes and permit the deduction of ordinary and necessary business expenses from gross profit in the calculation of state taxable income.

Income tax expense was $41,693, or 31.0% of gross profit, during 2022, as compared to $41,720, or 30.7% of gross profit, during 2021. There have been no material changes to income tax matters in connection with the normal course of operations during 2022. The effective tax rate on gross profit for 2022 was impacted by higher penalties and interest due on federal tax payments in the current year as compared to the prior year, but benefited from higher relative cost of goods sold.

NON-GAAP FINANCIAL MEASURES

We define "Adjusted Gross Profit" as gross profit excluding non-cash inventory costs which include depreciation and amortization included in cost of goods sold, equity-based compensation included in cost of goods sold, start-up costs included in cost of goods sold, and other non-cash inventory adjustments. We define "Adjusted Gross Margin" as Adjusted Gross Profit as a percentage of net revenue. Our "Adjusted EBITDA" is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. We define "Adjusted EBITDA Margin" as Adjusted EBITDA as a percentage of net revenue. Management calculates Adjusted EBITDA as the reported net loss, adjusted to exclude: income tax expense; other (income) expense; interest expense; depreciation and amortization; depreciation and amortization included in cost of goods sold; non-cash inventory adjustments; equity-based compensation; equity-based compensation included in cost of goods sold; start-up costs; start-up costs included in cost of goods sold; transaction-related and other non-recurring expenses; litigation settlement; and gain or loss on sale of assets. Accordingly, management believes that Adjusted EBITDA provides meaningful and useful financial information, as this measure demonstrates the operating performance of the business. Non-GAAP financial measures may be considered in addition to the results prepared in accordance with U.S. GAAP, but they should not be considered a substitute for, or superior to, U.S. GAAP results.

The following table presents Adjusted Gross Profit for the year ended December 31, 2022 and 2021:

	Year Ended December 31,	
($ in thousands)	**2022**	**2021**
Gross Profit	$ 134,563	$ 135,972
Depreciation and amortization included in cost of goods sold	15,360	9,612
Equity-based compensation included in cost of goods sold	11,627	2,929
Start-up costs included in cost of goods sold[1]	13,044	—
Non-cash inventory adjustments[2]	10,478	4,914
Adjusted Gross Profit	$ 185,072	$ 153,427
Adjusted Gross Margin	*45.6 %*	*46.2 %*

(1) Incremental expenses associated with the expansion of activities at our cultivation facilities that are not yet operating at scale, including excess overhead expenses resulting from delays in regulatory approvals at certain cultivation facilities.

(2) Consists of write-offs of expired products and obsolete packaging. Additionally, during 2022, we recognized a loss of $7,306 resulting from net realizable value adjustments related to certain inventory items in Michigan.

The following table presents Adjusted EBITDA for the year ended December 31, 2022 and 2021:

	Year Ended December 31,	
($ in thousands)	2022	2021
Net loss	$ (80,899)	$ (122,657)
Income tax expense	41,693	41,720
Other income, net	(756)	(256)
Interest expense	32,436	63,989
Depreciation and amortization	29,455	19,648
Non-cash inventory adjustments[1]	10,478	4,914
Equity-based compensation	22,995	18,279
Start-up costs[2]	23,590	5,465
Transaction-related and other non-recurring expenses[3]	8,885	11,209
Loss on sale of assets	345	605
Litigation settlement	5,000	36,511
Adjusted EBITDA	$ 93,222	$ 79,427
Adjusted EBITDA Margin	*23.0 %*	*23.9 %*

(1) Consists of write-offs of expired products and obsolete packaging. Additionally, during 2022, we recognized a loss of $7,306 resulting from net realizable value adjustments related to certain inventory items in Michigan.

(2) One-time costs associated with acquiring real estate, obtaining licenses and permits, and other costs incurred before commencement of operations at certain locations, as well as incremental expenses associated with the expansion of activities at our cultivation facilities that are not yet operating at scale, including excess overhead expenses resulting from delays in regulatory approvals at certain cultivation facilities. The 2022 amount includes a $1,704 expense related to the write-off of certain previously capitalized costs and an estimated reserve of $3,700 related to certain amounts associated with the New York transaction that the Company is actively pursuing collecting. The 2022 amount also includes a $234 fair value adjustment related to the OPA earn-out.

(3) Legal and professional fees associated with litigation matters, potential acquisitions, and other regulatory matters and other non-recurring expenses. The prior year includes expenses related to the Company's IPO.

The Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020

For a discussion comparing our operating results for the year ended December 31, 2021 with the year ended December 31, 2020, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-K for the year ended December 31, 2021, filed with each of the U.S. Securities and Exchange Commission and the relevant Canadian securities regulatory authorities on March 11, 2022.

LIQUIDITY AND CAPITAL RESOURCES

We are an emerging growth company and our primary sources of liquidity are operating cash flows, borrowings through the issuance of debt, and funds raised through the issuance of equity securities. We are generating cash from sales and deploying our capital reserves to acquire and develop assets capable of producing additional revenue and earnings over both the immediate and long term. Capital reserves are being utilized for acquisitions in the medical and adult-use cannabis markets, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier, and investor and industry relations.

Financing History and Future Capital Requirements

Historically, we have used private financing as a source of liquidity for short-term working capital needs and general corporate purposes. In May 2021, we completed an IPO of shares of our Class A common stock through which we raised aggregate net proceeds of approximately $86,065 after deducting underwriting discounts and commissions and certain direct offering expenses paid by us. In August 2021, we entered into a credit facility under which we initially borrowed a $210,000 term loan. During the second quarter of 2022, we borrowed an additional $65,000 of term loans from certain lenders under the expansion feature of the credit facility, as further described below.

Our future ability to fund operations, to make planned capital expenditures, to acquire other entities or investments, to make scheduled debt payments, and to repay or refinance indebtedness depends on our future operating performance, cash flows, and ability to obtain equity or debt financing, which are subject to prevailing economic conditions, as well as financial, business, and other factors, some of which are beyond our control.

As of December 31, 2022 and 2021, the Company had total current liabilities of $110,949 and $117,395, respectively, and total current assets of $198,743 and $258,012, respectively, which includes cash and cash equivalents of $74,146 and $155,481, respectively, to meet its current obligations. As of December 31, 2022, the Company had working capital of $87,794, compared to $140,617 as of December 31, 2021.

Approximately 90% and 97% of the Company’s cash and cash equivalents balance as of December 31, 2022 and 2021, respectively, is on deposit with banks, credit unions, or other financial institutions. We have not experienced any material impacts related to banking restrictions applicable to cannabis businesses. Our cash and cash equivalents balance is not restricted for use by variable interest entities.

As reflected in the Financial Statements, we had an accumulated deficit as of December 31, 2022 and 2021, as well as a net loss for the year ended December 31, 2022, 2021, and 2020, respectively, and negative cash flows from operating activities during the year ended December 31, 2022, 2021, and 2020, respectively, which are indicators that raise substantial doubt of our ability to continue as a going concern. Management believes that substantial doubt of our ability to continue as a going concern for at least one year from the issuance of our Financial Statements has been alleviated due to: (i) cash on hand and (ii) continued growth of sales from our consolidated operations. Management plans to continue to access capital markets for additional funding through debt and/or equity financings to supplement future cash needs, as may be required. However, management cannot provide any assurances that the Company will be successful in accomplishing its business plans. If we are unable to raise additional capital on favorable terms, if at all, whenever necessary, we may be forced to decelerate or curtail certain of our operations until such time as additional capital becomes available.

Credit Facility

In August 2021, we entered into a credit agreement with a group of lenders (the “2021 Credit Agreement”) that provided for an initial term loan of $210,000, which was borrowed in full. The 2021 Credit Agreement provided for an expansion feature that allowed us to request an increase in the term loan outstanding up to $275,000 if the existing lenders (or other lenders) agreed to provide such additional term loans. During the second quarter of 2022, we borrowed an additional $65,000 of incremental term loans through this expansion feature (the “2022 Loans” and, together with the initial term loan, the “2021 Credit Facility”) for total borrowings of $275,000 outstanding as of December 31, 2022. The 2021 Credit Facility matures on August 27, 2025 and does not require scheduled principal amortization payments. Borrowings under the 2021 Credit Facility bear interest at a rate of 9.5% per annum, payable quarterly. Proceeds from the initial term loan under the 2021 Credit Facility were used, in part, to prepay certain then-outstanding debt obligations and, together with the 2022 Loans, fund working capital and general corporate matters, including, but not limited to, growth investments, acquisitions, capital expenditures, and other strategic initiatives.

We incurred financing costs of $8,806 related to the initial term loan and additional financing costs of $7,606 related to the 2022 Loans, which includes warrants issued to certain lenders to acquire 3,130 shares of Class A common stock that had a fair value of $2,639 at issuance (refer to Note 12, "Stockholders' Equity," in the Financial Statements for additional information). The financing costs are being amortized to interest expense over the term of 2021 Credit Facility using the straight-line method, which approximates the interest rate method. The 2022 Loans were funded by a combination of new and existing lenders. Borrowings from the existing lenders were accounted for as a modification of existing debt, with the exception of one lender that was considered an extinguishment. We recognized a loss on extinguishment of $2,180 as a component of interest expense during the year ended December 31, 2022, comprised of the write-off of $337 related to the lender's initial term loan and $1,843 related to the lender's new loan, which included the estimated fair value of the warrants issued to the lender.

Mandatory prepayments are required following certain events, including the proceeds of indebtedness that is not permitted under the agreement, asset sales, and casualty events, subject to customary reinvestment rights. We may prepay the 2021 Credit Facility at any time, subject to a customary make-whole payment or prepayment penalty, as applicable. Once repaid, amounts borrowed under the 2021 Credit Facility may not be re-borrowed. We may request an extension of the maturity date for 364 days, which the lenders' may grant in their discretion.

We are required to comply with two financial covenants under the 2021 Credit Agreement. Liquidity (defined as unrestricted cash and cash equivalents pledged under the 2021 Credit Facility plus any future revolving credit availability) may not be below $20,000 as of the last day of any fiscal quarter, and we may not permit the ratio of Consolidated EBITDA (as defined in the 2021 Credit Agreement) to consolidated cash interest expense for any period of four consecutive fiscal quarters to be less than 2.00:1.00 for the period ending December 31, 2021 and increased to not less than 2.50:1.00 for the period ending June 30, 2022 and thereafter. The Company has a customary equity cure right for each of these financial covenants. The Company is in compliance with these covenants as of December 31, 2022. Refer to Note 11, "Debt," in the Financial Statements for additional information.

Financing Agreement

In December 2022, we received $19,364 pursuant to a financing agreement with a third-party lender (the "Financing Agreement"), which is included in "Long-term debt, net" in the Financial Statements at December 31, 2022. The Company assigned to the lender its interests in an employee retention tax credit claim (the "ERTC Claim") that it submitted in November 2022 for approximately $22,800. If the Company does not receive the ERTC Claim, in whole or in part, the Company is required to repay the related portion of the funds received plus interest of 10% accrued from the date of the Financing Agreement through the repayment date. The Financing Agreement does not have a stated maturity date and the discount is being accreted to interest expense over an expected term. The Company's obligations under the Financing Agreement will be satisfied upon receipt of the ERTC Claim or other full repayment. The Company determined the ERTC Claim did not meet the criteria to record as a receivable as of December 31, 2022 because of the uncertain nature of the ERTC Claim.

Cash Flows

(in thousands)	Year Ended December 31, 2022	2021	2020
Net cash used in operating activities	$ (38,356)	$ (41,738)	$ (6,004)
Net cash used in investing activities	(114,254)	(113,233)	(30,872)
Net cash provided by financing activities	71,275	252,355	82,168

Operating Activities

Net cash used in operating activities decreased by $3,382 during 2022, as compared to 2021, primarily driven by the timing and amount of income tax payments, the timing of payments to suppliers and vendors, and the timing of other working capital payments.

Net cash used in operating activities increased by $35,734 during 2021, as compared to 2020, primarily driven by increases in net investments in working capital, including inventory as well as the timing of accounts payable and accrued liabilities.

Investing Activities

Net cash used in investing activities increased by $1,021 during 2022, as compared to 2021. The increase was primarily due to the purchase of intangible assets, including the first $15,000 payment made under the Story of PA research collaboration agreement, partially offset by proceeds received from the sale of assets and lower cash investments in capital assets.

Net cash used in investing activities increased by $82,361 during 2021, as compared to 2020. The increase was primarily due to an increase in cash investments in capital assets and the absence of proceeds from the sale of assets that occurred in 2020.

Financing Activities

Net cash provided by financing activities decreased by $181,080 during 2022, as compared to 2021. The decrease was primarily due to lower proceeds from the issuance of debt, net of repayments, in the current year and the absence of net proceeds received from our IPO in the prior year.

Net cash provided by financing activities increased by $170,187 during 2021, as compared to 2020. The increase was primarily due to higher proceeds from the issuance of debt and net proceeds from our IPO, partially offset by the repurchase of warrants in the current year and the absence of proceeds from a financing sale leaseback transaction that occurred in 2020.

Contractual Obligations and Other Commitments and Contingencies

Material contractual obligations arising in the normal course of business primarily consist of long-term fixed rate debt and related interest payments, leases, finance arrangements, and amounts due for acquisitions. We believe that cash flows from operations will be sufficient to satisfy our capital expenditures, debt services, working capital needs, and other contractual obligations for the next twelve months.

The following table summarizes the Company's material future contractual obligations as of December 31, 2022:

(in thousands)	Commitments Due by Period				
Contractual Obligations	**Total**	**2023**	**2024 - 2025**	**2026 - 2027**	**Thereafter**
Term notes[1]	$ 275,000	$ —	$ 275,000	$ —	$ —
Fixed interest related to term notes[2]	69,357	26,125	43,232	—	—
Sellers' notes[3]	30,243	11,143	19,100	—	—
Finance arrangements[4]	22,001	2,308	4,941	5,275	9,477
Operating leases[5]	619,453	33,879	70,645	73,808	441,121
Finance leases[5]	1,140	315	630	195	—
Other commitments[6]	15,943	15,943	—	—	—
Total	$ 1,033,137	$ 89,713	$ 413,548	$ 79,278	$ 450,598

(1) Principal payments due under our term notes payable. Refer to Note 11, "Debt," in the Financial Statements for additional information.

(2) Represents fixed interest rate payments on borrowings under the 2021 Credit Facility based on the principal outstanding at December 31, 2022. Interest payments could fluctuate based on prepayments or additional amounts borrowed.

(3) Consists of amounts owed for acquisitions or other purchases. Certain cash payments include an interest accretion component, and the timing of certain payments may vary based on regulatory approval. Refer to Note 11, "Debt," in the Financial Statements for additional information. This amount excludes the potential earn-out payment related to the OPA acquisition that has an estimated fair value of $5,076 at December 31, 2022 and is dependent upon the commencement of adult-use cannabis sales in Ohio. Refer to Note 4, "Acquisitions," in the Financial Statements for additional information.

(4) Reflects our contractual obligations to make future payments under non-cancelable operating leases that did not meet the criteria to qualify for sale-leaseback treatment. Refer to Note 10, "Leases," in the Financial Statements for additional information.

(5) Reflects our contractual obligations to make future payments under non-cancelable leases. Refer to Note 10, "Leases," in the Financial Statements for additional information.

(6) Related to the Story of PA acquisition. Refer to Note 4, "Acquisitions," in the Financial Statements for additional information. We expect to fund up to an additional total of $10,000 over the next ten years under the research collaboration agreement. Since the timing of the payments may vary, this amount has been excluded from the table above.

The table above excludes the Financing Arrangement, as the timing of the repayment is uncertain. Additionally, in conjunction with the OCC acquisition (see Note 4, "Acquisitions," in the Financial Statements) in December 2021, the Company entered into a supply agreement with a producer and supplier of medical marijuana products in Ohio (the "Ohio Supply Agreement") with an initial expiration date of August 2028. Under the Ohio Supply Agreement, the Company will purchase products from the supplier that results in 7.5% of the Company's monthly gross sales of all products in our Ohio dispensaries for the first five years, and 5% for the remaining term. The Company can establish the selling price of the products and the purchases are made at the lowest then-prevailing wholesale market price of products sold by the supplier to other dispensaries in Ohio. Such purchases have been excluded from the table above, as purchases are variable based on gross sales of the respective dispensary.

As of the date of this filing, we do not have any off-balance sheet arrangements, as defined by applicable regulations of the United States Securities and Exchange Commission, that have, or are reasonably likely to have, a current or future effect on the results of our operations or financial condition, including, and without limitation, such considerations as liquidity and capital resources.

Capital Expenditures

We anticipate capital expenditures, net of tenant improvement allowances, of approximately $25,000 during 2023. Changes to this estimate could result from the timing of various project start dates, which are subject to local and regulatory approvals. Spending at our cultivation and processing facilities includes: construction; purchase of capital equipment such as extraction equipment, heating, ventilation, and air conditioning equipment, and other manufacturing equipment; general maintenance; and information technology capital expenditures. Dispensary-related capital expenditures includes construction costs for the initial build-out of each location, general maintenance costs and upgrades to existing locations.

During 2023, we expect to complete the second phase of expansion at our New Jersey cultivation facility, the initial build out of our Pennsylvania cultivation facility, and complete certain expansion projects at our Illinois and Massachusetts cultivation facilities. We also anticipate building out the three dispensaries in Ohio related to the OPA transaction, up to four additional dispensaries in Pennsylvania, and two additional dispensaries in each of Illinois and Michigan. Additionally, we anticipate certain general maintenance activities across our cultivation facilities and dispensary locations. Management expects to fund capital expenditures by utilizing cash flows from operations and reimbursements under tenant improvement allowances from sale leaseback transactions.

As of December 31, 2022, our construction in progress (“CIP”) balance was $9,633 and relates to capital spending on projects that were not yet complete. This balance includes $4,085 related to the build out of our New Bedford, Massachusetts retail location; $2,542 related to certain projects at our Illinois cultivation facility; $1,363 related to the expansion of our New Jersey cultivation facility; $544 related to the build out of the three dispensaries in Ohio related to the OPA transaction; $444 related to the build out of two additional Illinois retail locations; and $655 related to other projects at our dispensaries.

Other Matters

*Equity Incentive Plan*s

As of December 31, 2022, a total of 9,994 restricted common shares had been granted under the equity incentive plan approved in 2020 (the “2020 Plan”), of which 617 were unvested as of December 31, 2022. Total unrecognized compensation cost related to the restricted common shares was $67 as of December 31, 2022, which is expected to be recognized over a weighted-average remaining period of 0.4 years.

In July 2021, the Company adopted a new stock incentive plan (the “2021 Plan”), pursuant to which 17,000 shares of Class A common stock are reserved for issuance thereunder, subject to certain adjustments and other terms. Following the adoption of the 2021 Plan, no additional awards are expected to be issued under the 2020 Plan. The 2021 Plan authorized the issuance of options, stock appreciation rights, restricted stock awards, restricted stock units (“RSUs”), and other stock-based awards (collectively the “2021 Plan Awards”). As of December 31, 2022, there were 5,859 shares of Class A common stock available for grant for future equity-based compensation awards under the 2021 Plan.

During 2022, the Company granted a total of 5,522 RSUs under the 2021 Plan. As of December 31, 2022, a total of 11,952 RSUs have been granted under the 2021 Plan, of which 6,462 are unvested as of December 31, 2022. Total unrecognized compensation cost related to the RSUs was $38,331 as of December 31, 2022, which is expected to be recognized over a weighted-average remaining period of 2.5 years. Additionally, during 2022, the Company granted a total of 2,429 options under the 2021 Plan, of which 2,042 are outstanding as of December 31, 2022 and none of which are exercisable. The outstanding options have a remaining weighted-average contractual life of 4.4 years as of December 31, 2022, and total unrecognized stock-based compensation expense related to unvested options was $2,774, which is expected to be recognized over a weighted-average remaining period of 3.3 years.

Total equity-based compensation expense was $18,979, $23,093, and $680 during 2022, 2021, and 2020, respectively. Of the total equity-based compensation expense, $7,611 and $7,743 was capitalized to inventory during 2022 and 2021, respectively. As of December 31, 2022 and 2021, $536 and $4,814, respectively, remains capitalized in inventory. No equity-based compensation expense was capitalized during 2020. During 2022, 2021, and 2020 we recognized $11,368, $15,350, $680, respectively, within “General and administrative expenses” on the Consolidated

Statements of Operations in the Financial Statements and we recognized $11,889, $2,929, and none, respectively, within “Cost of goods sold.” Refer to Note 13, “Equity-Based Compensation Expense,” in the Financial Statements for additional information.

In July 2021, the Company adopted an employee stock purchase plan (the “2021 ESPP”), pursuant to which 4,000 shares of Class A common stock are reserved for issuance thereunder, subject to certain adjustments and other terms. As of December 31, 2022, no shares have been issued under the 2021 ESPP.

Sale Leaseback Transactions

In February 2022, the Company sold and subsequently leased back one of its capital assets in New Jersey for total proceeds of $35,400, excluding transaction costs. The transaction met the criteria for sale leaseback treatment. The lease was recorded as an operating lease and resulted in a lease liability of $33,707 and a right of use (“ROU”) asset of $29,107, which was recorded net of a $4,600 tenant improvement allowance.

In June 2022, the Company sold and subsequently leased back two of its capital assets in Pennsylvania for total proceeds of $3,825, excluding transaction costs. Each transaction met the criteria for sale leaseback treatment. The leases were recorded as operating leases and resulted in a total lease liability and ROU asset of $2,102. Each of the lease agreements provide for a capital expenditure allowance of up to $3,000. The rent payments due under each lease will increase by a percentage of the capital expenditure allowance as funding occurs, and, therefore, each lease will be reassessed and remeasured as a modification upon such funding. During 2022, we received a total of $3,690 under the capital expenditure allowance that was recorded as a tenant improvement allowance and resulted in $1,880 of additional lease liabilities based on the modified lease terms and a net gain of $384 during 2022, which is included in “General and administrative expenses” on the Consolidated Statement of Operations in the Financial Statements.

In October 2022, the Company sold and subsequently leased back certain real estate and related assets of a commercial property located in New Bedford, Massachusetts for a total purchase price of $350, pursuant to a definitive agreement that was entered into during 2021. The transaction did not meet the criteria for sale-leaseback treatment.

Refer to Note 10, “Leases,” in the Financial Statements for additional information regarding the Company’s leases.

Legal Matters

Below is a description of our significant legal matters and the related impact, as applicable, on our financial condition, results of operations, and prospects. Refer to Note 15, “Commitments and Contingencies,” in the Financial Statements for additional information.

TVP Settlement

In December 2020, TVP, LLC, TVP Grand Rapids, LLC and, TVP Alma, LLC (collectively, the “TVP Parties”) filed a claim alleging breach of contract against FPAW Michigan, LLC (“FPAW”), and AWH related to a purchase agreement that was entered into in September 2019 for the Company’s potential acquisition of certain locations in Michigan. FPAW was a variable interest entity of the Company at that time through FPAW Michigan 2, Inc. and became a subsidiary of the Company in December 2020.

The TVP Parties asked the court to grant specific performance of the contracts between the Company and the TVP Parties, which, if granted, would have resulted in AWH issuing approximately 4,770 common units as originally agreed in September 2019 and paying approximately $16,500 in cash to the TVP parties in exchange for the entities holding the properties subject to the agreements. AWH and FPAW filed an answer to the complaint on January 28, 2021 and believed there existed valid defenses to the demand for specific performance due to lack of suitability of three of the six properties subject to the original transaction agreements.

On April 14, 2021, FPAW and AWH entered into a settlement agreement with the TVP Parties which provides for, among other items, the dismissal of all claims brought by the TVP Parties against FPAW and AWH upon performance of each parties' obligations under the Settlement Agreement. Pursuant to the Settlement Agreement, FPAW and AWH were required to deliver a cash payment of $9,000 to TVP, LLC on the date of the Settlement Agreement, with an additional cash payment of $5,480 due on or before January 1, 2022 (which was paid in January 2022). In addition, on April 14, 2021, upon the execution of the Settlement Agreement, AWH issued 4,770 common units of AWH with a fair value of $26,041 to an escrow account, to be held in the name of the escrow agent (the "Escrow Units"). The Escrow Units converted into shares of Class A common stock upon the Conversion in the same manner as all other common units of AWH. Also as part of the Settlement Agreement and in order to avoid further potential litigation, AWH issued 255 common units of AWH with a fair value of $1,390 to a party to one of the September 2019 agreements that was not a party to the litigation matter.

Upon the receipt of the initial cash payment of $9,000 and the issuance of the Escrow Units, the TVP Parties filed a stipulated order dismissing all lawsuits, with prejudice and without costs, against FPAW and AWH. The Escrow Units are issued and outstanding and will remain in the escrow account until such time as the TVP Parties exercise an option to hold the Escrow Units directly (the "Put Option"). Upon their exercise of the Put Option, the Escrow Units shall be released to the TVP Parties and the TVP Parties shall transfer to FPAW the equity interests of the entities that hold the three real estate properties in Grand Rapids. The parties intend to work to identify at least two additional sites that will be suitable for future Ascend retail locations, which properties the Company would lease pursuant to market rental terms. The Put Option is required to be exercised by the TVP Parties within three years of the date of the Settlement Agreement. FPAW and AWH are entitled to use the subject properties until such time as the Put Option is exercised. FPAW currently operates dispensaries at two of the properties and expects to open a dispensary at the third property in early 2023.

The settlement charge of $36,511 is reflected within "Settlement expense" on the Consolidated Statements of Operations in the Financial Statements for the year ended December 31, 2021 and the fair value of the share issuance of $27,431 is reflected within "Equity issued in litigation settlement" on the Consolidated Statement of Changes in Stockholders' Equity in the Financial Statements. The fair value of the three properties to be acquired per the settlement of $5,400 is recorded within "Other noncurrent assets" in the Financial Statements as of December 31, 2022 and 2021, and will remain until the time such property titles transfer to the Company.

The Company reported losses related to its Michigan operations of approximately $18,200, $17,400, and $16,700 during 2022, 2021, and 2020, respectively, and there is no guarantee that the Company's Michigan operations will become profitable in the future. Cultivation operations commenced in April 2021, and the Company anticipates that revenue and profitability in Michigan may improve as a result of vertical integration since the Company will be able to produce products for sale at our owned dispensaries at a significantly lower cost compared to the cost associated with acquiring product on the wholesale market from third parties. The Company also intends to identify additional attractive locations for future retail locations in Michigan. However, despite these developments, Michigan may continue to be a difficult market for us, as it is more competitive than the other markets in which the Company operates because Michigan does not limit the number of dispensaries or the size of cultivation facilities. As of the date of this Annual Report, there are over 300 dispensaries in Michigan and due to the significant retail competition in this market, we expect our sales per retail location and gross margins in this market to be below our average across the portfolio.

Stockholder Dispute

On May 28, 2021, Senvest Management, LLC, Hadron Capital (Cayman) LTD., and Measure8 Venture Partners, LLC (collectively, the "Claimants"), as former holders of convertible notes issued and sold by the Company (the "AWH Convertible Promissory Notes") pursuant to the Company's Convertible Note Purchase Agreement, dated as of June 12, 2019 (the "2019 Convertible Note Purchase Agreement"), filed an arbitration demand, which was subsequently amended on July 28, 2021 (the "Arbitration Demand"), against the Company and its Chief Executive Officer at that time, Abner Kurtin, before the American Arbitration Association. In their Arbitration Demand, the Claimants take issue with the April 22, 2021 amendment of the terms of the 2019 Convertible Note Purchase Agreement (the "Amended Notes Consent"), which was approved by holders of approximately 66% of the principal amount of the AWH Convertible Promissory Notes, in excess of the simple majority required to amend the AWH Convertible Promissory Notes. The Amended Notes Consent set the conversion price of the AWH Convertible Promissory Notes at $2.96 per share. The Claimants alleged that the

Amended Notes Consent was obtained improperly and is void. The Company disputed the Claimants' allegations and contended that the Amended Notes Consent was properly obtained in accordance with the terms of the AWH Convertible Promissory Notes and 2019 Convertible Note Purchase Agreement and the Amended Notes Consent was binding on all holders of the AWH Convertible Promissory Notes.

The Company, Mr. Kurtin, and the Claimants entered into a settlement agreement, dated April 29, 2022, whereby the Company agreed to pay the Claimants a total of $5,000. This amount is reflected in the Financial Statements within "Settlement expense" on the Consolidated Statements of Operations for the year ended December 31, 2022 and was paid in May 2022.

MedMen NY Litigation

On February 25, 2021, the Company entered into a definitive investment agreement (the "Investment Agreement") with subsidiaries of MedMen Enterprises Inc. ("MedMen"), under which we would have, subject to regulatory approval, completed an investment (the "Investment") of approximately $73,000 in MedMen NY, Inc. ("MMNY"), a licensed medical cannabis operator in the state of New York. Following the completion of the transactions contemplated by the Investment Agreement, we were expected to hold all the outstanding equity of MMNY. Specifically, the Investment Agreement provided that at closing, the Company was going to pay to MedMen's senior lenders $35,000, less certain transaction costs and a prepaid deposit of $4,000, and AWH New York, LLC was going to issue a senior secured promissory note in favor of MMNY's senior secured lender in the principal amount of $28,000, guaranteed by AWH, which cash investment and note would be used to reduce the amounts owed to MMNY's senior secured lender. Following its investment, AWH would hold a controlling interest in MMNY equal to approximately 86.7% of the equity in MMNY, and be provided with an option to acquire MedMen's remaining interest in MMNY in the future for a nominal additional payment, which option the Company intended to exercise. The Investment Agreement also required AWH to make an additional investment of $10,000 in MMNY, which investment would also be used to repay MMNY's senior secured lender, if adult-use cannabis sales commenced in MMNY's dispensaries.

The Company contends that, in December 2021, the parties to the Investment Agreement received the required approvals from the State of New York to close the transactions contemplated by the Investment Agreement, but MedMen has disputed the adequacy of the approvals provided by the State of New York. The Company delivered notice to MedMen in December 2021 that it wished to close the transactions as required by the Investment Agreement. Nevertheless, MedMen, on January 2, 2022, gave notice to the Company that MedMen purported to terminate the Investment Agreement.

Following receipt of such notice, on January 13, 2022, the Company filed a complaint against MedMen and others in the Commercial Division of the Supreme Court of the State of New York (the "Court"), requesting specific performance that the transactions contemplated by the Investment Agreement must move forward, and such other relief as the Court may deem appropriate. The Company simultaneously moved for a temporary restraining order and preliminary injunction (the "Motion") requiring MedMen to operate its New York business in the ordinary course of business and to refrain from any activities or transactions that might impair, encumber, or dissipate MedMen's New York assets. The parties resolved the Motion via a "Stipulation and Order" entered by the Court on January 21, 2022 that requires that MMNY operate only in compliance with the law and in a manner consistent with its ordinary course of business that preserves all assets of MMNY. It further requires MMNY to not take certain actions, including any actions that would have a material adverse effect on MedMen's NY business. The Stipulation and Order remains in place until trial. The Stipulation and Order also set an initial schedule for the litigation.

On January 24, 2022, MedMen filed counterclaims against the Company, alleging that Ascend had breached the Investment Agreement, and seeking declaratory relief that MedMen had properly terminated the Investment Agreement. On February 14, 2022, the Company moved to dismiss MedMen's counterclaims and filed an amended complaint (the "First Amended Complaint") that included additional claims against MedMen for breach of contract. The First Amended Complaint contained several causes of action, including for breach of contract and breach of the covenant of good faith and fair dealing. The First Amended Complaint sought damages in addition to continuing to seek injunctive and declaratory relief. On March 7, 2022, MedMen filed amended counterclaims, an answer, and affirmative defenses to the First Amended Counterclaim. On March 28, 2022, the Company moved to dismiss MedMen's amended counterclaims. On April 20, 2022, the parties entered into a stipulation extending the time for MedMen to oppose the Company's motion to dismiss until May 5, 2022. In addition, the parties agreed to stay all discovery, including both party and non-party discovery. On May 5, 2022, the parties filed another stipulation order with the Court adjourning until further notice from the Court MedMen's time to oppose the Company's motion to dismiss MedMen's amended counterclaims. The parties again stipulated that all discovery remains stayed pending further order from the Court.

On May 10, 2022, the Company and MedMen signed a term sheet (the "Term Sheet"), pursuant to which the parties agreed to use best efforts to enter into a settlement agreement and enter into new or amended transactional documents. Specifically, if consummated, the agreements contemplated by the Term Sheet would entail, among other things, the Company paying MedMen $15,000 in additional transaction consideration, and MedMen withdrawing its counterclaims against the Company. Per the amended transaction terms contemplated in the Term Sheet, upon closing, the Company would receive a 99.99% controlling interest in MMNY and the Company would pay MedMen $74,000, which reflected the original transaction consideration plus an additional $11,000 per the parties' Term Sheet, less a $4,000 deposit that the Company already paid.

The amended transaction terms contemplated in the Term Sheet also would have required MedMen to provide a representation and warranty that the status of the MMNY assets has not materially changed since December 31, 2021 and an acknowledgement that the representations and warranties from the Investment Agreement will survive for three months after the closing of the contemplated transactions. After the Company determined that MedMen could not make or provide the representations and warranties MedMen would have been required to make as part of the contemplated transactions, the Company determined that it no longer intended to consummate the contemplated transactions.

On September 30, 2022, the Company sought leave from the Court to file a second amended complaint (the "Second Amended Complaint"). The Second Amended Complaint contains breach of contract claims against MedMen, as well as a claim for the breach of the implied covenant of good faith and fair dealing, and a claim for anticipatory breach of contract. In connection with those claims, the Company is no longer seeking injunctive or declaratory relief; however, the Company continues to seek damages from MedMen, including, but not limited to, the return of the $4,000 deposit, approximately $2,400 of advances under the working capital loan agreement that was entered into in conjunction with the Investment Agreement, and other capital expenditure advances paid to MMNY by the Company.

On November 21, 2022, the parties entered into a stipulation whereby MedMen agreed to the filing of the Second Amended Complaint, which is now the operative pleading in the litigation. In addition, in the stipulation, the Company agreed that it would not contest MedMen's filing of second amended counterclaims against the Company while reserving all rights with respect to any such counterclaims, including the right to move to dismiss any amended counterclaims. Because the parties agreed to the filing of each side's amended pleadings, on November 28, 2022, the Court determined that Ascend's March 2022 motion to dismiss was moot.

On December 21, 2022, MedMen filed amended counterclaims, an answer, and affirmative defenses to the Company's Second Amended Complaint. In addition to the allegations in MedMen's earlier pleadings, MedMen now also alleges that the Company breached the Term Sheet. On January 20, 2023, the Company moved to dismiss MedMen's amended counterclaims. The briefing on the Company's motion to dismiss was completed as of March 3, 2023. The parties are awaiting a decision from the Court on the motion to dismiss.

Following the Company's decision to no longer consummate the contemplated transactions, the Company expensed a total of $1,704 of capitalized costs, primarily consisting of capital expenditures or deposits that were incurred for certain locations. Additionally, the Company established an estimated reserve of $3,700 related to the remaining amounts that it is actively pursuing collecting. These adjustments are included within "General and administrative expenses" on the Consolidated Statements of Operations and within "Other" on the Consolidated Statements of Cash Flows in the Financial Statements for the year ended December 31, 2022.

Subsequent Transactions

Acquisition

On January 25, 2023, the Company entered into a definitive agreement (the “Maryland Agreement”) to acquire 100% of the membership interests of Devi Holdings, Inc. (“Devi”), which owns and operates four licensed medical cannabis dispensaries in Maryland. Under the Maryland Agreement, the Company will also acquire the real property of the four dispensary locations. Total consideration at closing, subject to customary closing conditions and working capital adjustments, will consist of cash consideration of $12,000 and approximately 5,200 shares of Class A common stock. The Maryland Agreement is subject to regulatory review and approval.

Other

On February 24, 2023, the Company amended the lease associated with its New Jersey cultivation facility to increase the tenant improvement allowance by $15,000.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in accordance with United Stated generally accepted accounting principles requires our management to make certain estimates that affect the reported amounts. We base our estimates on historical experience, known or expected trends, independent valuations, and carious other assumptions that we believe to be reasonable under the circumstances. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

The Company’s significant accounting policies are described in Note 2, “Basis of Presentation and Significant Accounting Policies,” in the Financial Statements, including standards adopted during the current year, none of which had a material impact on our consolidated financial statements. There have been no other significant changes to our critical accounting policies and estimates. We believe the following critical accounting policies govern the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Acquisitions

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the accounting considerations on and after acquisition.

In determining the fair value of all identifiable assets and liabilities acquired, the most significant estimates relate to intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

Cannabis licenses are the primary intangible asset acquired in business combinations, as they provide us the ability to operate in each market. The key assumptions used in calculating the fair value of these intangible assets are cash flow projections that include discount rates and terminal growth rates. In calculating the fair value of the cannabis licenses acquired during 2022 and 2021, management selected discount rates that vary depending upon the markets in which each of the acquisitions operate in, generally ranging between 15% and 21%. The terminal growth rate represents the rate at which these businesses will continue to grow into perpetuity. Management selected a terminal growth rate of 3%. Other significant assumptions include revenue, gross profit, operating expenses and anticipated capital expenditures which are based upon the Company’s historical operations along with management projections. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets. Unanticipated events and circumstances may occur that could affect the accuracy or validity of such assumptions, estimates, or actual results.

Goodwill, Intangible Assets, and Other Long-Lived Assets

Goodwill and intangible assets are recorded at their estimated fair values at the date of acquisition. We review goodwill for impairment annually during the fourth fiscal quarter and whenever events or changes in circumstances indicate the carrying value may not be recoverable. Accounting Standards Codification Topic 350, “Intangibles - Goodwill and Other” (“ASC 350”) permits the assessment of qualitative factors to determine whether events and circumstances lead to the conclusion that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, which would require a quantitative impairment test. Otherwise, no further testing is required.

Our qualitative assessment of the recoverability of goodwill considers various macroeconomic, industry-specific, and company-specific factors. These factors include: (i) severe adverse industry or economic trends; (ii) significant company-specific actions, including exiting an activity in conjunction with restructuring of operations; (iii) current, historical or projected deterioration of our financial performance; or (iv) a sustained decrease in our market capitalization below our net book value. After assessing the totality of events and circumstances, if we determine that it is not more likely than not that the fair value of any of our reporting units is less than its carrying amount, no further assessment is performed. If we determine that it is more likely than not that the fair value of any of our reporting units is less than its carrying amount, we calculate the fair value of that reporting unit and compare the fair value to the reporting unit’s net book value.

If required, the quantitative test involves a comparison of the estimated fair value of a reporting unit to its carrying amount. The fair value of a reporting unit is determined using a combination of the income approach and the market approach. The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal value are calculated for each reporting unit and then discounted to present value using an appropriate discount rate. The market approach estimates fair value of a reporting unit by using market comparables for reasonably similar public companies. When applying valuation techniques, the Company relies on a number of factors, including historical results, business plans, forecasts, and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. If the carrying amount of a reporting unit exceeds its estimated fair value, then an impairment charge is recorded for the amount by which the carrying amount exceeds the reporting unit’s fair value, up to a maximum amount of the goodwill balance for the reporting unit.

During the fourth quarter of 2022, 2021, and 2020, we performed our annual impairment review of goodwill using a qualitative approach for our two goodwill reporting units and determined that it was more likely than not that there was no impairment of goodwill. As such, no impairment on goodwill was recognized during 2022, 2021, or 2020.

We evaluate amortizable finite-intangible assets and other long-lived assets, such as property, plant and equipment, for potential impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If an indicator of impairment exists, judgment is required in considering the facts and circumstances surrounding these long-lived assets and assumptions are required to estimate future cash flows used in assessing the recoverable amount of the long-lived asset. Useful lives are reviewed annually. During 2022, 2021, and 2020, we did not note any factors resulting in impairment charges or changes to useful lives for finite-lived intangible assets or other long-lived assets.

Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price we expect to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected as cost of goods sold.

Leases

For leases other than short-term leases (those with an initial term of twelve months or less), we recognize right-of-use (“ROU”) assets and lease liabilities on the Consolidated Balance Sheet. Operating lease liabilities are initially recognized based on the net present value of the fixed portion of our lease payments from lease commencement through the lease term. To calculate the net present value, we apply an incremental borrowing rate that is estimated as the rate of interest we would pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. We use quoted interest rates as an input to derive our incremental borrowing rate as the discount rate for the lease. We recognize ROU assets based on operating lease liabilities reduced by lease incentives, including tenant improvement allowances. We assess ROU assets for impairment in the same manner as long-lived assets.

Consolidation

Judgment is applied in assessing whether we exercise control and have significant influence over entities in which we directly or indirectly own an interest. We have control when we have the power over the subsidiary, have exposure or rights to variable returns and have the ability to use our power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where we are determined to have control, these entities are consolidated, generally as variable interest entities. Additionally, judgment is applied in determining the effective date on which control was obtained.

Recently Adopted Accounting Standards and Recently Issued Accounting Pronouncements

For information about our recently adopted accounting standards and recently issued accounting standards not yet adopted, see Note 2, “Basis of Presentation and Significant Accounting Policies,” in the Financial Statements.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

In accordance with the Canadian Securities Administration Staff Notice 51-352, information regarding the current federal and state-level United States regulatory regimes in those jurisdictions where we are currently directly and indirectly involved in the cannabis industry, through our subsidiaries and investments, is further described in the subsections “Overview of Government Regulation,” “Compliance with Applicable State Laws in the United States,” and “State Regulation of Cannabis,” under Item 1., “Business,” of this Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed in varying degrees to a variety of financial instrument related risks. We mitigate these risks by assessing, monitoring and approving our risk management processes.

Credit Risk

Credit risk is the risk of a potential loss to us if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2022 is the carrying amount of cash and cash equivalents. We do not have significant credit risk with respect to our customers. The majority of our cash and cash equivalents are placed with major U.S. financial institutions.

We provide credit to our customers in the normal course of business. We 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 effective management of our capital structure. Our approach to managing liquidity is to ensure that we will have sufficient liquidity at all times to settle obligations and liabilities when due.

As reflected in the Financial Statements, the Company had an accumulated deficit as of December 31, 2022 and 2021, as well as a net loss for the year ended December 31, 2022, 2021, and 2020, respectively, and negative cash flows from operating activities during the year ended December 31, 2022, 2021, and 2020, respectively, which are indicators that raise substantial doubt of our ability to continue as a going concern. Management believes that substantial doubt of our ability to continue as a going concern for at least one year from the issuance of our Financial Statements has been alleviated due to: (i) cash on hand (ii) continued growth of sales from our consolidated operations. Management plans to continue to access capital markets for additional funding through debt and/or equity financings to supplement future cash needs, as may be required. However, management cannot provide any assurances that we will be successful in accomplishing our business plans. If we are unable to raise additional capital on favorable terms, if at all, whenever necessary, we may be forced to decelerate or curtail certain of our operations until such time as additional capital becomes available.

Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, raw materials, and other commodity prices. Strategic and operational risks may arise if we fail to carry out business operations and/or raise sufficient equity and/or debt financing. Strategic opportunities or threats may arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. We seek to mitigate such risks by consideration of potential development opportunities and challenges.

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. Our financial debts have fixed rates of interest and therefore expose us to a limited interest rate fair value risk.

Commodities Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The primary raw materials used by us aside from those cultivated internally are labels and packaging. Management believes a hypothetical 10% change in the price of these materials would not have a significant effect on our consolidated results of operations or cash flows, as these costs are generally passed through to our customers. However, such an increase could have an impact on our customers’ demand for our products, and we are not able to quantify the impact of such potential change in demand on our annual results of operations or cash flows.

COVID-19 Risk

We continue to monitor the COVID-19 pandemic (the “Pandemic”) closely, and although our operations have not been materially affected by the Pandemic to date, the ultimate severity of the outbreak and its impact on the economic environment remains uncertain. The full impact of the Pandemic on our business will depend on factors such as the length of time of the Pandemic; government response at the federal, state, and local levels along with recommended actions from health authorities; the impact of new variants that may emerge; the longer-term impact of the Pandemic on the economy and consumer behavior; and the effect on our customers, employees, vendors, and other partners.

We continue to implement and evaluate actions to strengthen our financial position and support the continuity of our business and operations in the face of this Pandemic and other events. Although our operations have not been materially affected to date, the ultimate severity of the Pandemic and its impact on the economic environment remains uncertain. We continue to generate operating cash flows to meet our short-term liquidity needs.

While the Pandemic has not had a material impact on our results of operations to date, given the uncertainties associated with the Pandemic, we are unable to estimate the future impact of the Pandemic on our business, financial condition, results of operations, and/or cash flows in future periods. We believe we have sufficient liquidity available from cash and cash equivalents on hand of $74,146 as of December 31, 2022 to enable us to meet our working capital and other operating requirements, fund growth initiatives and capital expenditures, settle our liabilities, and pay scheduled interest payments on debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ASCEND WELLNESS HOLDINGS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm (PCAOB ID No. 324)

To the Stockholders and Board of Directors of Ascend Wellness Holdings, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Ascend Wellness Holdings, Inc. and its subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2022, 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 financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with 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 the Company's 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 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 2021.

San Jose, California

March 15, 2023

Macias Gini & O'Connell LLP
60 South Market Street, Suite 1500
San Jose, CA 95113

www.mgocpa.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members and Board of Managers of
Ascend Wellness Holdings, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Ascend Wellness Holdings, LLC (the "Company") as of December 31, 2020, the related consolidated statements of operations, members' equity and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with 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 the Company's financial statements based on our audit. 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 audit 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 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 audit 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor from 2020 until September 28, 2021.

New York, NY
February 25, 2021, except for the second paragraph of Note 1 and the eighth and ninth paragraphs of Note 15, as to which the date is April 22, 2021.

ASCEND WELLNESS HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 74,146	$ 155,481
Accounts receivable, net	14,101	7,612
Inventory	97,532	65,588
Notes receivable	3,423	4,500
Other current assets	9,541	24,831
Total current assets	198,743	258,012
Property and equipment, net	279,860	239,656
Operating lease right-of-use assets	108,810	103,958
Intangible assets, net	221,093	59,271
Goodwill	44,370	42,967
Other noncurrent assets	19,284	19,572
TOTAL ASSETS	$ 872,160	$ 723,436
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 56,595	$ 45,454
Current portion of debt, net	11,329	27,940
Operating lease liabilities, current	2,633	2,665
Income taxes payable	34,678	36,184
Other current liabilities	5,714	5,152
Total current liabilities	110,949	117,395
Long-term debt, net	319,297	230,846
Operating lease liabilities, noncurrent	229,816	197,295
Deferred tax liabilities, net	33,607	1,423
Other non-current liabilities	15,076	—
Total liabilities	708,745	546,959
Commitments and contingencies (Note 15)		
Stockholders' Equity		
Preferred stock, $0.001 par value per share; 10,000 shares authorized, none issued and outstanding as of December 31, 2022 and 2021 (Note 12)	—	—
Class A common stock, $0.001 par value per share; 750,000 shares authorized, 187,999 and 171,521 shares issued and outstanding as of December 31, 2022 and 2021 (Note 12)	188	171
Class B common stock, $0.001 par value per share, 100 shares authorized, 65 shares issued and outstanding as of December 31, 2022 and 2021 (Note 12)	—	—
Additional paid-in capital	430,375	362,555
Accumulated deficit	(267,148)	(186,249)
Total stockholders' equity	163,415	176,477
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 872,160	$ 723,436

The accompanying notes are an integral part of the consolidated financial statements.

ASCEND WELLNESS HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Year Ended December 31, 2022		2021		2020	
Revenue, net	$	405,926	$	332,381	$	143,732
Cost of goods sold		(271,363)		(196,409)		(82,818)
Gross profit		134,563		135,972		60,914
Operating expenses						
General and administrative expenses		137,089		116,665		53,067
Settlement expense		5,000		36,511		—
Total operating expenses		142,089		153,176		53,067
Operating (loss) profit		(7,526)		(17,204)		7,847
Other (expense) income						
Interest expense		(32,436)		(63,989)		(12,993)
Other, net		756		256		7
Total other expense		(31,680)		(63,733)		(12,986)
Loss before income taxes		(39,206)		(80,937)		(5,139)
Income tax expense		(41,693)		(41,720)		(18,702)
Net loss		(80,899)		(122,657)		(23,841)
Less: net income attributable to non-controlling interests		—		—		1,598
Net loss attributable to Ascend Wellness Holdings, Inc.	$	(80,899)	$	(122,657)	$	(25,439)
Net loss per share attributable to Class A and Class B stockholders of Ascend Wellness Holdings, Inc. — basic and diluted (Note 12)	$	(0.44)	$	(0.82)	$	(0.27)
Weighted-average common shares outstanding — basic and diluted		183,381		149,434		95,165

The accompanying notes are an integral part of the consolidated financial statements.

ASCEND WELLNESS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

		Class A and Class B Common Stock		Attributable to Stockholders of the Parent				
(in thousands)	Historical LLC Units	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Stockholders' Equity	Non-Controlling Interests	Total Equity
December 31, 2019	89,821	—	$ —	$ 71,947	$ (38,153)	$ 33,794	$ 1,046	$ 34,840
Units issued in acquisitions or asset purchases	10,000	—	—	2,800	—	2,800	—	2,800
Purchase of non-controlling interests	3,635	—	—	(8,329)	—	(8,329)	(2,644)	(10,973)
Vesting of restricted common units	2,626	—	—	—	—	—	—	—
Equity-based compensation expense	—	—	—	680	—	680	—	680
Issuance of warrants	—	—	—	280	—	280	—	280
Net (loss) income	—	—	—	—	(25,439)	(25,439)	1,598	(23,841)
December 31, 2020	106,082	—	$ —	$ 67,378	$ (63,592)	$ 3,786	$ —	$ 3,786
Equity issued in litigation settlement	5,025	—	—	27,431	—	27,431	—	27,431
Conversion of historical common units	(55,330)	55,330	55	(55)	—	—	—	—
Conversion of historical preferred units	(58,036)	58,036	58	(58)	—	—	—	—
Issuance of common stock in public offerings, net of $5,935 of underwriting commissions and discounts and offering expenses	—	11,500	12	86,053	—	86,065	—	86,065
Conversion of convertible notes upon initial public offering	—	37,388	37	137,718	—	137,755	—	137,755
Beneficial conversion feature associated with conversion of preferred units upon initial public offering	—	3,420	3	27,358	—	27,361	—	27,361
Issuance of common stock	—	1,986	2	3,748	—	3,750	—	3,750
Shares issued in acquisitions or asset purchases	—	664	1	3,651	—	3,652	—	3,652
Vesting of restricted common units	2,209	3,388	3	(3)	—	—	—	—
Equity-based compensation expense	50	—	—	14,502	—	14,502	—	14,502
Repurchase of warrants	—	—	—	(4,156)	—	(4,156)	—	(4,156)
Taxes withheld under equity-based compensation plans, net	—	(126)	—	(1,012)	—	(1,012)	—	(1,012)
Net loss	—	—	—	—	(122,657)	(122,657)	—	(122,657)
December 31, 2021	—	171,586	$ 171	$ 362,555	$ (186,249)	$ 176,477	$ —	$ 176,477
Shares issued in acquisitions or asset purchases	—	12,900	13	42,944	—	42,957	—	42,957
Vesting of equity-based payment awards	—	4,998	5	(5)	—	—	—	—
Equity-based compensation expense	—	—	—	27,570	—	27,570	—	27,570
Taxes withheld under equity-based compensation plans, net	—	(1,420)	(1)	(5,328)	—	(5,329)	—	(5,329)
Issuance of warrants	—	—	—	2,639	—	2,639	—	2,639
Net loss	—	—	—	—	(80,899)	(80,899)	—	(80,899)
December 31, 2022	—	188,064	$ 188	$ 430,375	$ (267,148)	$ 163,415	$ —	$ 163,415

The accompanying notes are an integral part of the consolidated financial statements.

ASCEND WELLNESS HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 2022	2021	2020
Cash flows from operating activities			
Net loss	$ (80,899)	$ (122,657)	$ (23,841)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	37,106	22,219	12,561
Amortization of operating lease assets	1,136	1,359	872
Non-cash interest expense	5,754	42,691	5,319
Equity-based compensation expense	18,979	23,093	680
Equity issued in litigation settlement	—	27,431	—
Deferred income taxes	(5,755)	(3,636)	(1,286)
Loss on sale of assets	345	605	286
Other	16,116	4,914	146
Changes in operating assets and liabilities, net of effects of acquisitions			
Accounts receivable	(6,477)	(1,345)	(6,007)
Inventory	(43,813)	(41,414)	(11,890)
Other current assets	8,128	(14,390)	(2,784)
Other noncurrent assets	(214)	(6,831)	(5,078)
Accounts payable and accrued liabilities	12,741	6,729	1,937
Other current liabilities	561	771	3,719
Lease liabilities	(558)	814	2,862
Income taxes payable	(1,506)	17,909	16,500
Net cash used in operating activities	(38,356)	(41,738)	(6,004)
Cash flows from investing activities			
Additions to capital assets	(81,642)	(88,428)	(26,419)
Investments in notes receivable	(2,772)	(2,976)	(5,559)
Collection of notes receivable	327	327	527
Proceeds from sale of assets	39,225	930	26,750
Acquisition of businesses, net of cash acquired	(25,140)	(23,086)	(26,044)
Purchases of intangible assets	(44,252)	—	(127)
Net cash used in investing activities	(114,254)	(113,233)	(30,872)
Cash flows from financing activities			
Proceeds from issuance of common stock in public offerings, net of underwriting discounts and commissions and offering expenses	—	86,065	—
Proceeds from issuance of debt	84,364	259,500	101,886
Repayments of debt	(3,143)	(79,267)	(19,591)
Proceeds from finance leases	350	—	3,750
Repayments under finance leases	(69)	—	(478)
Debt issuance costs	(4,998)	(8,775)	(3,399)
Taxes withheld under equity-based compensation plans, net	(5,229)	(1,012)	—
Repurchase of warrants	—	(4,156)	—
Net cash provided by financing activities	71,275	252,355	82,168
Net (decrease) increase in cash, cash equivalents, and restricted cash	(81,335)	97,384	45,292
Cash, cash equivalents, and restricted cash at beginning of period	155,481	58,097	12,805
Cash, cash equivalents, and restricted cash at end of period	$ 74,146	$ 155,481	$ 58,097

The accompanying notes are an integral part of the consolidated financial statements.

(in thousands)	Year Ended December 31, 2022	2021	2020
Supplemental Cash Flow Information			
Interest paid	$ 23,613	$ 20,538	$ 6,204
Income taxes paid	48,937	28,055	2,417
Non-cash investing and financing activities			
Capital expenditures incurred but not yet paid	6,777	15,682	11,572
Issuance of shares for purchase of intangible assets	42,957	—	481
Warrants issued with notes payable	2,639	—	280
Taxes withheld under equity-based compensation plans, net	100	—	—
Conversion of convertible notes and accrued interest upon initial public offering	—	137,755	—
Conversion of preferred units into Class A common stock upon initial public offering	—	70,660	—
Beneficial conversion feature associated with conversion of preferred units upon initial public offering	—	27,361	—
Shares issued for share-settled debt	—	3,750	—
Issuance of shares in business acquisitions	—	3,652	2,319
Issuance of shares in purchase of non-controlling interests	—	—	1,018

The accompanying notes are an integral part of the consolidated financial statements.

1. THE COMPANY AND NATURE OF OPERATIONS

Ascend Wellness Holdings, Inc., which operates through its subsidiaries (collectively referred to as "AWH," "Ascend," "we," "us," "our," or the "Company"), is a vertically integrated multi-state operator in the United States cannabis industry. AWH owns, manages, and operates cannabis cultivation facilities and dispensaries in several states across the United States, including Illinois, Massachusetts, Michigan, Ohio, New Jersey, and Pennsylvania. Our core business is the cultivation, manufacturing, and distribution of cannabis consumer packaged goods, which are sold through company-owned retail stores and to third-party licensed retail cannabis stores. AWH is headquartered in New York, New York.

The Company was originally formed on May 15, 2018 as Ascend Group Partners, LLC, and changed its name to "Ascend Wellness Holdings, LLC" on September 10, 2018. On April 22, 2021, Ascend Wellness Holdings, LLC converted into a Delaware corporation and changed its name to "Ascend Wellness Holdings, Inc." and effected a 2-for-1 reverse stock split (the "Reverse Split"), which is retrospectively presented for all periods in these financial statements. We refer to this conversion throughout this filing as the "Conversion." As a result of the Conversion, the members of Ascend Wellness Holdings, LLC became holders of shares of stock of Ascend Wellness Holdings, Inc. The historical consolidated financial statements prior to the Conversion date are those of Ascend Wellness Holdings, LLC and its subsidiaries. Following the Conversion, the Company has authorized 750,000 shares of Class A common stock with a par value of $0.001 per share, 100 shares of Class B common stock with a par value of $0.001 per share, and 10,000 shares of preferred stock with a par value of $0.001 per share.

The rights of the holders of Class A common stock and Class B common stock are identical, except for voting and conversion rights. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 1,000 votes per share and is convertible at any time into one share of Class A common stock at the option of the holder. See Note 12, "Stockholders' Equity," for additional details.

Initial Public Offering

On May 4, 2021, the Company completed an Initial Public Offering ("IPO") of its Class A common stock, in which it issued and sold 10,000 shares of Class A common stock at a price of $8.00 per share. On May 7, 2021, the underwriters exercised their over-allotment option in full and we issued and sold an additional 1,500 shares of Class A common stock. We received total net proceeds of approximately $86,065 after deducting underwriting discounts and commissions and certain other direct offering expenses paid by us. In connection with the IPO, the historical common units, Series Seed Preferred Units, Series Seed+ Preferred Units, and Real Estate Preferred Units then-outstanding automatically converted into a total of 113,301 shares of Class A common stock and 65 historical common units were allocated as shares of Class B common stock. Additionally, 3,420 shares of Class A common stock were issued for a beneficial conversion feature associated with the conversion of certain historical preferred units and the Company's convertible notes, plus accrued interest, converted into 37,388 shares of Class A common stock. See Note 12, "Stockholders' Equity," for additional details.

Shares of the Company's Class A common stock are listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "AAWH.U" and are quoted on the OTCQX® Best Market (the "OTCQX") under the symbol "AAWH."

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements and accompanying notes (the "Financial Statements") have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Financial Statements include the accounts of Ascend Wellness Holdings, Inc. and its subsidiaries, including: AGP Investments, LLC; Ascend Group Partners, LLC; Ascend Illinois Holdings, LLC; Ascend Illinois, LLC; Revolution Cannabis-Barry, LLC; HealthCentral, LLC; Massgrow, LLC; Ascend Mass, LLC Ascend Friend Street RE LLC; Ascend New Jersey, LLC; FPAW Michigan 2, Inc.; Ascend Ohio, LLC; and AWH Pennsylvania, LLC. Refer to Note 8, "Variable Interest Entities," for additional information regarding certain entities that are not wholly-owned by the Company. We include the results of acquired businesses in the consolidated statements of operations from their respective acquisition dates. All intercompany accounts and transactions have been eliminated in consolidation.

We round amounts in the Financial Statements to thousands, except per unit or per share amounts or as otherwise stated. We calculate all percentages, per-unit, and per-share data from the underlying whole-dollar amounts. Thus, certain amounts may not foot, crossfoot, or recalculate based on reported numbers due to rounding. The consolidated financial statements and the accompanying notes are expressed in U.S. dollars, which is the Company's functional currency. Unless otherwise indicated, all references to years are to our fiscal year, which ends on December 31.

We are an emerging growth company under federal securities laws and as such we are able to elect to follow scaled disclosure requirements for this filing and can delay adopting new or revised accounting standards until such time as those standards apply to private companies.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts. We base our estimates on historical experience, known or expected trends, independent valuations, and various other measurements that we believe to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Liquidity

As reflected in the Financial Statements, the Company had an accumulated deficit as of December 31, 2022 and 2021, as well as a net loss for the year ended December 31, 2022, 2021, and 2020, respectively, and negative cash flows from operating activities during the year ended December 31, 2022, 2021, and 2020, respectively, which are indicators that raise substantial doubt of our ability to continue as a going concern. Management believes that substantial doubt of our ability to continue as a going concern for at least one year from the issuance of these Financial Statements has been alleviated due to: (i) cash on hand and (ii) continued growth of sales from our consolidated operations. Management plans to continue to access capital markets for additional funding through debt and/or equity financings to supplement future cash needs, as may be required. However, management cannot provide any assurances that the Company will be successful in accomplishing its business plans. If the Company is unable to raise additional capital whenever necessary, it may be forced to decelerate or curtail certain of its operations until such time as additional capital becomes available.

Reclassifications

Certain prior year amounts have been reclassified to conform with our current period presentation. These changes had no impact on our previously reported net loss.

Variable Interest Entities

A variable interested entity ("VIE") is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured that such equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains or losses of the entity. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

We assess all variable interests in the entity and use our judgment when determining if we are the primary beneficiary. In determining whether we are the primary beneficiary of a VIE, we assess whether we have the power to direct matters that most significantly impact the activities of the VIE and the obligation to absorb losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE. Other qualitative factors that are considered include decision-making responsibilities, the VIE capital structure, risk and rewards sharing, contractual agreements with the VIE, voting rights, and level of involvement of other parties. We assess the primary beneficiary determination for a VIE on an ongoing basis if there are any changes in the facts and circumstances related to a VIE.

Where we determine we are the primary beneficiary of a VIE, we consolidate the accounts of that VIE. The equity owned by other stockholders is shown as non-controlling interests in the accompanying Consolidated Balance Sheets, Statements of Operations, and Statements of Changes in Stockholders' Equity. The assets of the VIE can only be used to settle obligations of that entity, and any creditors of that entity generally have no recourse to the assets of other entities or the Company unless the Company separately agrees to be subject to such claims.

Non-Controlling Interests

Non-controlling interests ("NCI") represent equity interests in certain of our subsidiaries that are owned by outside parties. NCI may be initially measured at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets, made on a transaction by transaction basis. The share of net assets attributable to NCI are presented as a component of equity and their share of net income or loss is recognized directly in equity, as applicable. Total comprehensive income or loss of subsidiaries is attributed to the Company and to the NCI, even if this results in the NCI having a deficit balance. During 2020, the Company purchased the NCI related to Ascend Illinois and therefore there were no NCI as of December 31, 2021 and 2020. The NCI associated with Ohio Patient Access LLC, which is consolidated as a VIE beginning in 2022, as described in Note 4, "Acquisitions," was determined to have a *de minimis* fair value. See Note 8, "Variable Interest Entities," for additional information.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash deposits in financial institutions plus cash held at retail locations. Cash and cash equivalents are stated at nominal value, which equals fair value. We did not hold significant cash equivalents or restricted cash balances as of December 31, 2022 and 2021.

We maintain cash 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. The failure of a bank or credit union where we have significant deposits could result in a loss of a portion of such cash balances in excess of the insured limits, which could materially and adversely affect our business, financial condition, and results of operations.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, which may bear interest and do not require collateral. Past due balances are determined based on the contractual terms of the arrangements. The Company estimates its allowance for doubtful accounts based on specific identification of probable credit losses and historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company recorded $493 and $374 in allowance for doubtful accounts as of December 31, 2022 and 2021, respectively. Write-offs were not significant during 2022, 2021, or 2020.

Inventory

Inventory includes the direct costs of seeds and growing materials, indirect costs (such as utilities, labor, depreciation, and overhead costs), and subsequent costs to prepare the products for ultimate sale, which include direct costs such as materials and indirect costs such as utilities and labor. All direct and indirect costs related to inventory are capitalized when they are incurred and they are subsequently classified to "Cost of goods sold" in the Consolidated Statements of Operations. Inventory is valued at the lower of cost and net realizable value, with cost determined using the weighted-average cost method for cultivation inventory and specific identification for retail inventory. The Company reviews inventory for obsolete and slow-moving goods, and any such inventories are written down to net realizable value.

(in thousands, except per share or per unit data)

Notes Receivable

The Company provides financing to various related and non-related businesses within the cannabis industry. These notes are classified as held for investment and are accounted for as financial instruments in accordance with Accounting Standards Codification ("ASC") Topic 310, *Receivables*. The carrying amounts of notes receivable approximate fair value due to their short-term nature. The Company recognizes impairment on notes receivable when, based on all available information, it is probable that a loss has been incurred based on past events and conditions existing at the date of the Financial Statements. No impairment losses were recognized in 2022, 2021, or 2020.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation, amortization and impairment losses, if any. Land and construction in progress are not depreciated. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets which are as follows:

Category	Estimated Lives
Machinery and other equipment	5 years
Leasehold improvements	Shorter of 10 years or lease term
Buildings	39 years

Estimates of useful life and the method of depreciation are reviewed only when events or changes in circumstances indicate that the current estimates or depreciation method are no longer appropriate. Any changes are accounted for on a prospective basis as a change in estimate. Construction in progress is measured at cost and is reclassified upon completion as building or leasehold improvements, depending on the nature of the assets, and depreciated over the estimated useful life of the asset. Repairs and maintenance costs are expensed as incurred. Property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the Consolidated Statements of Operations.

Leases

The Company leases land, buildings, equipment, and other capital assets which it uses for corporate purposes and the production and sale of cannabis products. We determine if an arrangement is a lease at inception and begin recording lease activity at the commencement date, which is generally the date in which we take possession of or control the physical use of the asset. We early adopted Accounting Standards Update ("ASU") 2016-01, *Leases*, at formation as of May 15, 2018 and account for leases in accordance with ASC Topic 842. We record right-of-use ("ROU") assets, which represent the right to use an underlying asset for the lease term, and the corresponding lease liabilities, which represent the obligation to make lease payments arising from the lease, on the balance sheet.

ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term with lease expense recognized on a straight-line basis. We use our incremental borrowing rate to determine the present value of future lease payments unless the implicit rate is readily determinable. Our incremental borrowing rate is the rate of interest we would have to pay to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. This incremental borrowing rate is applied to the minimum lease payments within each lease agreement to determine the amounts of our ROU assets and lease liabilities.

Our lease terms generally range from 1 to 20 years. Some leases include one or more options to renew, with renewal terms that can extend the lease terms. We typically exclude options to extend the lease in a lease term unless it is reasonably certain that we will exercise the option and when doing so is at our sole discretion. The depreciable lives of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. Typically, if we decide to cancel or terminate a lease before the end of its term, we would owe the lessor the remaining lease payments under the term of such lease. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. We may rent or sublease to third parties certain real property assets that we no longer use.

(in thousands, except per share or per unit data)

Lease agreements may contain rent escalation clauses, rent holidays, or certain landlord incentives, including tenant improvement allowances. ROU assets include amounts for scheduled rent increases and are reduced by lease incentive amounts. Certain of our lease agreements include variable rent payments, consisting primarily of rental payments adjusted periodically for inflation and amounts paid to the lessor based on cost or consumption, such as maintenance and utilities. Variable rent lease components are not included in the lease liability.

We do not record ROU assets or lease liabilities for leases with an initial term of 12 months or less and we recognize payments for such leases in our Consolidated Statements of Operations on a straight-line basis over the lease term. We do not separate lease components from non-lease components for all asset classes. Sale-leasebacks are assessed to determine whether a sale has occurred under ASC Topic 606, *Revenue from Contracts with Customers*. If a sale is determined not to have occurred, the underlying “sold” assets are not derecognized and a financing liability is established in the amount of cash received. Upon expiration or termination of the underlying lease, the sale will be recognized by removing the carrying value of the assets and financing liability, with a gain recognized on disposal for the difference between the two amounts, if any. A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the Company. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed. See Note 10, “Leases,” for additional information on our lease arrangements.

Intangible Assets

Finite-lived intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. These assets are amortized on a straight-line basis over their estimated useful lives as follows:

	Useful Life
Trade names	6 months
Licenses and permits	10 years
In-place leases	Lease term

The estimated useful life and amortization method are reviewed at the end of each reporting year, and the effect of any changes in estimate is accounted for on a prospective basis. No impairment charges were recorded during 2022, 2021, or 2020.

Goodwill and Indefinite Life Intangible Assets

Goodwill represents the excess of purchase price of acquired businesses over the fair value of the assets acquired and liabilities assumed. Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. The Company evaluates the recoverability of goodwill annually; however, we could be required to evaluate the recoverability of goodwill more often if impairment indicators exist. We have elected to make the first day of our fourth quarter the annual impairment assessment date for goodwill and have two goodwill reporting units.

In 2018, we early adopted ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the two-step goodwill impairment process. Goodwill is first qualitatively assessed to determine whether further impairment testing is necessary. Factors that management considers in this assessment include macroeconomic conditions, industry and market considerations, overall financial performance (both current and projected), changes in management and strategy, and changes in the composition or carrying amount of net assets. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a one-step test is then performed by comparing the fair value of a reporting unit to its carrying amount. If the fair value of a reporting unit is less than its carrying value, an impairment charge will be recorded for the difference between the fair value and carrying value, but is limited to the carrying value of the reporting unit’s goodwill. No impairment was recorded during 2022, 2021, or 2020.

Indefinite life intangible assets are carried at cost less accumulated impairment losses. The Company reviews the classification each reporting period to determine whether the assessment made about the useful life as indefinite or finite is still appropriate. Any change is accounted for on a prospective basis as a change in estimate.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of long-lived assets, including property and equipment, finite life intangible assets, and lease-related ROU assets, whenever events or changes in circumstances indicate a potential impairment exists. We group assets at the lowest level for which cash flows are separately identifiable, referred to as an asset group. When indicators of potential impairment exist, we prepare a projected undiscounted cash flow analysis for the respective asset or asset group. If the sum of the undiscounted cash flow is less than the carrying value of the asset or asset group, an impairment loss is recognized equal to the excess of the carrying value over the fair value, if any.

Fair Value of Financial Instruments

Fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets;

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable; and

Level 3 – Significant inputs to the valuation model are unobservable.

We evaluate assets and liabilities subject to fair value measurements on a recurring and non-recurring basis to determine the appropriate level at which to classify them for each reporting period. The Company records cash, accounts receivable, notes receivable, and notes payable at cost. The carrying value of these instruments approximates their fair value due to their short-term maturities. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. We had no transfers of assets or liabilities between any of the hierarchy levels during 2022 or 2021.

The Company estimates and records acquisition date estimated fair value of contingent consideration as part of purchase price consideration for acquisitions, as applicable. The estimated fair value of contingent consideration is remeasured at each reporting date and any change in fair value is recognized within “General and administrative expenses” in the Consolidated Statements of Operations. The estimated fair value of contingent consideration is based on Level 3 inputs and may include assumptions and estimates regarding future operating results, discount rates, and probabilities assigned to various potential scenarios.

In addition to assets and liabilities that are measured at fair value on a recurring basis, we are also required to measure certain assets at fair value on a non-recurring basis that are subject to fair value adjustments in specific circumstances. These assets can include: goodwill; intangible assets; property and equipment; and lease-related ROU assets. We estimate the fair value of these assets using primarily unobservable Level 3 inputs.

Convertible Instruments

The Company accounts for hybrid contracts that feature conversion options in accordance with ASC Topic 815, *Derivatives and Hedging Activities* ("ASC 815"). ASC 815 requires companies to bifurcate conversion options and account for them as freestanding financial instruments according to certain criteria. If the embedded features do not meet the criteria for bifurcation, the convertible instrument is accounted for as a single hybrid instrument in accordance with ASC Topic 470-20, *Debt with Conversion and Other Options* ("ASC 470-20").

From time to time, the Company may issue warrants to purchase Class A common stock or stock options. These instruments are recorded at fair value using the Black-Scholes option pricing model or a binomial model, based on the classification of the instrument. The classification of warrants as liabilities or equity is evaluated at issuance.

Acquisitions

We account for business combinations using the acquisition method of accounting. On the date of the acquisition, we allocate the purchase price to the assets acquired and liabilities assumed at their estimated fair values. Goodwill on the acquisition date is measured as the excess of the purchase price over the fair values of assets acquired and liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, as well as contingent consideration, where applicable, our estimates are subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with corresponding adjustments to goodwill. We recognize subsequent changes in the estimate of the amount to be paid under contingent consideration arrangements in the Consolidated Statements of Operations. We expense acquisition-related costs as incurred.

For acquisitions that are not deemed to be businesses, the assets acquired are recognized based on their cost to the Company as the acquirer and no gain or loss is recognized. The cost of assets acquired in a group is allocated to the individual assets within the group based on their relative fair values and does not give rise to goodwill. Transaction costs related to acquisitions of assets are included in the cost basis of the assets acquired.

Contingencies and Litigation

The Company may be subject to lawsuits, investigations, and other claims related to employment, commercial, and other matters that arise out of operations in the normal course of business. We accrue for loss contingencies when losses become probable and are reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. We recognize legal costs as an expense in the period incurred.

Employee Benefit Plans

During 2021, the Company began to sponsor an employee retirement plan (the "401(k) Plan") that provides eligible employees of the Company an opportunity to accumulate funds for retirement. The Company provides matching contributions on a discretionary basis. No matching contributions were made to the 401(k) Plan during 2022 or 2021.

During 2022, certain employees became covered under collective bargaining agreements. We do not participate in multiemployer benefit plans under these agreements and have not paid significant Company contributions under these agreements.

Income Taxes

Deferred taxes are provided using an asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. We measure deferred tax assets and liabilities using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered. Deferred tax assets are reviewed for recoverability on an annual basis. A valuation allowance is recorded to reduce the carrying amount of a deferred tax asset to its realizable value unless it is more likely than not that such asset will be realized. We recognize interest and penalties associated with tax matters as part of the income tax provision, if any, and include accrued interest and penalties with the related tax liability in the Consolidated Balance Sheet, if applicable.

As discussed further in Note 14, "Income Taxes," we are subject to the provisions of Internal Revenue Code ("IRC") Section 280E.

Revenue Recognition

Revenue is recognized in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and the related subsequent pronouncements (collectively "Topic 606"), which the Company early adopted at formation as of May 15, 2018. Under Topic 606, revenue recognition depicts the transfer of promised goods or services to a customer in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Revenue recognition is aligned with the delivery of goods and services and is recognized at a point in time or over time, the assessment of which requires judgment.

In accordance with Topic 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services. The Company applies the following five-step analysis to determine whether, how much, and when revenue is recognized: (1) identify the contract with the customer; (2) identify the performance obligation in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

Under Topic 606, revenue from the sale of medicinal and adult-use cannabis and derivative products has a single performance obligation and revenue is recognized at the point in time when control of the product transfers and the Company's obligations have been fulfilled. This generally occurs upon delivery and acceptance by the customer. Amounts disclosed as revenue are net of allowances, discounts, and rebates. Sales taxes collected from customers are excluded from revenue.

For certain locations, we offer a loyalty program to dispensary customers. A portion of the revenue generated in a sale is allocated to the loyalty points earned and the amount allocated to the points earned is deferred until the loyalty points are redeemed or expire. The liability related to the loyalty program we offer dispensary customers at certain locations was $672 and $518 at December 31, 2022 and 2021, respectively, and is included in "Other current liabilities" on the accompanying Consolidated Balance Sheets.

Equity-Based Payments

The Company issues equity-based awards to employees and non-employee directors for services. The Company accounts for these awards in accordance with ASC Topic 718, *Compensation–Stock Compensation.* Awards are measured based on their fair value at the grant date and recognized as compensation expense over the requisite service period. Forfeitures are accounted for as they occur. The Company issues new shares to satisfy the issuance of equity-based payments.

Basic and Diluted Loss per Share

The Company computes earnings (loss) per share ("EPS") using the two-class method required for multiple classes of common stock. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, except for voting and conversion rights. As the liquidation and dividend rights are identical, undistributed earnings are allocated on a proportionate basis to each class of common stock and the resulting basic and diluted net loss per share attributable to common stockholders are, therefore, the same for both Class A and Class B common stock on both an individual and combined basis. EPS and weighted-average shares outstanding for the year ended December 31, 2021 and 2020 have been computed on the basis of treating the historical common unit equivalents previously outstanding as shares of Class A common stock, as such historical units converted into shares of Class A common stock in the Conversion.

Basic EPS is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects potential dilution and is computed by dividing net loss by the weighted-average number of common shares outstanding during the period increased by the number of additional common shares that would have been outstanding if all potential common shares had been issued and were dilutive. However, potentially dilutive securities are excluded from the computation of diluted EPS to the extent that their effect is anti-dilutive. Potential dilutive securities in the current year include incremental shares of common stock issuable upon the exercise of warrants, unvested restricted stock awards, unvested restricted stock units, in addition to stock options that are outstanding in the current year. Potential dilutive securities in the prior years include incremental shares of common stock issuable upon the exercise of warrants, vested incentive units, unvested restricted stock awards, unvested restricted stock units, and the conversion of convertible notes. At December 31, 2022, 2021, and 2020, 14,861, 11,513, and 37,181 shares of common stock equivalents, respectively, were excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive.

Shares of restricted stock granted by us are considered to be legally issued and outstanding as of the date of grant, notwithstanding that the shares remain subject to the risk of forfeiture if the vesting conditions for such shares are not met, and are included in the number of shares of Class A common stock outstanding disclosed on the cover page of this Annual Report on Form 10-K. Weighted-average common shares outstanding excludes time-based and performance-based unvested shares of restricted Class A common stock, as restricted shares are treated as issued and outstanding for financial statement presentation purposes only after such shares have vested and, therefore, have ceased to be subject to a risk of forfeiture.

Recently Adopted Accounting Standards

The following standards have been recently adopted by the Company. Recently effective standards that are not applicable to the Company or where it has been determined do not have a significant impact on us have been excluded herein.

Debt

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 convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. ASU 2020-06 became effective for us on January 1, 2022 and did not have a significant impact on out consolidated financial statements upon adoption.

Modification or Exchanges of Freestanding Equity-Classified Written Call Options

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in an Entity's Own Equity (Subtopic 815-40): Issuer's Accounting For Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*, ("ASU 2021-04"). ASU 2021-04 provides clarification and reduces diversity in an issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options, such as warrants, that remain equity classified after modification or exchange. ASU 2021-04 became effective for us on January 1, 2022 and did not have a significant impact on our consolidated financial statements upon adoption.

Recently Issued Accounting Pronouncements

The following standards have been recently issued by the FASB. Pronouncements that are not applicable to the Company or where it has been determined do not have a significant impact on us have been excluded herein.

Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, (“ASU 2016-13”). ASU 2016-13 replaces the existing guidance surrounding measurement and recognition of credit losses on financial assets measured at amortized cost, including trade receivables and investments in certain debt securities, by requiring recognition of an allowance for credit losses expected to be incurred over an asset’s life based on relevant information about past events, current conditions, and supportable forecasts impacting its ultimate collectability. This current expected credit losses (“CECL”) model will result in earlier recognition of credit losses than the current “as incurred” model, under which losses are recognized only upon the occurrence of an event that gives rise to the incurrence of a probable loss.

ASU 2019-05, *Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief*, was issued in May 2019 to provide target transition relief allowing entities to make an irrevocable one-time election upon adoption of the new credit losses standard to measure financial assets previously measured at amortized cost (except held-to-maturity securities) using the fair value option.

ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, was issued in November 2019 to clarify, improve, and amend certain aspects of ASU 2016-13, such as disclosures related to accrued interest receivables and the estimation of credit losses associated with financial assets secured by collateral.

ASU 2020-03, *Codification Improvements to Financial Instruments*, was issued in March 2020 to improve and clarify various financial instruments topics, including the CECL standard issued in 2016. The ASU includes seven different issues that describe the areas of improvement and the related amendments to U.S. GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. Certain amendments contained within this update were effective upon issuance and had no material impact on our Financial Statements.

ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, was issued in March 2022 and eliminates the guidance on troubled debt restructurings for creditors and, instead, requires that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments in this ASU also enhance disclosure requirements about loan modifications for borrowers experiencing financial difficulty and also require an entity to present gross write-offs by year of origination.

ASU 2016-13 and its related ASUs are effective for us beginning January 1, 2023 and are not expected to significantly impact our consolidated financial statements.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This guidance was effective upon issuance as of March 12, 2020 and could be adopted as reference rate reform activities occurred through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, to extend the sunset date of the transition guidance included in ASU 2020-04 to December 31, 2024. This guidance can be adopted prospectively as reference rate reform activities occur, with early adoption permitted, and is not expected to have a material impact on our consolidated financial statements.

3. REPORTABLE SEGMENTS AND REVENUE

The Company operates under one operating segment, which is its only reportable segment: the production and sale of cannabis products. The Company prepares its segment reporting on the same basis that its Chief Operating Decision Maker manages the business and makes operating decisions. The Company's measure of segment performance is net income and derives its revenue primarily from the sale of cannabis products. All of the Company's operations are located in the United States.

Disaggregation of Revenue

The Company disaggregates its revenue from the direct sale of cannabis to customers as retail revenue and wholesale revenue. We have determined that disaggregating revenue into these categories best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

	Year Ended December 31,		
(in thousands)	2022	2021	2020
Retail revenue	$ 305,935	$ 231,930	$ 103,859
Wholesale revenue	181,752	148,483	57,452
	487,687	380,413	161,311
Elimination of inter-company revenue	(81,761)	(48,032)	(17,579)
Total revenue, net	$ 405,926	$ 332,381	$ 143,732

4. ACQUISITIONS

Business Combinations

The Company has determined that the acquisitions discussed below are considered business combinations under ASC Topic 805, *Business Combinations*, ("ASC Topic 805") and are accounted for by applying the acquisition method, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results are included in these Financial Statements from the date of the acquisition.

The purchase price allocation for each acquisition reflects various preliminary fair value estimates and analyses, including certain tangible assets acquired and liabilities assumed, the valuation of intangible assets acquired, and goodwill, which are subject to change within the measurement period as preliminary valuations are finalized (generally one year from the acquisition date). Measurement period adjustments are recorded in the reporting period in which the estimates are finalized and adjustment amounts are determined.

2022 Acquisitions

Effective October 14, 2022, the Company acquired Marichron Pharma LLC ("Marichron"), a medical cannabis processor in Ohio, for total consideration of $2,600, consisting of cash consideration of $1,750, of which $1,500 was previously funded under a promissory note, settlement of approximately $1,000 due under a working capital loan, less settlement of $150 of other pre-acquisition amounts. Acquisition-related costs incurred during the year ended December 31, 2022 were not material.

Preliminary Purchase Price Allocation

(in thousands)	Marichron
Assets acquired:	
Accounts receivable	$ 12
Inventory	524
License[1]	1,260
Goodwill[2]	804
Net assets acquired	$ 2,600
Consideration transferred:	
Cash	$ 250
Settlement of note and working capital loan[3]	2,500
Settlement of pre-acquisition amounts	(150)
Total consideration	$ 2,600

(1) The amortization period for acquired licenses is 10 years.

(2) Goodwill is largely attributable to the value we expect to obtain from long-term business growth and buyer-specific synergies. The Company is evaluating whether the goodwill is deductible for tax purposes, but does not expect it will be deductible under the limitations imposed under IRC Section 280E. See Note 14, “Income Taxes,” for additional information.

(3) Includes settlement of $1,500 due under a promissory note and settlement of $1,000 due under a working capital line of credit. See Note 6, “Notes Receivable” for additional information regarding these note agreements.

2021 Acquisitions

Effective May 5, 2021, the Company completed the acquisition of the parent company of Hemma, LLC (“Hemma”), the owner of a medical cultivation site in Ohio. Total consideration of $10,381 consisted of a total cash payment of $7,212, settlement of $2,500 due under a note receivable, and $669 due under a working capital loan. Acquisition-related costs incurred during the year ended December 31, 2021 were not material.

Effective October 1, 2021, the Company completed the acquisition of BCCO, LLC (“BCCO”), a medical dispensary license holder in Ohio. Total consideration of $5,561 consisted of a cash payment of $1,995, settlement of $1,750 due under a note receivable, and $1,816 due under a working capital loan. Acquisition-related costs incurred during the year ended December 31, 2021 were not material.

Effective December 22, 2021, the Company completed the acquisition of Ohio Cannabis Clinic, LLC (“OCC”), a medical dispensary license holder in Ohio. Total consideration of $16,151 consisted of a total cash payment of $12,499 and the issuance of 664 shares of Class A common stock with a fair value of $3,652 at issuance. Acquisition-related costs incurred during the year ended December 31, 2021 were not material.

Purchase Price Allocation

During the year ended December 31, 2022, we recorded measurement period purchase accounting adjustments based on changes to certain estimates and assumptions and their related impact to goodwill, as described below. The following table presents the final purchase price allocation for each of our 2021 acquisitions:

(in thousands)	Hemma	BCCO	OCC
Assets acquired (liabilities assumed):			
Cash	$ 44	$ 2,144	$ 84
Accounts receivable	41	—	—
Inventory	188	343	217
Property and equipment[(1)]	153	657	288
Other noncurrent assets	—	5	—
License[(2)]	6,928	1,797	8,342
Goodwill[(3)]	3,039	1,381	7,221
Accounts payable and accrued liabilities	(12)	(218)	(1)
Deferred tax liability	—	(548)	—
Net assets acquired	$ 10,381	$ 5,561	$ 16,151
Consideration transferred:			
Cash[(4)]	$ 7,212	$ 1,995	$ 12,499
Settlement of note and working capital loan[(5)]	3,169	3,566	—
Fair value of shares issued[(6)]	—	—	3,652
Total consideration	$ 10,381	$ 5,561	$ 16,151

(1) Consists of furniture, fixtures and equipment of $162 and leasehold improvements of $936.

(2) The amortization period for acquired licenses is 10 years.

(3) Goodwill is largely attributable to the value we expect to obtain from long-term business growth and buyer-specific synergies. During the year ended December 31, 2022, we recorded a measurement period purchase accounting adjustment of $51 for the final working capital adjustment related to the OCC acquisition and $548 for a pre-acquisition deferred tax liability due to finalization of certain income-tax related items related to the BCCO acquisition. The Company determined the goodwill was largely not deductible for tax purposes under the limitations imposed under IRC Section 280E. See Note 14, “Income Taxes,” for additional information.

(4) Total cash consideration includes a $4,712 sellers’ note for Hemma that was paid in December 2021, and a $7,471 sellers’ note for OCC that was paid in 2022. See Note 11, “Debt,” for additional information.

(5) Hemma includes settlement of $2,500 due under a note receivable and settlement of $669 due under a working capital line of credit. BCCO includes settlement of $1,750 due under a note receivable and settlement of $1,816 due under a working capital line of credit.

(6) The sellers of OCC received 664 shares of Class A common stock with a fair value of $3,652 at issuance. Per the terms of the agreement with OCC, the number of shares issued was based on $3,798 divided by the volume weighted-average price per share of the Class A common stock as reported on the CSE for the ten consecutive trading days ending on the date immediately preceding the closing date.

Financial and Pro Forma Information

The following tables summarize the revenue and net income (loss) related to our acquisitions completed during 2022 and 2021 that are included in our consolidated results from the respective acquisition dates, as applicable.

	Year Ended December 31, 2022			
(in thousands)	Hemma	BCCO	OCC	Marichron
Revenue, net	$ 701	$ 7,196	$ 5,371	$ 122
Net income (loss)	(1,962)	1,547	635	22

	Year Ended December 31, 2021		
(in thousands)	Hemma	BCCO	OCC
Revenue, net	$ 236	$ 1,771	$ 159
Net income (loss)	(565)	323	65

Pro forma financial information is not presented for Hemma, BCCO, OCC, or Marichron as such results are immaterial, individually and in aggregate, to both the current and prior periods.

Additionally, our consolidated results of operations for the year ended December 31, 2021 and 2020 include the incremental results summarized below related to our 2020 acquisitions from their respective acquisition dates. We acquired MOCA LLC ("MOCA") effective August 1, 2020, which was consolidated as a VIE from the signing date until the final close date in December 2020. Effective September 29, 2020, we acquired the assets and liabilities of Greenleaf Compassion Center ("GCC"). Effective December 15, 2020, we entered into an agreement to acquire Chicago Alternative Health Center, LLC and Chicago Alternative Health Center Holdings, LLC (together, "Midway"), which was consolidated as a VIE from the signing date through the final closing date in January 2022.

	Year Ended December 31, 2021			Year Ended December 31, 2020		
(in thousands)	MOCA	GCC	Midway	MOCA	GCC	Midway
Revenue, net	$ 43,193	$ 10,326	$ 22,895	$ 13,011	$ 1,687	$ 747
Net income (loss)	5,576	(955)	(714)	304	657	61

The table below summarizes the unaudited pro forma combined revenue and net income (loss) of AWH, MOCA, GCC, and Midway for the year ended December 31, 2020 as if the respective acquisitions had occurred on January 1, 2019. The results for MOCA, GCC, and Midway are through their respective acquisition dates, as the results for each were included in our Financial Statements after such dates. These results do not reflect the cost of integration activities or benefits from expected revenue enhancements and synergies. Accordingly, the unaudited pro forma information is not necessarily indicative of the results that would have been achieved if the acquisitions had been effective on January 1, 2019.

	Year Ended December 31, 2020					
(in thousands)	AWH (as reported)	MOCA	GCC	Midway	Pro Forma Adjustments[(1)]	Pro Forma Combined
Revenue, net	$ 143,732	$ 8,615	$ 3,046	$ 10,416	$ —	$ 165,809
Net income (loss)	(23,841)	786	926	2,680	(10,897)	(30,346)

(1) These adjustments include estimated additional amortization expense of $2,879 on intangible assets acquired as part of the acquisitions as follows: $537 related to MOCA, $887 related to GCC, and $1,455 related to Midway. These adjustments also include additional estimated interest expense of $8,544 and an adjustment to exclude $526 of acquisition-related costs incurred during the year ended December 31, 2020, which are included in "General and administrative expenses" in the accompanying Consolidated Statements of Operations. These adjustments are not tax-effected, as the related expenses are not deductible for tax purposes due to the limitations imposed on marijuana dispensaries under IRC Section 280E.

Asset Acquisitions

The Company determined the acquisitions below did not meet the definition of a business and are therefore accounted for as asset acquisitions. When the Company acquires assets and liabilities that do not constitute a business or VIE of which the Company is the primary beneficiary, the cost of each acquisition, including certain transaction costs, is allocated to the assets acquired and liabilities assumed on a relative fair value basis. Contingent consideration associated with the acquisition is generally recognized only when the contingency is resolved.

When the Company acquires assets and liabilities that do not constitute a business but meet the definition of a VIE of which the Company is the primary beneficiary, the purchase is accounted for using the acquisition method described above for business combinations, except that no goodwill is recognized. To the extent there is a difference between the purchase consideration, including the estimated fair value of contingent consideration, plus the estimated fair value of any non-controlling interest and the VIE's identifiable assets and liabilities recorded and measured at fair value, the difference is recognized as a gain or loss. A non-controlling interest represents the non-affiliated equity interest in the underlying entity. Transaction costs are expensed.

Story of PA

On April 19, 2022, the Company acquired Story of PA CR, LLC ("Story of PA"). Total consideration for the acquisition of the outstanding equity interests in Story of PA was $53,127, consisting of 12,900 shares of Class A common stock with a fair value of $42,957 and cash consideration of $10,170. Story of PA received a clinical registrant permit from the Pennsylvania Department of Health on March 1, 2022. Through a research collaboration agreement with the Geisinger Commonwealth School of Medicine ("Geisinger"), a Pennsylvania Department of Health-Certified Medical Marijuana Academic Clinical Research Center, the Company intends to open a cultivation and processing facility and up to six medical dispensaries throughout the Commonwealth of Pennsylvania. The Company will help fund clinical research to benefit the patients of Pennsylvania by contributing $30,000 to Geisinger over the next two years (of which $15,000 was funded in April 2022), and up to an additional $10,000 over the next ten years.

The total acquisition cost was $137,594, as summarized in the table below, and was allocated to the license intangible asset acquired. This total includes an acquisition-related deferred tax liability of $37,391 that was recorded during the fourth quarter of 2022. The Company began to amortize the license when operations commenced during the fourth quarter of 2022.

(in thousands)		
Equity Consideration[1]	$	42,957
Cash consideration		10,170
Geisinger funding commitment[2]		40,000
Other liabilities assumed[3]		5,130
Forgiveness of bridge loan[4]		1,349
Transaction costs		595
Cost of initial investment		2
Deferred tax liability[5]		37,391
Total	$	137,594

(1) Comprised of 12,900 shares of Class A common stock with a fair value of $42,957 at issuance.

(2) Of the total funding commitment, $15,000 was paid in April 2022 and $15,000 is due in April 2023 and is included within "Accounts payable and other accrued liabilities" on the Consolidated Balance Sheet at December 31, 2022. An additional annual payment is due from the third anniversary of the transaction through the tenth anniversary based on a percentage of revenue (after operations commence) up to a total of $10,000, which is included within "Other non-current liabilities" on the Consolidated Balance Sheet at December 31, 2022.

(3) Liabilities related to two consulting agreements assumed in the transaction. A total of $2,772 related to one agreement was paid during the second quarter of 2022. A total of $1,415 due under the second agreement was paid during the year ended

December 31, 2022 and a total of $943 is due, in quarterly payments, through June 2023 and is included within "Accounts payable and other accrued liabilities" on the Consolidated Balance Sheet at December 31, 2022.

(4) Refer to Note 6, "Notes Receivable," for additional information on the bridge loan agreement.

(5) As goodwill is not recorded in an asset acquisition, the acquisition-related deferred tax liability arising from book/tax basis differences stemming from the transaction increased the value of the license acquired above the purchase price.

Ohio Patient Access

On August 12, 2022, the Company entered into a definitive agreement (the "Ohio Agreement") that provides the Company the option to acquire 100% of the equity of Ohio Patient Access LLC ("OPA"), the holder of a license that grants it the right to operate three medical dispensaries in Ohio, which operations have not yet commenced. The Ohio Agreement is subject to regulatory review and approval. Once the regulatory approval is received, the Company may exercise the option, and the exercise is solely within the Company's control. The Company may exercise the option until the fifth anniversary of the agreement date or can elect to extend the exercise period for an additional year. Under the Ohio Agreement, the Company will also acquire the real property of the three dispensary locations. In conjunction with the Ohio Agreement, the parties also entered into a support services agreement under which the Company will provide management and advisory services to OPA for a set monthly fee. The parties also entered into a working capital loan agreement under which the Company may, at its full discretion, loan OPA up to $10,000 for general working capital needs.

The purchase price per the Ohio Agreement consists of total cash consideration of $22,300. The Ohio Agreement also includes an earn-out provision of $7,300 that is dependent upon the commencement of adult-use cannabis sales in Ohio. The sellers may elect to receive the earn-out payment as either cash or shares of the Company's Class A common stock, or a combination thereof. If the sellers elect to receive any or all of the payment in shares, the number of shares issued will be equal to the earn-out payment amount, or portion thereof, divided by the thirty-day volume weighted average price of the Class A shares immediately preceding the date the earn-out provision is achieved. If the sellers elect to receive Class A shares for the earn-out, those shares would be issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended.

The Company determined OPA is a VIE and the Company became the primary beneficiary as of the signing date; therefore, OPA is consolidated as a VIE. To account for the initial consolidation of OPA, management applied the acquisition method discussed above. The total estimated fair value of the transaction consideration was determined to be $24,132 and consists of the fair value of the cash consideration of $19,290 plus the estimated fair value of the contingent consideration of $4,842. Of the total cash consideration, $11,300 was funded at signing pursuant to note agreements. The $11,000 payment that is due at final closing was recorded net of a discount of $3,010 based on the estimated payment date utilizing the Company's incremental borrowing rate. This discounted payment is included within "Long-term debt, net" on the accompanying Consolidated Balance Sheet at December 31, 2022; refer to Note 11, "Debt," for additional information.

The estimated fair value of the contingent consideration was determined utilizing an income approach based on a probability-weighted estimate of the future payment discounted using the Company's estimated incremental borrowing rate and is classified within Level 3 of the fair value hierarchy. As of December 31, 2022, the estimated fair value of this contingent consideration was $5,076 and is included within "Other non-current liabilities" on the accompanying Consolidated Balance Sheet at December 31, 2022. The $234 change in fair value is included within "General and administrative expenses" on the Consolidated Statement of Operations for the year ended December 31, 2022. The Company determined the fair value of any noncontrolling interest is *de minimis*.

The license intangible asset acquired was determined to have an estimated fair value of $21,684 and the three properties had an estimated fair value of $2,448, which was determined using a market approach based on the total transaction consideration. The license acquired will be amortized in accordance with the Company's policy once operations commence. Direct transaction expenses of $224 are included in "General and administrative expenses" on the accompanying Consolidated Statements of Operations for the year ended December 31, 2022. Refer to Note 8, "Variable Interest Entities," for additional information regarding the Company's VIEs.

Illinois Licenses

In August 2022, the Company entered into definitive agreements to acquire two additional licenses in Illinois. Neither of these licenses were associated with active operations at signing and the transfer of each license is subject to regulatory review and approval.

One transaction was entered on August 11, 2022 for total cash consideration of $5,500. The Company accounted for this transaction as an asset acquisition and allocated the cash consideration as the cost of the license acquired. Of the total cash consideration, $3,000 was paid at signing and $2,500 is due at final closing and is included as a sellers' note within "Long-term debt, net" on the accompanying Consolidated Balance Sheet at December 31, 2022; refer to Note 11, "Debt," for additional information. Direct transaction expenses were immaterial.

The second transaction was entered on August 12, 2022 for total cash consideration of $5,600. The Company accounted for this transaction as an asset acquisition and allocated the cash consideration as the cost of the license acquired. The consideration will be paid at final closing and is included as a sellers' note within "Long-term debt, net" on the accompanying Consolidated Balance Sheet at December 31, 2022. Direct transaction expenses were immaterial.

The licenses acquired will be amortized in accordance with the Company's policy once the related operations commence.

5. INVENTORY

The components of inventory are as follows:

	December 31,	
(in thousands)	**2022**	**2021**
Materials and supplies	$ 16,115	$ 8,899
Work in process	49,586	28,235
Finished goods	31,831	28,454
Total	$ 97,532	$ 65,588

Total compensation expense capitalized to inventory was $56,586, $35,663, and $15,588 during the year ended December 31, 2022, 2021, and 2020, respectively. At December 31, 2022 and 2021, $15,920 and $8,571, respectively, of compensation expense remained capitalized as part of inventory. The Company recognized, as a component of cost of goods sold, total write-downs of $10,478 and $4,914 during the year ended December 31, 2022 and 2021, respectively, related to net realizable value adjustments, expired products, and obsolete packaging. These amounts are included within "Other" on the Consolidated Statements of Cash Flows. Write-downs were not material during 2020.

6. NOTES RECEIVABLE

(in thousands)	December 31, 2022	December 31, 2021
MMNY - working capital loan[1]	$ 2,422	$ 2,422
Other[2]	1,001	500
Marichron - note receivable[3]	—	1,500
Marichron - working capital loan[3]	—	78
Total	$ 3,423	$ 4,500

(1) On February 25, 2021, the Company entered into a working capital advance agreement with MedMen NY, Inc. (“MMNY”), an unrelated third party, in conjunction with an Investment Agreement (as defined in Note 15, “Commitments and Contingencies”). The working capital advance agreement allows for initial maximum borrowings of up to $10,000, which may be increased to $17,500, and was issued to provide MMNY with additional funding for operations in conjunction with the Investment Agreement. Borrowings do not bear interest, but may be subject to a financing fee. The outstanding balance is due and payable at the earlier of the initial closing of the Investment Agreement or, if the Investment Agreement is terminated for certain specified reasons, three business days following such termination. The Company is pursuing collection of the amounts due under this working capital advance agreement through its legal proceedings against MMNY. Refer to Note 15, “Commitments and Contingencies,” for additional information.

(2) In November 2021, the Company issued a bridge loan to Story of PA that provided for maximum borrowings of up to $16,000 with an interest rate of 9% per annum, which had an outstanding balance of $500 at December 31, 2021. Repayment was due at maturity in November 2023 or upon an event of default (as defined in the bridge loan agreement). In April 2022, the Company acquired the outstanding equity interests of Story of PA (refer to Note 4, “Acquisitions”) and settled the balance of $1,349 due under the bridge loan as additional consideration at closing.

In May 2022 the Company issued a secured promissory note to a retail dispensary license holder in Massachusetts providing up to $3,500 of funding (the “Massachusetts Note”), of which $1,001 is outstanding as of December 31, 2022. The Massachusetts Note accrues interest at a fixed annual rate of 11.5%. Following the opening of the borrower’s retail dispensary, the principal amount is due monthly through the maturity date of May 25, 2026. The borrower may prepay the outstanding principal amount, plus accrued interest thereon. Borrowings under the Massachusetts Note are secured by the assets of the borrower. The borrower is partially owned by an entity that is managed, in part, by one of the founders of the Company. Additionally, the Company transacts with the retail dispensary in the ordinary course of business.

(3) In April 2019, the Company issued a $1,500 promissory note to Marichron, an unrelated third party, with a stated interest rate of 12% per year. The Company also entered into a working capital line of credit with Marichron, allowing for maximum borrowings of $1,000. The promissory note and working capital line of credit were issued in conjunction with a unit purchase option agreement that the parties entered into during 2019 and were issued to provide Marichron with additional funding for operations while awaiting state approval of the transaction. The Company submitted a license transfer application to the state in June 2022, which was approved in September 2022. Following the approval, the Company exercised its option under the unit purchase agreement and acquired Marichron effective October 14, 2022, as further described in Note 4, “Acquisitions,” and the total amounts outstanding were settled at closing.

Additionally, during 2020 the Company received a promissory note from the owner of a property that the Company is renting with an initial principal of $4,500 that matures on November 1, 2030. The note bears interest at a rate of 4% per annum, payable monthly in arrears. The note provides for payments of $27 per month, consisting of principal and interest, with the remaining balance of principal due at maturity. A total of $4,181 is outstanding at December 31, 2022, of which $163 and $4,018 is included in “Other current assets” and “Other noncurrent assets,” respectively, on the Consolidated Balance Sheet. At December 31, 2021, a total of $4,337 was outstanding of which $156 and $4,181 is included in “Other current assets” and “Other noncurrent assets,” respectively, on the Consolidated Balance Sheet.

No impairment losses on notes receivable were recognized during the year ended December 31, 2022, 2021, or 2020.

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
(in thousands)	2022	2021
Leasehold improvements	$ 174,099	$ 103,976
Buildings	71,951	45,663
Furniture, fixtures, and equipment	63,974	49,058
Construction in progress	9,633	60,986
Land	6,505	1,302
Property and equipment, gross	326,162	260,985
Less: accumulated depreciation	46,302	21,329
Property and equipment, net	$ 279,860	$ 239,656

Total depreciation expense was $25,374, $14,807, and $5,030 during the year ended December 31, 2022, 2021, and 2020, respectively. Total depreciation expense capitalized to inventory was $19,291, $10,120, and $4,297 during the year ended December 31, 2022, 2021, and 2020, respectively. At December 31, 2022 and 2021, $6,548 and $2,070, respectively, of depreciation expense remained capitalized as part of inventory.

In June 2022, the Company entered into a master lease agreement under which we may lease equipment pursuant to individual lease agreements, up to $15,000 in aggregate. The table above includes equipment rented under these finance leases with a gross value of $1,086 and accumulated amortization of $89 as of December 31, 2022. Refer to Note 10, "Leases," for additional information regarding our lease arrangements.

During the year ended December 31, 2022, we recognized a loss of $874 related to the sale of three properties, net of a $72 gain on sale recognized during the year ended December 31, 2022, which is included within "General and administrative expenses" on the Consolidated Statements of Operations, and wrote-off a total of $401 of accumulated depreciation.

8. VARIABLE INTEREST ENTITIES

The following tables present the summarized financial information about the Company's consolidated VIEs which are included in the Consolidated Balance Sheets as of December 31, 2022 and 2021 and Consolidated Statements of Operations for the year ended December 31, 2022, 2021, and 2020. These entities were determined to be VIEs since the Company possesses the power to direct the significant activities of the VIEs and has the obligation to absorb losses or the right to receive benefits from the VIE. The information below excludes intercompany balances and activity that eliminate in consolidation.

In December 2022, following regulatory approvals for the title transfer of certain licenses, Ascend Illinois (including its subsidiaries) is wholly-owned by Ascend Wellness Holdings, Inc. and therefore is no longer considered a VIE as of December 31, 2022 and the balance sheet information is no longer reflected in the table below as of such date. Based on timing, the results of operations for the full year are reflected below.

	December 31,	
	2022	2021
(in thousands)	Ohio Patient Access	Ascend Illinois
Current assets	$ —	$ 111,118
Other noncurrent assets	24,675	171,566
Current liabilities	1,675	71,264
Noncurrent liabilities	—	126,397
Equity (deficit) attributable to AWH	(588)	41,873

	Year Ended December 31,				
	2022		2021	2020	
(in thousands)	Ascend Illinois	Ohio Patient Access	Ascend Illinois	Ascend Illinois	Ascend Michigan[2]
Revenue, net	$ 261,503	$ —	$ 265,872	$ 120,004	$ 11,719
Net income attributable to non-controlling interests[1]	—		—	1,598	—
Net income (loss) attributable to AWH	32,206	(588)	36,152	14,363	(16,684)
Net income (loss)	$ 32,206	$ (588)	$ 36,152	$ 15,961	$ (16,684)

(1) Effective July 30, 2020, the Company purchased the non-controlling interests of Ascend Illinois. Subsequent to this transaction, there were no non-controlling interests as of December 31, 2021 and 2020 and for the year ended, December 31, 2021. The non-controlling interest acquired in connection with the OPA transaction during 2022 (see Note 4, "Acquisitions") was determined to be *de minimis*.

(2) In December 2020, the sole member of FPAW Michigan 2, Inc. ("Ascend Michigan") assigned his interests to AWH, thereby making AWH the majority member, retaining 99.9% of the membership interests in Ascend Michigan. Following this assignment, Ascend Michigan is no longer considered a VIE.

Effective July 30, 2020, the Company purchased the non-controlling interests of Ascend Illinois for $11,000 of cash, to be paid quarterly through December 2023, and 3,635 historical AWH common units with a fair value of $1,018 at issuance. See Note 11, "Debt," for additional information regarding the cash payment. The table below summarizes the activity related to the non-controlling interests within Ascend Illinois through the Company's purchase of the non-controlling interests.

(in thousands)	Ascend Illinois
Balance, December 31, 2019	$ 1,046
Changes in ownership	(2,644)
Net income	1,598
Balance, December 31, 2020	$ —

9. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

(in thousands)	December 31, 2022	December 31, 2021
Finite-lived intangible assets		
Licenses and permits	$ 226,919	$ 55,281
In-place leases	19,963	19,963
Trade names	380	380
	247,262	75,624
Accumulated amortization:		
Licenses and permits	(13,035)	(5,415)
In-place leases	(12,754)	(10,558)
Trade names	(380)	(380)
	(26,169)	(16,353)
Total intangible assets, net[(1)]	$ 221,093	$ 59,271

(1) These intangible assets are being amortized over the expected period of benefit, with a weighted-average remaining life of approximately 9.3 years as of December 31, 2022.

Amortization expense was $9,816, $6,753, and $7,531 during the year ended December 31, 2022, 2021, and 2020, respectively. Total amortization expense capitalized to inventory was $1,804, $1,404, and $350 during the year ended December 31, 2022, 2021, and 2020, respectively. At December 31, 2022 and 2021, $1,101 and $502, respectively, of amortization expense remained capitalized as part of inventory.

No impairment indicators were noted during the year ended December 31, 2022, 2021, or 2020 and, as such, we did not record any impairment charges.

Estimated Annual Amortization Expense for Each of the Next Five Years

	2023	2024	2025	2026	2027
Estimated amortization expense[(1)]	$ 21,885	$ 24,017	$ 23,468	$ 23,468	$ 23,468

(1) These amounts could vary as acquisitions of additional intangible assets occur in the future or due to changes in anticipated commencement of operations for certain locations.

Goodwill

(in thousands)		
Balance, December 31, 2020	$	22,798
Acquisitions		11,042
Adjustments to purchase price allocation[1]		9,127
Balance, December 31, 2021	$	42,967
Acquisitions[1]		804
Adjustments to purchase price allocation[1]		599
Balance, December 31, 2022	$	44,370

(1) See Note 4, "Acquisitions," for additional information.

10. LEASES

The components of lease assets and lease liabilities and their classification on our Consolidated Balance Sheets were as follows:

		December 31,	
(in thousands)	**Classification**	**2022**	**2021**
Lease assets			
Operating leases	Operating lease right-of-use assets	$ 108,810	$ 103,958
Finance leases	Property and equipment, net	997	—
Total lease assets		$ 109,807	$ 103,958
Lease liabilities			
Current liabilities			
Operating leases	Operating lease liabilities, current	$ 2,633	$ 2,665
Finance leases	Current portion of debt, net	207	—
Noncurrent liabilities			
Operating leases	Operating lease liabilities, noncurrent	229,816	197,295
Finance leases	Long-term debt, net	695	—
Total lease liabilities		$ 233,351	$ 199,960

The components of lease costs and classification within the Consolidated Statements of Operations were as follows:

	Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Operating lease costs			
Capitalized to inventory	$ 29,177	$ 19,844	$ 11,958
General and administrative expenses	2,617	4,819	4,645
Total operating lease costs	$ 31,794	$ 24,663	$ 16,603
Finance lease costs			
Amortization of leased assets[1]	$ 89	$ —	$ —
Interest on lease liabilities	43	—	—
Total finance lease costs	$ 132	$ —	$ —

(1) Included as a component of depreciation expense within "General and administrative expenses" on the accompanying Consolidated Statements of Operations.

At December 31, 2022 and 2021, $6,660 and $4,393, respectively, of lease costs remained capitalized in inventory. We recognized a gain of $145 during the year ended December 31, 2022 related to lease terminations, which is included in “General and administrative expenses” on the Consolidated Statements of Operations.

The following table presents information on short-term and variable lease costs:

	Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Total short-term and variable lease costs	$ 4,970	$ 2,540	$ 2,615

Sublease income generated during the year ended December 31, 2022, 2021, and 2020 was immaterial.

The following table includes supplemental cash and non-cash information related to our leases:

	Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	$ 31,251	$ 22,439	$ 12,895
Operating cash flows from finance leases	43	—	—
Financing cash flows from finance leases	69	—	—
ROU assets obtained in exchange for new lease obligations			
Operating leases	$ 35,991	$ 41,917	$ 91,367
Financing leases	971	—	—

The following table summarizes the weighted-average remaining lease term and discount rate:

	December 31,	
	2022	**2021**
Weighted-average remaining term (years)		
Operating leases	15.1	15.8
Finance leases	3.7	—
Weighted-average discount rate		
Operating leases	14.8 %	12.7 %
Finance leases	13.6 %	—

The amounts of future undiscounted cash flows related to the lease payments over the lease terms and the reconciliation to the present value of the lease liabilities as recorded on our Consolidated Balance Sheet as of December 31, 2022 are as follows:

(in thousands)	Operating Lease Liabilities	Finance Lease Liabilities
2023	$ 33,879	$ 315
2024	34,833	315
2025	35,812	315
2026	36,428	195
2027	37,380	—
Thereafter	441,121	—
Total lease payments	619,453	1,140
Less: imputed interest	387,004	238
Present value of lease liabilities	$ 232,449	$ 902

As of December 31, 2022, we entered into operating lease arrangements which are effective for future periods with a total amount of ROU lease assets and lease liabilities of approximately $3,100. Subsequent to December 31, 2022, we entered into operating lease arrangements which are effective for future periods with a total amount of ROU lease assets and lease liabilities of approximately $1,900.

Lease Amendments

In March 2022, we amended the leases related to our Athol, Massachusetts and Lansing, Michigan cultivation facilities to increase the tenant improvement allowance for each, which resulted in increased rent amounts. We accounted for the amendments as lease modifications and remeasured each ROU asset and lease liability as of the amendment dates. The modifications resulted in a total additional tenant improvement allowance of $19,300, a reduction of $22,483 to total ROU assets, and a reduction of $3,183 to total lease liabilities.

Effective September 15, 2021, we amended the lease of our Barry, Illinois cultivation facility to increase the tenant improvement allowance to $52,000, which resulted in increased rent amounts. We accounted for the amendment as a lease modification and remeasured the ROU asset and liability as of the amendment date, which resulted in an additional ROU asset of $2,750, an additional tenant improvement allowance of $20,000, and an additional lease liability of $22,750.

Sale Leaseback Transactions

The following table presents cash payments due under transactions that did not qualify for sale-leaseback treatment. The cash payments are allocated between interest and liability reduction, as applicable. The “sold” assets remain within land, buildings, and leasehold improvements, as appropriate, for the duration of the lease and a financing liability equal to the amount of proceeds received is recorded within “Long-term debt, net” on the accompanying Consolidated Balance Sheets.

(in thousands)	2023	2024	2025	2026	2027	Thereafter	Total
Cash payments due under financing liabilities	$ 2,308	$ 2,416	$ 2,525	$ 2,599	$ 2,676	$ 9,477	$ 22,001

2022 Activity

In February 2022, the Company sold and subsequently leased back one of its capital assets in New Jersey for total proceeds of $35,400, excluding transaction costs. The transaction met the criteria for sale leaseback treatment. The lease was recorded as an operating lease and resulted in a lease liability of $33,707 and an ROU asset of $29,107, which was recorded net of a $4,600 tenant improvement allowance.

In June 2022, the Company sold and subsequently leased back two of its capital assets in Pennsylvania for total proceeds of $3,825, excluding transaction costs. Each transaction met the criteria for sale leaseback treatment. The leases were recorded as operating leases and resulted in a total lease liability and ROU asset of $2,102. Each of the lease agreements provide for a capital expenditure allowance of up to $3,000. The rent payments due under each lease will increase by a percentage of the capital expenditure allowance as funding occurs, and, therefore, each lease will be reassessed and remeasured as a modification upon such funding. During the year ended December 31, 2022, we received a total of $3,690 under the capital expenditure allowance that was recorded as a tenant improvement allowance and resulted in $1,880 of additional lease liabilities based on the modified lease terms and a net gain of $384 during the year ended December 31, 2022, which is included in "General and administrative expenses" on the Consolidated Statement of Operations.

In October 2022, the Company sold and subsequently leased back certain real estate and related assets of a commercial property located in New Bedford, Massachusetts for a total purchase price of $350, pursuant to a definitive agreement that was entered into during 2021. The transaction did not meet the criteria for sale-leaseback treatment.

11. DEBT

	December 31,	
(in thousands)	**2022**	**2021**
2021 Credit Facility	$ 275,000	$ 210,000
Sellers' Notes	27,606	39,116
Financing Agreement	19,364	—
Finance liabilities	18,100	17,750
Finance leases	902	—
Total debt	$ 340,972	$ 266,866
Current portion of debt	$ 11,347	$ 27,980
Less: unamortized deferred financing costs	18	40
Current portion of debt, net	$ 11,329	$ 27,940
Long-term debt	$ 329,625	$ 238,886
Less: unamortized deferred financing costs	10,328	8,040
Long-term debt, net	$ 319,297	$ 230,846

2021 Credit Facility

On August 27, 2021, the Company entered into a credit agreement with a group of lenders (the "2021 Credit Agreement") that provided for an initial term loan of $210,000, which was borrowed in full. The 2021 Credit Agreement provided for an expansion feature that allowed the Company to request an increase in the term loan outstanding up to $275,000 if the then-existing lenders (or other lenders) agreed to provide such additional term loans. During the second quarter of 2022, the Company borrowed an additional $65,000 pursuant to this expansion feature (the "2022 Loans" and, together with the initial term loan, the "2021 Credit Facility") for total borrowings of $275,000 outstanding under the 2021 Credit Facility.

The 2021 Credit Facility matures on August 27, 2025 and does not require scheduled principal amortization payments. Borrowings under the 2021 Credit Facility bear interest at a rate of 9.5% per annum, payable quarterly and, as to any portion of the term loan that is prepaid, on the date of prepayment. The 2021 Credit Agreement permits the Company to request an extension of the maturity date for 364 days, subject to the lenders' discretion.

Mandatory prepayments are required from the proceeds of (i) indebtedness that is not permitted by the 2021 Credit Agreement, and (ii) asset sales and casualty events, subject to customary reinvestment rights. The Company may prepay the 2021 Credit Facility at any time, subject to (a) a customary make-whole payment if paid prior to February 27, 2023 (which did not occur), (b) a prepayment premium equal to 4.75% of the principal amount prepaid if paid after February 27, 2023 but prior February 27, 2024, and (c) a prepayment premium of 2.375% if paid after February 27, 2024 but prior to February 27, 2025. No prepayment premium is required for prepayment on or after February 27, 2025. Once repaid, amounts borrowed under the 2021 Credit Facility may not be re-borrowed.

The Company is required to comply with two financial covenants under the 2021 Credit Agreement. The Company may not permit its liquidity (defined as unrestricted cash and cash equivalents pledged under the 2021 Credit Facility plus any future revolving credit availability) to be below $20,000 as of the last day of any fiscal quarter. Additionally, the Company may not permit the ratio of Consolidated EBITDA (as defined in the 2021 Credit Agreement) to consolidated cash interest expense for any period of four consecutive fiscal quarters to be less than 2.00:1.00 for the period ending December 31, 2021 and increased to not less than 2.50:1.00 for the period ending June 30, 2022 and thereafter. The Company has a customary equity cure right for each of these financial covenants. The Company is in compliance with these covenants as of December 31, 2022.

The 2021 Credit Agreement requires the Company to make certain representations and warranties and to comply with customary covenants, including restrictions on the payment of dividends, repurchase of stock, incurrence of indebtedness, dispositions, and acquisitions. The 2021 Credit Agreement also contains customary events of default including: non-payment of principal or interest; violations of covenants; bankruptcy; change of control; cross defaults to other debt; and material judgments. The 2021 Credit Facility is guaranteed by all of the Company's subsidiaries and is secured by substantially all of the assets of the Company and its subsidiaries.

We incurred financing costs of $8,806 related to the initial term loan and additional financing costs of $7,606 related to the 2022 Loans, which includes warrants issued to certain lenders to acquire 3,130 shares of Class A common stock that had a fair value of $2,639 at issuance (refer to Note 12, "Stockholders' Equity," for additional information). The financing costs are being amortized to interest expense over the term of 2021 Credit Facility using the straight-line method, which approximates the interest rate method.

Proceeds from the initial term loan under the 2021 Credit Facility were used, in part, to repay certain then-outstanding debt obligations, as further described below, and, together with the 2022 Loans, fund working capital and general corporate matters, including, but not limited to, growth investments, acquisitions, capital expenditures, and other strategic initiatives.

The 2022 Loans were funded by a combination of new and existing lenders. Borrowings from the existing lenders were accounted for as a modification of existing debt, with the exception of one lender that was considered an extinguishment. We recognized a loss on extinguishment of $2,180 as a component of interest expense during the year ended December 31, 2022, comprised of the write-off of $337 related to the lender's initial term loan and $1,843 related to the lender's new loan, which included the estimated fair value of the warrants issued to the lender.

Sellers' Notes

Sellers' Notes consist of amounts owed for acquisitions or other purchases. During the year ended December 31, 2022, we repaid $24,839 to the former owners of two entities that we previously acquired, which is included in "Current portion of debt, net" on the Consolidated Balance Sheet at December 31, 2021. A total of $8,000 with an interest rate of 13% per annum, due to the former owners of one entity that we previously acquired, is included on the Consolidated Balance Sheets under the caption "Current portion of debt, net" at December 31, 2022 and "Long-term debt, net" at December 31, 2021 and was paid in January 2023, less a holdback of $39. Additionally, as further described in Note 4, "Acquisitions," a total of $8,100 of sellers' notes related to the acquisition of two additional licenses in Illinois and $8,366 related to the OPA acquisition are included in Long-term debt, net at December 31, 2022. The $11,000 OPA sellers' note was recorded net of an initial discount of $3,010 that was calculated as of the transaction date utilizing the Company's estimated incremental borrowing rate based on the anticipated close date and is being accreted to interest expense over the expected term.

Additionally, as of December 31, 2022, a total of $3,140 remains due for the purchase of a non-controlling interest and is included in "Current portion of debt, net" on the Consolidated Balance Sheet. At December 31, 2021, $3,140 and $3,136 is included in "Current portion of debt, net" and "Long-term debt, net" respectively.

Financing Agreement

In December 2022, the Company received $19,364 pursuant to a financing agreement with a third-party lender (the "Financing Agreement"), which is included in "Long-term debt, net" at December 31, 2022. The Company assigned to the lender its interests in an employee retention tax credit claim (the "ERTC Claim") that it submitted in November 2022 for approximately $22,800. If the Company does not receive the ERTC Claim, in whole or in part, the Company is required to repay the related portion of the funds received plus interest of 10% accrued from the date of the Financing Agreement through the repayment date. The Financing Agreement does not have a stated maturity date and the discount is being accreted to interest expense over an expected term. The Company's obligations under the Financing Agreement will be satisfied upon receipt of the ERTC Claim or other full repayment. The Company determined the ERTC Claim did not meet the criteria to record as a receivable as of December 31, 2022 because of the uncertain nature of the ERTC Claim.

Finance Liabilities

Finance liabilities consist of amounts related to failed sale leaseback transactions. See Note 10, "Leases," for additional information.

Finance Leases

Finance leases consist of liabilities related to finance lease arrangements. See Note 10, "Leases," for additional information.

Other Activity

2021 Repayments

In August 2021, the Company utilized proceeds from the initial term loan under the 2021 Credit Facility to repay certain then-outstanding debt obligations, as further described below.

The Company prepaid $11,624 of principal outstanding and accrued interest of $1,007 related to a loan and security agreement that was entered into in May 2019, which borrowings were used for the purchase of a building and related renovation expenses. This loan had an initial maturity date of May 29, 2024, was secured by the related property, and accrued interest at a rate of 14% per annum, compounded monthly. The prepayment was considered a debt extinguishment and the Company recognized a loss on extinguishment of $355, resulting from a $375 prepayment penalty less a final interest adjustment.

The Company prepaid $10,000 of principal outstanding and accrued interest of $283 related to two notes outstanding under a note purchase agreement that was entered into in July 2019 and had a maturity date of July 1, 2024. Borrowings were secured by the assets of Ascend Ohio, LLC and bore interest at a rate of 15% per annum that was paid quarterly. In conjunction with these notes, the Company issued warrants to purchase 1,094 AWH historical common units at an exercise price of $3.20 per unit. The fair value of these warrants was *de minimis*, was recorded as a discount to the notes, and was being amortized to interest expense over the exercise term of three years. In April 2021, these warrants were cancelled in exchange for a payment of $4,156 (refer to Note 12, "Stockholders' Equity," for additional details). The prepayment was considered a debt extinguishment and the Company recognized a loss on extinguishment of $34, resulting from a final interest adjustment.

The Company prepaid $4,750 of principal that remained due under a secured promissory note that was entered into in September 2019, which was due September 10, 2022 and had an interest rate of 10% per annum that was paid monthly. The Company previously prepaid $500 of principal due under this note in January 2021, without penalty. The prepayment in August 2021 was considered a debt extinguishment and the Company recognized a gain on extinguishment of $290, resulting from partial forgiveness of principal and the final interest payment due.

The Company prepaid total principal outstanding of $25,000 that was due under a senior secured credit facility that was entered into in October 2020 (the “October 2020 Credit Facility”), in addition to interest of $642 and the reimbursement of $26 of lender expenses. Additionally, per the terms of the October 2020 Credit Facility, the lender was due an additional interest payment of $3,750 at maturity (the “Maturity Interest Payment”), which was being accrued to interest expense over the term of the October 2020 Credit Facility. The prepayment was considered a debt extinguishment and the Company recognized a loss on extinguishment of $3,915, resulting from a $2,656 true-up for the Maturity Interest Payment, the write off of $1,282 of unamortized deferred financing costs, $26 of lender expenses, and a reduction of $49 for the final adjustment to interest expense. The lenders elected to receive the Maturity Interest Payment in equity and received 1,986 shares of Class A common stock that was calculated in accordance with the settlement terms of the original agreement and is accounted for as share-settled debt. The share issuance is included within “Issuance of common stock” on the Consolidated Statements of Changes in Stockholder’s Equity for the year ended December 31, 2021. Prior to prepayment, the October 2020 Credit Facility had an initial term of three years, but could be extended for up to two additional years upon satisfaction of certain conditions. The interest rate was 14.25% during the first three years, due quarterly in arrears and payable in arrears upon any prepayment and at maturity. Borrowings under the October 2020 Credit Facility were secured by a first priority senior secured lien on the assets of the Company and its subsidiaries with operations or assets located in Illinois and Massachusetts, other than certain defined excluded property. The October 2020 Credit Facility contained certain covenants with which the Company was in compliance through prepayment, including a minimum cash balance requirement of $5,000 at the end of each fiscal month and a minimum cash to consolidated fixed charge ratio of 2.00 to 1.00. The October 2020 Credit Facility also contained certain customary events of default. In conjunction with the initial borrowings, the Company issued warrants for an aggregate of 1,250 AWH historical common units with an exercise price of $4.00 per unit that can be exercised for five years from issuance. These warrants remain outstanding for an equivalent number of shares of Class A common stock following the Conversion. The fair value of $75 at issuance was recorded as a discount to the loan and is being amortized to interest expense over the initial term of the loan.

The Company prepaid total principal of $20,000 due under term loans borrowed under a financing agreement that was entered into in October 2020 (the “NJ Term Loan”) in addition to interest of $595 and a make-whole interest payment of $831. The prepayment was considered a debt extinguishment and the Company recognized a loss on extinguishment of $2,059, resulting from the make-whole interest payment plus the write-off of $1,228 of unamortized deferred financing costs. The NJ Term Loan had a final maturity date of October 29, 2025 and would have required a prepayment in 2023 based on defined excess cash flow at that time. Prior to prepayment, borrowings bore interest at a rate of 17% per annum, due quarterly in arrears. Borrowings under the NJ Term Loan were secured by (i) a first priority senior secured lien on substantially all of the assets and properties of Ascend New Jersey, LLC and its subsidiaries, subject to certain customary exclusions, and (ii) a guarantee of AWH NJ Holdings, LLC. The NJ Term Loan contained certain covenants with which the company was in compliance prior to prepayment, including a maximum debt to assets ratio of 70% as defined in the agreement.

The Company prepaid total principal of $4,500 due under a loan and security agreement that was entered into in December 2020 (the “NJ Real Estate Loan”), along with a prepayment penalty of $450, interest of $39, and the reimbursement of $17 of lender expenses. The prepayment was considered a debt extinguishment and the Company recognized a loss on extinguishment of $564, resulting from the final prepayment amount and related expenses, plus the write-off of $105 of unamortized deferred financing costs, less a final adjustment to interest expense of $8. Prior to prepayment, the NJ Real Estate Loan had an interest rate of 12.0% per annum, due monthly in arrears. Proceeds under the NJ Real Estate Loan were used to fund a loan receivable to the owners of a property leased by the Company (see Note 6, “Notes Receivable,” for additional information). The NJ Real Estate Loan was secured by a loan receivable on the property.

Convertible Promissory Notes

In June 2019, the Company entered into a convertible note purchase agreement (the "2019 Convertible Promissory Note Purchase Agreement") whereby the Company could issue up to $35,000 of convertible notes, which amount could be increased at the Company's sole discretion (the "AWH Convertible Promissory Notes," each an "AWH Note"). The AWH Convertible Promissory Notes were convertible into equity units of the Company upon the occurrence of certain events, such as a change of control or an IPO. Each AWH Note had a maturity date of two years from its issue date and could either be paid in full at maturity or converted into equity units if not otherwise converted prior to maturity. Each AWH Note had an interest rate of 8% for the first twelve months, 10% for months thirteen through fifteen, and 13% thereafter through maturity. Interest was paid-in-kind and added to the outstanding balance of the note, to be paid at maturity or upon conversion. In conjunction with these notes, the Company issued warrants to purchase 1,969 AWH historical common units at an exercise price of $4.00 per share that can be exercised for three years from issuance. These warrants remain outstanding for an equivalent number of shares of Class A common stock following the Conversion. The total fair value of the warrants at issuance was de minimis and was recorded as a discount on the related notes and amortized to interest expense over the term of the related notes. Refer to Note 12, "Stockholders' Equity," for additional details regarding the warrants.

On April 22, 2021, the 2019 Convertible Promissory Note Purchase Agreement was amended (the "Amended Notes Consent") to clarify the conversion rate of the AWH Convertible Promissory Notes. Prior to the Amended Notes Consent, the conversion feature in connection with a going public transaction specified that the holders would receive a number of shares of Class A common stock equal to the outstanding principal and accrued and unpaid interest under the notes divided by a price per share equal to the lesser of (a)(i) a 20% discount to the price per share of Class A common stock offered pursuant to an offering in the event such offering occurs on or before 12 months from the closing date; (ii) a 25% discount to the price per share of Class A common stock offered pursuant to an offering in the event such offering occurs after 12 months from the closing date, but before the maturity date; and (b) the price per security, which equals the price per share resulting from a pre-money valuation of the company of $295,900, which was determined by the Company to be $2.96. The Amended Notes Consent was solely made to clarify the conversion price in connection with a going public transaction. The 2019 Convertible Promissory Note Purchase Agreement includes provisions to the effect that the notes may be amended with the written consent of the holders of a majority of the outstanding principal amount of all such notes, and which such consent was obtained, and any amendment so approved is binding on all holders of the notes. Refer to Note 15, "Commitments and Contingencies," for information regarding a stockholder dispute related to this agreement. In conjunction with the Company's IPO, the total principal outstanding under the AWH Convertible Promissory Notes, plus accrued interest thereon, automatically converted into 28,478 shares of Class A common stock based on a conversion price of $2.96 per share in accordance with the Amended Notes Consent. The conversion was treated as a share-settled redemption and the related principal plus accrued interest was reclassified to equity with no gain or loss recorded. Per the terms of the notes, any AWH Convertible Promissory Notes outstanding for less than twelve months received a full twelve months of interest at conversion. $1,000 of these notes were with related party entities that are managed by one of the founders of the Company.

In January 2021 the Company entered into a convertible note purchase agreement under which the Company issued $49,500 notes (the "2021 AWH Convertible Promissory Notes"). Each note had an interest rate of 8% for the first twelve months, 10% for months thirteen through fifteen, and 13% thereafter through maturity. Interest was to be paid-in-kind and added to the outstanding balance of the note, to be paid at maturity or upon conversion.

Prior to the Conversion, the 2021 AWH Convertible Promissory Notes were convertible into common units of the Company on occurrence of certain events, such as a change of control or an initial public offering. Pursuant to the terms of the notes, upon the occurrence of an initial public offering, each note, including interest thereon less applicable withholding taxes, would automatically convert into equity securities issued in connection with such initial public offering, with the number of securities issued on the basis of a price equal to the lesser of: (a)(i) a 20% discount to the issue price if an initial public offering occurred on or before 12 months from each note issuance; (ii) a 25% discount to the issue price if an initial public offering occurred after 12 months of each note issuance, but before maturity; and (b) the conversion price then in effect based on a defined pre-money valuation of the Company. In conjunction with the Company's IPO on May 4, 2021, the total principal outstanding under the 2021 AWH

Convertible Promissory Notes, plus accrued interest thereon, automatically converted into 8,910 shares of Class A common stock based on a conversion price of $6.00 per share in accordance with the terms of the agreement. Per the terms of the notes, the 2021 AWH Convertible Promissory Notes received a full twelve months of interest at conversion.

Debt Maturities

During the year ended December 31, 2022, we repaid $24,839 of sellers' notes related to two previous acquisitions and $3,143 of sellers' notes related to the former owners of a previous non-controlling interest. During the year ended December 31, 2021, we repaid $76,124 of principal under our term notes, $3,143 of sellers' notes related to the former owners of a previous non-controlling interest, $11,174 of sellers' notes related to the MOCA acquisition, and $4,712 of sellers' notes related to the Hemma acquisition. During the year ended December 31, 2020, we repaid $18,020 of principal under our term notes and $1,571 of sellers' notes related to the former owners of a previous non-controlling interest.

As of December 31, 2022, the following cash payments are required under our debt arrangements:

(in thousands)	2023	2024	2025	2026	2027	Total
Sellers' notes[1]	$ 11,143	$ 8,100	$ 11,000	$ —	$ —	$ 30,243
Term note maturities	—	—	275,000	—	—	275,000

(1) Certain cash payments include an interest accretion component. The timing of certain payments may vary based on regulatory approval of the underlying transactions.

The table above excludes the Financing Arrangement, as the timing of the repayment is uncertain.

Interest Expense

Interest expense during 2022, 2021, and 2020 consisted of the following:

	Year Ended December 31,		
(in thousands)	2022	2021	2020
Cash interest	$ 24,524	$ 17,638	$ 6,204
Accretion	3,576	9,710	5,398
Loss on extinguishment of debt[1]	2,180	6,637	—
Interest on financing liabilities[2]	2,113	2,643	1,391
Interest on finance leases	43	—	—
Non-cash interest related to beneficial conversion feature[3]	—	27,361	—
Total	$ 32,436	$ 63,989	$ 12,993

(1) The amount recorded for the year ended December 31, 2021 includes $1,656 of pre-payment fees and additional cash interest payments and $4,981 of non-cash components, including the write-off of unamortized deferred financing costs.

(2) Interest on financing liabilities related to failed sale leasebacks. See Note 10, "Leases," for additional details.

(3) See Note 12, "Stockholders' Equity," for additional details.

12. STOCKHOLDERS' EQUITY

Following the Conversion, the Company has authorized 750,000 shares of Class A common stock with a par value of $0.001 per share, 100 shares of Class B common stock with a par value of $0.001 per share, and 10,000 shares of preferred stock with a par value of $0.001 per share.

Holders of each share of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to 1,000 votes per share. Holders of Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by law or our certificate of incorporation. Each share of Class B common stock is convertible at any time into one share of Class A common stock at the option of the holder. In addition, each share of Class B common stock will automatically convert into one share of Class A common stock on May 4, 2026, the final conversion date. Each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our certificate of incorporation, including, without limitation, transfers for tax and estate planning purposes, so long as the transferring holder of Class B common stock continues to hold exclusive voting and dispositive power with respect to any such transferred shares. Once converted into a share of Class A common stock, a converted share of Class B common stock will not be reissued, and following the conversion of all outstanding shares of Class B common stock, no further shares of Class B common stock will be issued.

Subject to preferences that may apply to any shares of preferred stock outstanding at the time and any contractual limitations, such as our credit agreements, the holders of our common stock will be entitled to receive dividends out of funds then legally available, if any, if our board of directors (the "Board"), in its discretion, determines to issue dividends and then only at the times and in the amounts that our Board may determine. If a dividend is paid in the form of a Class A common stock or Class B common stock, then holders of Class A common stock shall receive Class A common stock and holders of Class B common stock shall receive Class B common stock.

In the event of a liquidation, dissolution, or winding up, holders of Class A common stock and Class B common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

In the event of any change of control transaction in respect of the Company, shares of our Class A common stock and Class B common stock shall be treated equally, ratably, and identically, on a per share basis, with respect to any consideration into which such shares are converted or any consideration paid or otherwise distributed to stockholders of the Company, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

Immediately prior to the Conversion, the Company was authorized to issue Common Units, Preferred Units, and Restricted Common Units (see Note 13, "Equity-Based Compensation Expense"), all with no par value. Preferred Units collectively included Series Seed Preferred Units, Series Seed+ Preferred Units, and Real Estate Preferred Units, unless otherwise specified. These share classes are included within "Additional Paid-In Capital" in the Consolidated Statements of Changes in Stockholders' Equity on an as-converted to historical common units basis and as of December 31, 2020 consisted of 48,047 common units, 22,801 Real Estate Preferred Units, 14,252 Series Seed Units, and 20,982 Series Seed+ Preferred Units. In conjunction with the Conversion, each historical common unit then-outstanding converted into one share of Class A common stock, except 65 units that were allocated to shares of Class B common stock.

On May 4, 2021, the Company completed an IPO of its Class A common stock, in which it issued and sold 10,000 shares of Class A common stock at a price of $8.00 per share. On May 7, 2021, the underwriters exercised their over-allotment option in full and we issued and sold an additional 1,500 shares of Class A common stock. We received total net proceeds of approximately $86,065. In conjunction with the IPO, each Real Estate Preferred Unit converted into Class A common stock at a rate of one plus 1.5x, divided by the IPO price of $8.00 per share, for a total of 26,221 shares of Class A common stock. The additional 3,420 shares issued per the conversion feature was considered a contingent beneficial conversion feature and was recognized when the conversion event occurred and the contingency was resolved, for a total non-cash interest charge of $27,361. Each Series Seed Preferred Unit and Series Seed+ Preferred Unit converted into shares of Class A common stock on a one-for-one basis. Additionally, the then-outstanding convertible promissory notes, plus accrued interest, converted into a total of 37,388 shares of Class A common stock, as further described in Note 11, "Debt."

The following table summarizes the total shares of Class A common stock and Class B common stock outstanding as of December 31, 2022 and 2021:

	December 31,	
(in thousands)	**2022**	**2021**
Shares of Class A common stock	187,999	171,521
Shares of Class B common stock	65	65
Total	188,064	171,586

In August 2021, the Company issued 1,986 shares of Class A common stock in conjunction with the prepayment of the October 2020 Credit Facility, as further described in Note 11, "Debt."

Warrants

The following table summarizes the warrants activity during the year ended December 31, 2022 and 2021:

	Number of Warrants *(in thousands)*[(1)]	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Exercise Period** *(years)*	**Aggregate Intrinsic Value** *(in thousands)*[(2)]
Balance, December 31, 2020	4,625	$ 3.81	2.4	$ —
Cancelled[(3)]	(1,094)	3.20		
Balance, December 31, 2021	3,531	4.00	2.0	$ 9,216
Granted[(4)]	3,318	3.07		
Expired/Cancelled	(1,109)	4.00		
Balance, December 31, 2022	5,740	$ 3.46	2.7	$ —

(1) In conjunction with the Conversion, the holders of warrants to acquire 3,531 common units at an exercise price of $4.00 received warrants to acquire an equal number of shares of Class A common stock (the "Historical Warrants"). The Historical Warrants are equity-classified instruments, are subject to customary anti-dilution adjustments, are stand-alone instruments, and are not part of the terms of the notes to which they were originally issued (as applicable). The Historical Warrants had an estimated total fair value of $237 at issuance, which was calculated using a Black-Scholes model. The fair value per warrant ranged from $0.02 to $0.10 and significant assumptions used in the calculation included volatility ranging from 69.2% to 108.4% and risk-free rates ranging from 0.17% to 2.17%.

(2) Amount by which the closing market price of our Class A common stock exceeds the exercise price for the referenced dates. No intrinsic value is presented when the fair value of the warrants outstanding does not exceed the exercise price for the referenced dates.

(3) On April 14, 2021, the Company entered into a warrant cancellation agreement with One Tower Atlantic, LLC, the holder of warrants to acquire 1,094 common units of AWH at an exercise price of $3.20 per unit (the "$3.20 Warrants"). The $3.20 Warrants were cancelled in exchange for a payment of $4,156 (or $7.00 per share calculated in accordance with the cashless exercise provisions of the warrant agreement) that was paid in May 2021 and is reflected within "Additional paid-in capital" on the Consolidated Statements of Changes in Stockholders' Equity.

(4) In June 2022, in connection with the 2022 Loans (refer to Note 11, "Debt"), the Company issued warrants to purchase up to 3,130 shares of Class A common stock (the "2022 Warrants"). Each warrant is exercisable for one share of Class A common stock at an exercise price of $3.10 per share. The 2022 Warrants are immediately exercisable and have a four year term. The

2022 Warrants had a total estimated fair value of $2,639 at issuance, which was calculated using a Black-Scholes model and included significant assumptions such as volatility of 70% and a risk-free rate of 3.0%. Cashless exercise was permitted only if there was no effective registration statement registering the resale of the shares issued upon exercise, which registration statement was declared effective in December 2022 prior to any exercise. The Company will have the option to require the holders to exercise the 2022 Warrants if, after the first anniversary of the issuance, the 30-day volume-weighted average price of the Company's Class A common stock exceeds $6.50 per share. The 2022 Warrants are equity-classified instruments, are subject to customary anti-dilution adjustments, are stand-alone instruments, and are not part of the notes with which they were issued.

Additionally, in conjunction with an appointment to the Company's Board in November 2022, the Company issued a warrant to purchase 188 shares of Class A common stock at a strike price of $2.64 per share, which was immediately exercisable and expires 30 months from the date of issuance. The issuance of the warrant was made pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). These warrants are equity-classified instruments and are subject to customary anti-dilution adjustments. These warrants had a total estimated fair value of $148 at issuance, which is included within "Equity-based compensation expense" on the Consolidated Statements of Changes in Stockholder's Equity. The estimated fair value was calculated using a Black-Scholes model, which included significant assumptions such as volatility of 70% and a risk-free rate of 4.2%.

13. EQUITY-BASED COMPENSATION EXPENSE

Equity Incentive Plans

2020 Equity Incentive Plan

The Company adopted an incentive plan in November 2020 (the "2020 Plan") which authorized the issuance of incentive common unit options and restricted common units (collectively, "Awards"). The maximum number of Awards to be issued under the 2020 Plan is 10,031 and any Awards that expire or are forfeited may be re-issued. A total of 9,994 Awards had been granted under the plan as of December 31, 2022. The Awards generally vest over two or three years. The estimated fair value of the Awards at issuance is recognized as compensation expense over the related vesting period. Upon adoption of the 2020 Plan, a total of 1,619 incentive units that were granted under a previous incentive plan were cancelled and converted into restricted common units that were considered fully issued and outstanding.

In conjunction with the Conversion, the holders of the restricted common units issued under the 2020 Plan received one restricted share of Class A common stock (a "Restricted Common Share") for each restricted common unit held immediately prior to the Conversion.

The following table summarizes the restricted common shares activity during the year ended December 31, 2022 and 2021:

(in thousands)	Restricted Common Shares
Unvested, December 31, 2020	7,280
Granted	50
Vested[1]	(5,543)
Forfeited	(134)
Unvested, December 31, 2021	1,653
Vested	(995)
Forfeited	(41)
Unvested, December 31, 2022	617

(1) Includes 126 vested restricted common shares were withheld to cover tax obligations and subsequently cancelled during the year ended December 31, 2021.

As of December 31, 2022, total unrecognized compensation cost related to restricted common shares was $67, which is expected to be recognized over a weighted-average remaining period of 0.4 years.

2021 Equity Incentive Plan

In July 2021, the Company adopted a new stock incentive plan (the "2021 Plan"), pursuant to which 17,000 shares of Class A common stock are reserved for issuance thereunder, subject to certain adjustments and other terms. Following the adoption of the 2021 Plan, no additional awards are expected to be issued under the 2020 Plan. The 2021 Plan authorized the issuance of stock appreciation rights ("SAR Awards"), stock options, restricted stock, restricted stock units ("RSUs"), and other stock-based awards (collectively the "2021 Plan Awards"), as further described below. Any 2021 Plan Awards that expire or are forfeited may be re-issued. The estimated fair value of the 2021 Plan Awards at issuance is recognized as compensation expense over the related vesting, exercise, or service periods, as applicable. As of December 31, 2022, there were 5,859 shares of Class A common stock available for grant for future equity-based compensation awards under the 2021 Plan. Activity related to awards issued under the 2021 Plan is further described below.

Stock Appreciation Rights

SAR Awards provide the holder a right to receive upon exercise the excess of (i) the fair market value of one share of common stock on the date of exercise over (ii) the grant price of the SAR Awards as specified, which price shall not be less than the closing market value of one share of common stock on the date of grant, except in certain circumstances. The grant price, term, methods of exercise, dates of exercise, methods of settlement, and any other terms and conditions of any SAR Awards are determined at issuance. We determine the fair value of SAR Awards on the grant date using an option pricing model. As of December 31, 2022, no SAR Awards have been granted.

Stock Options

Stock option grants provide for an exercise price as determined at issuance, but not less than the closing market value of the Company's Class A common stock on the date of grant, except in certain circumstances. The term and exercise provisions of each option are determined at issuance and the term is not to exceed 10 years. The exercise price for any options that are considered incentive stock options shall not be less than the closing market value of the Company's Class A common stock on the date of grant; however, if granted to a participant who owns stock possessing more than 10% of the total combined voting power of all classes of the Company's stock, the exercise price shall not be less than 110% of the closing market value on the date of grant. We determine the fair value of stock options on the grant date using an option pricing model.

The following table summarizes stock option activity during the year ended December 31, 2022:

	Options Outstanding			
(in thousands, except per share amounts)	**Number of Options**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life *(years)***	**Aggregate Intrinsic Value[1]**
Outstanding, December 31, 2021	—	$ —	—	$ —
Granted	2,429	$ 3.36		
Forfeited	(387)	$ 3.69		
Outstanding, December 31, 2022	2,042	$ 3.29	4.4	$ —

(1) Based on the amount by which the closing market price of our Class A common stock exceeds the exercise price on each date indicated.

No options were exercised during the year ended December 31, 2022 and no options are exercisable as of December 31, 2022. Total unrecognized stock-based compensation expense related to unvested options was $2,774 as of December 31, 2022, which is expected to be recognized over a weighted-average remaining period of 3.3 years.

We determine the fair value of stock options on the grant date using a Black-Scholes option pricing model. The fair value of stock options granted during the year ended December 31, 2022 was calculated on the date of grant using the following weighted-average assumptions:

	Year Ended December 31, 2022
Risk-free interest rate	2.8 %
Expected term (years)	3.75
Dividend yield	0 %
Expected volatility	70.0 %

Using the Black-Scholes option pricing model, the weighted-average fair value of stock options granted during the year ended December 31, 2022 was $1.64 per share.

Restricted Stock Awards and Restricted Stock Units

Restricted Stock Awards ("RSAs") represent fully issued shares of common stock that may not be sold or otherwise transferred for a period of time and are subject to forfeiture in certain circumstances. The fair value of RSAs is based on the closing price of the common stock on the grant date. RSUs entitle the grantee to receive shares of our common stock (or a cash payment equal to the market value of a share) as the units vest. The vesting period, generally a period of two to four years, is determined at issuance, and may be conditioned on the grantee's completion of a specified period of service with the Company, or upon the achievement of one or more performance goals, or upon any combination of service-based and performance-based conditions. The fair value of the RSUs is based on the closing price of the common stock on the grant date and forfeitures are recognized when they occur.

RSAs and RSUs may be credited with dividends or dividend equivalents, which entitle the grantee to receive payments (in cash, shares, other securities, other awards, or other property, as determined by the Company) equivalent to the amount of cash dividends paid by the Company, as applicable. Any dividend and dividend equivalents may be accrued but not paid to the grantee until all conditions or restrictions on the related RSAs or RSUs have been satisfied, waived, or lapsed.

No RSAs have been granted under the 2021 Plan as of December 31, 2022. The following table summarizes the RSU activity during the year ended December 31, 2022 and 2021:

	Number of Shares *(in thousands)*	**Weighted-Average Grant Date Fair Value per Share**
Unvested, December 31, 2020	—	$ —
Granted	6,430	10.49
Vested	(54)	10.88
Forfeited	(47)	10.61
Unvested, December 31, 2021	6,329	$ 10.48
Granted	5,522	3.21
Vested[(1)]	(4,003)	6.25
Forfeited	(1,386)	5.93
Unvested, December 31, 2022	6,462	$ 7.62

(1) Includes 1,420 vested shares that were withheld to cover tax obligations and were subsequently cancelled.

As of December 31, 2022, total unrecognized compensation cost related to the RSUs was $38,331, which is expected to be recognized over a weighted-average remaining period of 2.5 years.

Compensation Expense by Type of Award

The following table details the equity-based compensation expense by type of award during 2022, 2021, and 2020:

	Year Ended December 31,		
(in thousands)	2022	2021	2020
RSUs[1]	$ 18,004	$ 18,555	$ —
Restricted Common Shares	270	4,538	313
Stock Options	557	—	—
Other[2]	148	—	367
Total equity-based compensation expense	$ 18,979	$ 23,093	$ 680

(1) The 2021 expense amount includes RSUs issued in 2022 for the 2021 annual performance bonus, which is included within "Accounts payable and accrued liabilities" on the Consolidated Balance Sheet at December 31, 2021. These RSUs vested at issuance with a value of $7,959, which reflects a change in estimate of $632 that is included as a reduction to equity-based compensation expense and is included within "General and administrative expenses" on the Consolidated Statements of Operations for the year ended December 31, 2022.

(2) The 2022 expense amount relates to warrants granted to a Board member, see Note 12, "Stockholders' Equity," for additional information. The 2020 expense amount relates to incentive units issued under the Company's previous incentive plan.

Of the total equity-based compensation expense, $7,611 and $7,743 was capitalized to inventory during the year ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, $536 and $4,814, respectively, remained capitalized in inventory. No equity-based compensation expense was capitalized during the year ended December 31, 2020. During the year ended December 31, 2022, 2021, and 2020 we recognized $11,368, $15,350, and $680, respectively, within "General and administrative expenses" on the Consolidated Statements of Operations and we recognized $11,889, $2,929, and none, respectively, within "Cost of goods sold."

Employee Stock Purchase Plan

In July 2021, the Company also adopted an employee stock purchase plan (the "2021 ESPP"), pursuant to which 4,000 shares of Class A common stock are reserved for issuance thereunder, subject to certain adjustments and other terms. No shares have been issued under the 2021 ESPP as of December 31, 2022.

14. INCOME TAXES

The following table sets forth the components of income tax expense:

	Year Ended December 31,		
(in thousands)	2022	2021	2020
Current taxes:			
Federal	$ 35,067	$ 31,747	$ 13,879
State	12,381	13,609	6,109
Deferred taxes:			
Federal	(3,685)	(2,502)	(922)
State	(2,070)	(1,134)	(364)
Total income tax expense	$ 41,693	$ 41,720	$ 18,702

As the Company operates in the cannabis industry, it is subject to the limitations of IRC Section 280E, under which the Company is only allowed to deduct expenses directly related to the sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

The following table sets forth a reconciliation of income tax at the federal statutory rate to recorded income tax expense:

	Year Ended December 31,		
($ in thousands)	2022	2021	2020
Loss before income taxes	$ (39,206)	$ (80,937)	$ (5,139)
U.S. Statutory Rate	21 %	21 %	21 %
Recovery based on Statutory Rate	$ (8,233)	$ (16,997)	$ (1,079)
Expense (recovery) resulting from:			
State and local income taxes	10,311	12,475	5,745
Expenses disallowed under IRC Section 280E	34,346	31,510	13,729
Nondeductible litigation settlement	1,050	7,667	—
Nondeductible IPO interest-related expense	—	5,746	—
Nondeductible penalties and interest	3,046	1,227	—
Other permanent differences	437	168	261
Equity-based compensation shortfall	904	—	—
Pass-through entities & non-controlling interests	—	—	46
Other, net	(168)	(76)	—
Income tax expense	$ 41,693	$ 41,720	$ 18,702

The following tables set forth the components of deferred income taxes:

	December 31,	
(in thousands)	**2022**	**2021**
Deferred tax assets attributable to:		
Operating lease liabilities	$ 59,127	$ 50,089
Property and equipment	281	284
Equity-based compensation	1,218	801
State and local net operating loss carryforwards	739	337
Loyalty program	205	158
Gross deferred tax assets	61,570	51,669
Valuation allowance	—	—
Total deferred tax assets	$ 61,570	$ 51,669
Deferred tax liabilities attributable to:		
Operating lease right-of-use assets	$ (23,136)	$ (21,344)
Tenant improvement allowance	(152)	(764)
Property and equipment	(28,615)	(24,200)
Goodwill and other acquired intangible assets	(43,274)	(6,784)
Total deferred tax liabilities	$ (95,177)	$ (53,092)
Net deferred tax liabilities	$ (33,607)	$ (1,423)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion, or all, of its deferred tax assets will not be realized. No valuation allowance has been provided on our net deferred tax assets, as we believe the remaining net deferred tax assets are more likely than not to be realizable in the applicable jurisdictions based on estimates of future taxable income.

As of December 31, 2022, the Company has gross state and local net operating loss carryforwards totaling $26,448, which begin to expire in 2029. The Company files income tax returns in the United States and various state and local jurisdictions, which jurisdictions have varying statutes of limitations. The U.S. federal statute of limitations remains open for tax years 2018 and forward. The state and local statutes of limitations generally remain open for tax years 2018 and forward.

The Company operates in a number of domestic tax jurisdictions and is subject to examination of its income tax returns by tax authorities in these jurisdictions who may challenge any item of those returns. Because tax matters that may be challenged by tax authorities are typically complex, the ultimate outcome of these challenges is uncertain. The Company recognizes the benefits of uncertain tax positions in the consolidated financial statements only after determining that it is more like than not that the uncertain tax positions will be sustained. As of December 31, 2022 and 2021, the Company had no unrecognized tax benefits. The Company does not anticipate the total amount of unrecognized tax benefits to significantly change within the next twelve months. The Company recognized no interest expense or penalties on income tax assessments during 2022, 2021, or 2020 and there was no interest related to income tax assessments accrued as of December 31, 2022 or 2021.

15. COMMITMENTS AND CONTINGENCIES

Commitments

The Company does not have significant future annual commitments, other than related to leases and debt, which are disclosed in Notes 10 and 11, respectively.

In conjunction with the OCC acquisition (see Note 4, “Acquisitions”) in December 2021, the Company entered into a supply agreement with a producer and supplier of medical marijuana products in Ohio (the “Ohio Supply Agreement”) with an initial expiration date of August 2028. Under the Ohio Supply Agreement, the Company will purchase products from the supplier that results in 7.5% of the Company’s monthly gross sales of all products in its Ohio dispensaries for the first five years, and 5% for the remaining term. The Company can establish the selling price of the products and the purchases are made at the lowest then-prevailing wholesale market price of products sold by the supplier to other dispensaries in Ohio.

Indemnifications

We are party to a variety of agreements under which we may be obligated to indemnify the other party for certain matters. These agreements are primarily standard indemnification arrangements entered into in our ordinary course of business. Pursuant to these arrangements, we may agree to indemnify, hold harmless, and reimburse the indemnified parties for losses suffered or incurred by the indemnified party. In addition, the Company has entered into indemnification agreements with members of its board of directors and senior management team that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications, and such costs would only be recognized as incurred. During the year ended December 31, 2022, the Company paid for certain legal fees on behalf of certain officers of the Company who are parties to an employment related claim with a related party entity. These legal fees were not material and the Company has determined that, based on the status of the claim, no additional reserve related to the matter is required as of December 31, 2022.

Legal and Other Matters

The Company’s operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management believes that the Company is in compliance with applicable local and state regulations as of December 31, 2022 in all material respects, cannabis regulations continue to evolve and are subject to differing interpretations, and accordingly, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

State laws that permit and regulate the production, distribution, and use of cannabis for adult use or medical purposes are in direct conflict with the Controlled Substances Act (21 U.S.C. § 811) (the “CSA”), which makes cannabis use and possession federally illegal. Although certain states and territories of the United States authorize medical and/or adult use cannabis production and distribution by licensed or registered entities, under United States 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 the CSA. Although the Company’s activities are believed to be 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 United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

The Company may be, from time to time, subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Contingent liabilities associated with legal proceedings are recorded when a liability is probable and the contingent liability can be estimated. We do not accrue for contingent losses that, in our judgment, are considered to be reasonably possible but not probable. At December 31, 2022 there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on our consolidated results of operations, other than as disclosed below.

TVP Settlement

In December 2020, TVP, LLC, TVP Grand Rapids, LLC and, TVP Alma, LLC (collectively, the "TVP Parties") filed a claim alleging breach of contract against FPAW Michigan, LLC ("FPAW"), a VIE of the Company through FPAW Michigan 2, Inc., and AWH related to a purchase agreement for the Company's potential acquisition of certain locations in Michigan. The TVP Parties asked the court to grant specific performance of the contracts between the Company and the TVP Parties, which, if granted, would have resulted in AWH issuing approximately 4,770 common units as originally agreed in September 2019 and paying approximately $16,500 in cash to the TVP parties in exchange for the entities holding the properties subject to the agreements. AWH and FPAW filed an answer to the complaint on January 28, 2021 and believed there existed valid defenses to the demand for specific performance due to lack of suitability of three of the six properties subject to the original transaction agreements.

On April 14, 2021, FPAW and AWH entered into a settlement agreement with TVP Parties (the "Settlement Agreement"). The Settlement Agreement provides for, among other items, the dismissal of all claims brought by the TVP Parties against FPAW and AWH upon performance of each parties' obligations under the Settlement Agreement. Pursuant to the Settlement Agreement, FPAW and AWH were required to deliver a cash payment of $9,000 to TVP, LLC on the date of the Settlement Agreement, with an additional cash payment of $5,480 due on or before January 1, 2022. In addition, on April 14, 2021, upon the execution of the Settlement Agreement, AWH issued 4,770 historical common units with a fair value of $26,041 at issuance to an escrow account, to be held in the name of the escrow agent (the "Escrow Units"). Also as part of the Settlement Agreement, and in order to avoid further potential litigation, AWH issued 255 historical common units with a fair value of $1,390 at issuance to a party to one of the September 2019 agreements that was not a party to the litigation matter.

Upon the receipt of the initial cash payment of $9,000 and the issuance of the Escrow Units, the TVP Parties filed a stipulated order dismissing all lawsuits, with prejudice and without costs, against FPAW and AWH. The Escrow Units are issued and outstanding and will remain in the escrow account until such time as the TVP Parties exercise an option to hold the Escrow Units directly (the "Put Option"). Upon their exercise of the Put Option, the Escrow Units shall be released to the TVP Parties and the TVP Parties shall transfer to FPAW the equity interests of the entities that hold the three real estate properties in Grand Rapids, which are the three remaining properties that remain suitable for the original business purposes. The Put Option is required to be exercised by the TVP Parties within three years of the date of the Settlement Agreement.

Of the total settlement amount, $5,480 was included within "Accounts payable and accrued expenses" on the accompanying Consolidated Balance Sheet as of December 31, 2021, and was subsequently paid in January 2022. The fair value of the share issuance of $27,431 is reflected within "Equity issued in litigation settlement" on the Consolidated Statement of Changes in Stockholders' Equity. The fair value of the three properties to be acquired per the settlement of $5,400 is recorded within "Other noncurrent assets" as of December 31, 2022 and 2021, and will remain until the time such property titles transfer to the Company. The settlement charge of $36,511 is reflected within "Settlement expense" on the Consolidated Statements of Operations for the year ended December 31, 2021.

Stockholder Dispute

On May 28, 2021, Senvest Management, LLC, Hadron Capital (Cayman) LTD., and Measure8 Venture Partners, LLC (collectively, the "Claimants"), as former holders of the Company's AWH Convertible Promissory Notes, pursuant to the Company's 2019 Convertible Promissory Note Purchase Agreement, filed an arbitration demand, which was subsequently amended on July 28, 2021 (the "Arbitration Demand"), against the Company and its Chief Executive Officer at the time, Abner Kurtin, before the American Arbitration Association. In their Arbitration Demand, the Claimants take issue with the April 22, 2021 amendment of the terms of the 2019 Convertible Promissory Note Purchase Agreement (the "Amended Notes Consent"), which was approved by holders of approximately 66% of the principal amount of the AWH Convertible Promissory Notes, in excess of the simple majority required to amend the AWH Convertible Promissory Notes. The Amended Notes Consent set the conversion price of the AWH Convertible Promissory Notes at $2.96 per share. The Claimants alleged that the Amended Notes Consent was obtained improperly and is void. The Company disputed the Claimants' allegations and contended that the Amended Notes Consent was properly obtained in accordance with the terms of the AWH

Convertible Promissory Notes and 2019 Convertible Promissory Note Purchase Agreement and the Amended Notes Consent was binding on all holders of the AWH Convertible Promissory Notes.

The Company, Mr. Kurtin, and the Claimants entered into a settlement agreement, dated April 29, 2022, whereby the Company agreed to pay the Claimants a total of $5,000. This amount is included within “Settlement expense” on the Consolidated Statements of Operations for the year ended December 31, 2022 and was paid in May 2022.

MedMen NY Litigation

On February 25, 2021, the Company entered into a definitive investment agreement (the “Investment Agreement”) with subsidiaries of MedMen Enterprises Inc. (“MedMen”), under which we would have, subject to regulatory approval, completed an investment (the “Investment”) of approximately $73,000 in MedMen NY, Inc. (“MMNY”), a licensed medical cannabis operator in the state of New York. Following the completion of the transactions contemplated by the Investment Agreement, we were expected to hold all the outstanding equity of MMNY. Specifically, the Investment Agreement provided that at closing, the Company was going to pay to MedMen’s senior lenders $35,000, less certain transaction costs and a prepaid deposit of $4,000, and AWH New York, LLC was going to issue a senior secured promissory note in favor of MMNY’s senior secured lender in the principal amount of $28,000, guaranteed by AWH, which cash investment and note would be used to reduce the amounts owed to MMNY’s senior secured lender. Following its investment, AWH would hold a controlling interest in MMNY equal to approximately 86.7% of the equity in MMNY, and be provided with an option to acquire MedMen’s remaining interest in MMNY in the future for a nominal additional payment, which option the Company intended to exercise. The Investment Agreement also required AWH to make an additional investment of $10,000 in MMNY, which investment would also be used to repay MMNY’s senior secured lender, if adult-use cannabis sales commenced in MMNY’s dispensaries.

The Company contends that, in December 2021, the parties to the Investment Agreement received the required approvals from the State of New York to close the transactions contemplated by the Investment Agreement, but MedMen has disputed the adequacy of the approvals provided by the State of New York. The Company delivered notice to MedMen in December 2021 that it wished to close the transactions as required by the Investment Agreement. Nevertheless, MedMen, on January 2, 2022, gave notice to the Company that MedMen purported to terminate the Investment Agreement.

Following receipt of such notice, on January 13, 2022, the Company filed a complaint against MedMen and others in the Commercial Division of the Supreme Court of the State of New York (the “Court”), requesting specific performance that the transactions contemplated by the Investment Agreement must move forward, and such other relief as the Court may deem appropriate. The Company simultaneously moved for a temporary restraining order and preliminary injunction (the “Motion”) requiring MedMen to operate its New York business in the ordinary course of business and to refrain from any activities or transactions that might impair, encumber, or dissipate MedMen’s New York assets. The parties resolved the Motion via a “Stipulation and Order” entered by the Court on January 21, 2022 that requires that MMNY operate only in compliance with the law and in a manner consistent with its ordinary course of business that preserves all assets of MMNY. It further requires MMNY to not take certain actions, including any actions that would have a material adverse effect on MedMen’s NY business. The Stipulation and Order remains in place until trial. The Stipulation and Order also set an initial schedule for the litigation.

On January 24, 2022, MedMen filed counterclaims against the Company, alleging that Ascend had breached the Investment Agreement, and seeking declaratory relief that MedMen had properly terminated the Investment Agreement. On February 14, 2022, the Company moved to dismiss MedMen’s counterclaims and filed an amended complaint (the “First Amended Complaint”) that included additional claims against MedMen for breach of contract. The First Amended Complaint contained several causes of action, including for breach of contract and breach of the covenant of good faith and fair dealing. The First Amended Complaint sought damages in addition to continuing to seek injunctive and declaratory relief. On March 7, 2022, MedMen filed amended counterclaims, an answer, and affirmative defenses to the First Amended Counterclaim. On March 28, 2022, the Company moved to dismiss MedMen’s amended counterclaims. On April 20, 2022, the parties entered into a stipulation extending the time for MedMen to oppose the Company’s motion to dismiss until May 5, 2022. In addition, the parties agreed to stay all discovery, including both party and non-party discovery. On May 5, 2022, the parties filed another stipulation order with the Court adjourning until further notice from the Court MedMen's time to oppose the Company's motion to dismiss MedMen's amended counterclaims. The parties again stipulated that all discovery remains stayed pending further order from the Court.

On May 10, 2022, the Company and MedMen signed a term sheet (the "Term Sheet"), pursuant to which the parties agreed to use best efforts to enter into a settlement agreement and enter into new or amended transactional documents. Specifically, if consummated, the agreements contemplated by the Term Sheet would entail, among other things, the Company paying MedMen $15,000 in additional transaction consideration, and MedMen withdrawing its counterclaims against the Company. Per the amended transaction terms contemplated in the Term Sheet, upon closing, the Company would receive a 99.99% controlling interest in MMNY and the Company would pay MedMen $74,000, which reflected the original transaction consideration plus an additional $11,000 per the parties' Term Sheet, less a $4,000 deposit that the Company already paid.

The amended transaction terms contemplated in the Term Sheet also would have required MedMen to provide a representation and warranty that the status of the MMNY assets has not materially changed since December 31, 2021 and an acknowledgement that the representations and warranties from the Investment Agreement will survive for three months after the closing of the contemplated transactions. After the Company determined that MedMen could not make or provide the representations and warranties MedMen would have been required to make as part of the contemplated transactions, the Company determined that it no longer intended to consummate the contemplated transactions.

On September 30, 2022, the Company sought leave from the Court to file a second amended complaint (the "Second Amended Complaint"). The Second Amended Complaint contains breach of contract claims against MedMen, as well as a claim for the breach of the implied covenant of good faith and fair dealing, and a claim for anticipatory breach of contract. In connection with those claims, the Company is no longer seeking injunctive or declaratory relief; however, the Company continues to seek damages from MedMen, including, but not limited to, the return of the $4,000 deposit, approximately $2,400 of advances pursuant to a working capital loan agreement (as described in Note 6, "Notes Receivable") and other capital expenditure advances paid to MMNY by the Company.

On November 21, 2022, the parties entered into a stipulation whereby MedMen agreed to the filing of the Second Amended Complaint, which is now the operative pleading in the litigation. In addition, in the stipulation, the Company agreed that it would not contest MedMen's filing of second amended counterclaims against the Company while reserving all rights with respect to any such counterclaims, including the right to move to dismiss any amended counterclaims. Because the parties agreed to the filing of each side's amended pleadings, on November 28, 2022, the Court determined that Ascend's March 2022 motion to dismiss was moot.

On December 21, 2022, MedMen filed amended counterclaims, an answer, and affirmative defenses to the Company's Second Amended Complaint. In addition to the allegations in MedMen's earlier pleadings, MedMen now also alleges that the Company breached the Term Sheet. On January 20, 2023, the Company moved to dismiss MedMen's amended counterclaims. The briefing on the Company's motion to dismiss was completed as of March 3, 2023. The parties are awaiting a decision from the Court on the motion to dismiss.

Following the Company's decision to no longer consummate the contemplated transactions, the Company expensed a total of $1,704 of capitalized costs, primarily consisting of capital expenditures or deposits that were incurred for certain locations. Additionally, the Company established an estimated reserve of $3,700 related to the remaining amounts that it is actively pursuing collecting. These adjustments are included within "General and administrative expenses" on the Consolidated Statements of Operations and within "Other" on the Consolidated Statements of Cash Flows for the year ended December 31, 2022.

16. RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the year ended December 31, 2022, other than as disclosed in Note 6, "Notes Receivable."

AWH previously had a management services agreement ("MSA") with AGP Partners, LLC ("AGP") under which AGP provided management services to AWH in connection with the monitoring and oversight of AWH's financial and business functions until the IPO for a quarterly fee of $100. The founder of AGP is one of the founders of AWH. Pursuant to the terms of the agreement, the MSA was terminated following the Company's IPO in May 2021 and, upon termination, AGP was entitled to receive a $2,000 payout that was contingent upon the beneficial owners of AGP who serve as officers of the Company entering into lock-up agreements that extend for 360 days following the Company's IPO. We recognized $2,124 and $400 of expenses related to the MSA during the year ended December 31, 2021 and 2020, respectively, that are included in "General and administrative expenses" on the Consolidated Statements of Operations. The final payment was made in July 2021.

As discussed in Note 11, "Debt," certain of the previously outstanding AWH Convertible Promissory Notes were with related party entities that are managed by one of the founders of the Company.

17. SUPPLEMENTAL INFORMATION

The following table presents supplemental information regarding our other current assets:

	December 31,	
(in thousands)	2022	2021
Prepaid expenses	$ 4,765	$ 7,508
Deposits and other receivables	3,170	5,177
Construction deposits	863	3,263
Tenant improvement allowance	500	2,507
Other	243	6,376
Total	$ 9,541	$ 24,831

The following table presents supplemental information regarding our accounts payable and accrued liabilities:

	December 31,	
(in thousands)	2022	2021
Accounts payable	$ 17,065	$ 5,536
Acquisition-related liabilities	15,943	—
Accrued payroll and related expenses	7,549	11,760
Fixed asset purchases	6,777	15,682
Accrued interest	1,100	187
Other	8,161	6,809
Litigation settlement	—	5,480
Total	$ 56,595	$ 45,454

The following table presents supplemental information regarding our general and administrative expenses:

	Year Ended December 31,		
(in thousands)	2022	2021	2020
Compensation	$ 61,503	$ 55,773	$ 15,986
Rent and utilities	21,974	18,993	14,631
Professional services	17,110	16,057	9,325
Depreciation and amortization	14,095	10,036	7,914
Insurance	5,586	5,126	1,467
Marketing	3,445	2,968	1,758
Loss on sale of assets	345	605	286
Other	13,031	7,107	1,700
Total	$ 137,089	$ 116,665	$ 53,067

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through the filing date of this Annual Report on Form 10-K require adjustment to or disclosure in the Company's Financial Statements. There were no events that require adjustment to or disclosure in the Financial Statements, except as disclosed.

Acquisition

On January 25, 2023, the Company entered into a definitive agreement (the "Maryland Agreement") to acquire 100% of the membership interests of Devi Holdings, Inc. ("Devi"), which owns and operates four licensed medical cannabis dispensaries in Maryland. Under the Maryland Agreement, the Company will also acquire the real property of the four dispensary locations. Total consideration at closing, subject to customary closing conditions and working capital adjustments, will consist of cash consideration of $12,000 and approximately 5,200 shares of Class A common stock. The Maryland Agreement is subject to regulatory review and approval.

Other

On February 24, 2023, the Company amended the lease associated with its New Jersey cultivation facility to increase the tenant improvement allowance by $15,000.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

a. Disclosure Controls and Procedures.

As of the end of the period covered by this report, our Interim Co-Principal Executive Officers and Principal Financial Officer evaluated our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Interim Co-Principal Executive Officers and Principal Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and (2) accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

b. Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for the preparation and integrity of the consolidated financial statements and representations in this report on Form 10-K. The consolidated financial statements of the Company have been prepared in conformity with generally accepted accounting principles applied on a consistent basis and include some amounts that are based on informed judgments and best estimates and assumptions of management.

In order to assure the consolidated financial statements are prepared in conformance with generally accepted accounting principles, management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). These internal controls are designed only to provide reasonable assurance, on a cost-effective basis, that transactions are carried out in accordance with management's authorizations and assets are safeguarded against loss from unauthorized use or disposition.

Management has completed its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013) to conduct the required assessment of the effectiveness of the Company's internal control over financial reporting. Based on this assessment, management concluded that, as of December 31, 2022, the Company's internal control over financial reporting was effective based on those criteria.

c. Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 10-K does not include an attestation report of the Company's registered independent public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered independent public accounting firm as the Company qualifies as an "emerging growth company" under the Jumpstart Our Business Start-ups Act of 2012.

d. Changes in Internal Control Over Financial Reporting.

There have been no changes in our internal control over financial reporting during the fourth quarter of fiscal year 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information about our executive officers is found in Part I, Item 1 of this Annual Report on Form 10-K under “Executive Officers of the Registrant.” Additional information required by this item will be set forth under the captions “Proposal No. 1–Election of Directors” and “Executive Officers” in our Definitive Proxy Statement for our 2023 Annual Meeting of Stockholders (the “2023 Proxy Statement”). Such information is incorporated herein by reference. Our 2023 Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the conclusion of our fiscal year ended December 31, 2022.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item will be included under the captions “Executive Compensation” and “Director Compensation” in the 2023 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be included under the caption “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in the 2023 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item will be included under the caption “Proposal 1–Election of Directors” in the 2023 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this item will be included under the caption “Proposal 1–Election of Directors” in the 2023 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

We have filed the following documents as part of this Annual Report on Form 10-K:

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit No.	Exhibit Description	Form	File No.	Exhibit	Filing Date
3.2	Certificate of Incorporation	S-1	333-254800	3.4	April 23, 2021
3.3	Bylaws	S-1	333-254800	3.5	April 23, 2021
4.1†	Ascend Wellness Holdings, Inc. 2021 Stock Incentive Plan	S-8	333-257780	4.2	July 9, 2021
4.2†	Ascend Wellness Holdings, Inc. 2021 Employee Stock Purchase Plan	S-8	333-257780	4.3	July 9, 2021
4.3	Specimen Stock Certificate evidencing the shares of common stock	S-1	333-254800	4.1	April 15, 2021
4.4	Form of Registration Rights Agreement	S-1	333-254800	4.2	April 23, 2021
4.5	Form of Warrant Agreement between Ascend Wellness Holdings, Inc. and each of the several lenders, dated June 30, 2022	10-Q	333-254800	4.5	August 15, 2022
10.1	Credit Agreement, dated August 27, 2021, by and among Ascend Wellness Holdings, Inc., group of lenders and Acquiom Agency Services LLC, as administrative agent and collateral agent	8-K	333-254800	10.1	September 1, 2021
10.2	Form of Indemnification Agreement	S-1	333-254800	10.4	April 15, 2021
10.3	Convertible Note Purchase Agreement, dated January 2021	S-1	333-254800	10.27	March 29, 2021
10.4†#	Employment Agreement between Ascend Wellness Holdings, LLC and Abner Kurtin, dated as of March 22, 2021	S-1	333-254800	10.28	April 15, 2021
10.5†#	Employment Agreement between Ascend Wellness Holdings, Inc. and Francis Perullo, dated as of March 23, 2021	S-1	333-254800	10.29	April 15, 2021
10.6†#	Employment Agreement between Ascend Wellness Holdings, LLC and Daniel Neville, dated as of March 23, 2021	S-1	333-254800	10.30	April 15, 2021
10.7†#	Amendment to Employment Agreement between Ascend Wellness Holdings, LLC and Abner Kurtin	10-Q	333-254800	10.1	November 14, 2022
10.8†#	Employment Agreement between Ascend Wellness Holdings, Inc. and Francis Perullo, dated as of February 11, 2022	10-Q	333-254800	10.1	May 12, 2022
10.9	Form of Amendment to June 19, 2019 Convertible Note Purchase Agreement	S-1	333-254800	10.33	April 23, 2021
10.10#	Investment Agreement among MedMen NY, Inc., MM Enterprises USA, LLC, AWH New York, LLC and Ascend Wellness Holdings, LLC, dated February 25, 2021	S-1	333-254800	10.22	March 29, 2021
10.11#	Lease between IIP-IL 1, LLC and Ascend Illinois, LLC, dated December 21, 2018	S-1	333-254800	10.11	March 29, 2021
10.12#	First Amendment to Lease Agreement between IIP-IL 1 LLC and Revolution Cannabis - Barry, LLC, dated September 5, 2019	S-1	333-254800	10.12	March 29, 2021
10.13#	Second Amendment to Lease Agreement between IIP-IL 1 LLC and Revolution Cannabis - Barry, LLC, dated August 18, 2020	S-1	333-254800	10.13	March 29, 2021

10.14#	Third Amendment to Lease Agreement between IIP-IL 1 LLC and Revolution Cannabis - Barry, LLC, dated September 15, 2021	10-K	333-254800	10.13	March 11, 2022
10.15#	Agreement and Plan of Merger among Ascend Wellness Holdings, Inc., AWH Pennsylvania, LLC, Ascend PA Merger Sub, LLC, Story of PA CR, LLC, the Members named therein and KGF PACR HoldCo, LLC, dated April 19, 2022	8-K	333-254800	10.1	April 25, 2022
21.1*	Subsidiaries of the Registrant				
23.1*	Consent of Independent Registered Accounting Firm (Macias Gini & O'Connell LLP)				
23.2*	Consent of Independent Registered Accounting Firm (Marcum LLP)				
31.1*	Certification of Interim Co-Principal Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Interim Co-Principal Executive Officer and Principal Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32‡	Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Label Linkbase Document				
101.PRE*	Inline XBRL Presentation Linkbase Document				
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Filed herewith.

† Indicates management contract or compensatory plan, contract, or arrangement.

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

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

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASCEND WELLNESS HOLDINGS, INC.

By: /s/ Daniel Neville
Daniel Neville
Interim Co-Chief Executive Officer
(Interim Co-Principal Executive Officer),
Chief Financial Officer
(Principal Financial Officer), and
Director
March 15, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Ascend Wellness Holdings, Inc. and in the capacities and on the dates indicated.

By: /s/ Daniel Neville
Daniel Neville
Interim Co-Chief Executive Officer
(Interim Co-Principal Executive Officer),
Chief Financial Officer
(Principal Financial Officer), and
Director
March 15, 2023

/s/ Abner Kurtin
Abner Kurtin
Executive Chairman and Founder
March 15, 2023

/s/ Francis Perullo
Francis Perullo
Interim Co-Chief Executive Officer
(Interim Co-Principal Executive Officer),
Co-Founder, Chief Strategy Officer, President, and
Director
March 15, 2023

/s/ Roman Nemchenko
Roman Nemchenko
Executive Vice President,
Chief Accounting Officer
(Principal Accounting Officer)
March 15, 2023

/s/ Scott Swid
Scott Swid
Director
March 15, 2023

/s/ Joshua Gold
Joshua Gold
Director
March 15, 2023

Supplemental Information to be Furnished with Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act: None.

No annual report to security holders covering the registrant's last fiscal year or proxy material with respect to any meeting of securities holders has been sent to security holders.

List of Subsidiaries of Ascend Wellness Holdings, Inc.

	Entity Legal Name	State
1.	Ascend Mass, Inc.	Delaware
2.	Massgrow, Inc.	Delaware
3.	AGP Investments, LLC	Delaware
4.	AWH Pennsylvania, LLC	Delaware
5.	Ascend Illinois II, LLC	Illinois
6.	AWH Fairview, LLC	Illinois
7.	Ascend Illinois, LLC	Illinois
8.	Revolution Cannabis - Barry, LLC	Illinois
9.	Springfield Partners II, LLC	Illinois
10.	AWH Fairview Opco, LLC	Illinois
11.	Healthcentral, LLC	Illinois
12.	AWH Springfield Opco, LLC	Illinois
13.	Ascend Illinois Holdings, LLC	Illinois
14.	MOCA LLC	Illinois
15.	Chicago Alternative Health Center, LLC	Illinois
16.	Chicago Alternative Health Center Holdings, LLC	Illinois
17.	Ascend Mass Holdco, LLC	Massachusetts
18.	Ascend Mass, LLC	Massachusetts
19.	Massgrow, LLC	Massachusetts
20.	Ascend Athol RE LLC	Massachusetts
21.	Ascend Friend Street RE LLC	Massachusetts
22.	Southcoast Apothecary, LLC	Massachusetts
23.	Blue Jay RE, LLC	Massachusetts
24.	Blue Jay Botanicals Holdings, LLC	Massachusetts
25.	Met Real Estate, LLC	Massachusetts
26.	AWH Mgmt Grp LLC	Massachusetts
27.	Mass Mgmt Grp, LLC	Massachusetts
28.	AWHM, LLC	Michigan
29.	FPAW Michigan 2, Inc.	Michigan
30.	FPAW Michigan, LLC	Michigan
31.	MSP MGMT GRP LLC	Michigan
32.	AWH NJ Holdco, LLC	New Jersey
33.	Ascend GI Borrower, LLC	New Jersey
34.	Ascend New Jersey, LLC	New Jersey
35.	AW Franklin LLC	New Jersey
36.	NJ MGMT GRP LLC	New Jersey
37.	AWH New York, LLC	New York
38.	NY Mgmt Grp, LLC	New York
39.	Ascend Ohio, LLC	Ohio
40.	BCCO, LLC	Ohio

41.	Ohio Cannabis Clinic LLC	Ohio
42.	Marichron Properties, LLC	Ohio
43.	Hemma Operations, LLC	Ohio
44.	Hemma, LLC	Ohio
45.	Ohio Mgmt Grp LLC	Ohio
46.	Maryland, LLC	Maryland
47.	Marichron Pharma, LLC	Ohio
48.	Story of PA CR, LLC	Delaware
49.	PA MGMT Group, LLC	Pennsylvania

Certified Public Accountants

Consent of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Ascend Wellness Holdings, Inc.

We consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-257780) and Form S-3 (File No. 333-268534) of Ascend Wellness Holdings, Inc. and Subsidiaries (the Company) of our report dated March 15, 2023, relating to the Company's consolidated financial statements as of and for the years ended December 31, 2022 and 2021, which report appears in this Annual Report on Form 10-K of Ascend Wellness Holdings, Inc. for the year ended December 31, 2022.

/s/ Macias Gini & O'Connell LLP

San Jose, California
March 15, 2023

Macias Gini & O'Connell LLP
60 South Market Street, Suite 1500
San Jose, CA 95113

www.mgocpa.com

Exhibit 23.2

Independent Registered Public Accounting Firm's Consent

We consent to the incorporation by reference in the Registration Statement of Ascend Wellness Holdings, Inc. on Form S-3 (File No. 333-268534) and Form S-8 (File No. 333-257780) of our report dated February 25, 2021, except for the second paragraph of Note 1 and the eighth and ninth paragraphs of Note 15, as to which the date is April 22, 2021, with respect to our audit of the consolidated financial statements of Ascend Wellness Holdings, LLC as of December 31, 2020 and for the year ended December 31, 2020, which report is included in this Annual Report on Form 10-K of Ascend Wellness Holdings, Inc. for the year ended December 31, 2022.

/s/ Marcum LLP

Marcum LLP
New York, New York
March 15, 2023

CERTIFICATION OF INTERIM CO-CHIEF EXECUTIVE OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)

I, Francis Perullo, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ascend Wellness Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 15, 2023

/s/ Francis Perullo
Francis Perullo
Interim Co-Chief Executive Officer,
President and Co-Founder
(Interim Co-Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF INTERIM CO-CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)

I, Daniel Neville, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ascend Wellness Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 15, 2023

/s/ Daniel Neville
Daniel Neville
Interim Co-Chief Executive Officer
(Interim Co-Principal Executive Officer) and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

CERTIFICATIONS PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(b) OR 15d-14(b) AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Ascend Wellness Holdings, Inc. (the “Company”) for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Francis Perullo, Interim Co-Chief Executive Officer, President and Co-Founder of the Company, and Daniel Neville, Interim Co-Chief Executive Officer and Chief Financial Officer of the Company, each certifies for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 15, 2023

/s/ Francis Perullo
Francis Perullo
Interim Co-Chief Executive Officer,
President and Co-Founder
(Interim Co-Principal Executive Officer)

March 15, 2023

/s/ Daniel Neville
Daniel Neville
Interim Co-Chief Executive Officer
(Interim Co-Principal Executive Officer) and
Chief Financial Officer
(Principal Financial Officer)