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

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FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

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**

(State or other jurisdiction of  
incorporation or organization)

**83-0602006**

(I.R.S. Employer Identification No.)

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**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)

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of May 8, 2023, there were 194,850,072 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.

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and assumptions that are difficult to predict. Particular risks and uncertainties that could cause our actual results to be materially different from those expressed in our forward-looking statements include those listed below:

- the 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.

The list of factors above is illustrative and by no means exhaustive. Additional information regarding these risks and other risks and uncertainties we face is contained in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “Annual Report”) and in other reports we may file from time to time with the United States Securities and Exchange Commission and the applicable Canadian securities regulatory authorities (including all amendments to those reports). 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.

We urge readers to consider these risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. The forward-looking statements contained in this Form 10-Q are expressly qualified in their entirety by this cautionary statement.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.**

**ASCEND WELLNESS HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

*(in thousands, except per share amounts)*

	March 31, 2023	December 31, 2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 73,296	\$ 74,146
Accounts receivable, net	19,475	14,101
Inventory	98,360	97,532
Notes receivable	4,154	3,423
Other current assets	8,923	9,541
Total current assets	204,208	198,743
Property and equipment, net	280,906	279,860
Operating lease right-of-use assets	106,050	108,810
Intangible assets, net	214,942	221,093
Goodwill	44,370	44,370
Other noncurrent assets	19,612	19,284
<b>TOTAL ASSETS</b>	<b>\$ 870,088</b>	<b>\$ 872,160</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 52,996	\$ 56,595
Current portion of debt, net	2,629	11,329
Operating lease liabilities, current	2,819	2,633
Income taxes payable	46,818	34,678
Other current liabilities	4,550	5,714
Total current liabilities	109,812	110,949
Long-term debt, net	321,417	319,297
Operating lease liabilities, noncurrent	242,888	229,816
Deferred tax liabilities, net	31,442	33,607
Other non-current liabilities	15,568	15,076
Total liabilities	721,127	708,745
Commitments and contingencies (Note 15)		
<b>Stockholders' Equity</b>		
Preferred stock, \$0.001 par value per share; 10,000 shares authorized, none issued and outstanding as of March 31, 2023 and December 31, 2022	—	—
Class A common stock, \$0.001 par value per share; 750,000 shares authorized; 189,501 and 187,999 shares issued and outstanding at March 31, 2023 and December 31, 2022	189	188
Class B common stock, \$0.001 par value per share, 100 shares authorized; 65 issued and outstanding at March 31, 2023 and December 31, 2022	—	—
Additional paid-in capital	434,392	430,375
Accumulated deficit	(285,620)	(267,148)
Total stockholders' equity	148,961	163,415
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 870,088</b>	<b>\$ 872,160</b>

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

**ASCEND WELLNESS HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

<i>(in thousands, except per share amounts)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Revenue, net	\$ 114,176	\$ 85,090
Cost of goods sold	(78,472)	(61,643)
<b>Gross profit</b>	<b>35,704</b>	<b>23,447</b>
<b>Operating expenses</b>		
General and administrative expenses	35,449	33,227
Settlement expense	—	5,000
<b>Total operating expenses</b>	<b>35,449</b>	<b>38,227</b>
<b>Operating profit (loss)</b>	<b>255</b>	<b>(14,780)</b>
Other (expense) income		
Interest expense	(8,975)	(6,031)
Other, net	265	103
<b>Total other expense</b>	<b>(8,710)</b>	<b>(5,928)</b>
Loss before income taxes	(8,455)	(20,708)
Income tax expense	(10,017)	(7,107)
<b>Net loss</b>	<b>\$ (18,472)</b>	<b>\$ (27,815)</b>
<b>Net loss per share attributable to Class A and Class B common stockholders — basic and diluted</b>	<b>\$ (0.10)</b>	<b>\$ (0.16)</b>
<b>Weighted-average common shares outstanding — basic and diluted</b>	<b>188,487</b>	<b>172,494</b>

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

**ASCEND WELLNESS HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

**Three Months Ended March 31, 2023**

<i>(in thousands)</i>	Class A and Class B Common Stock		<b>Additional Paid- In Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>			
<b>December 31, 2022</b>	188,064	\$ 188	\$ 430,375	\$ (267,148)	\$ 163,415
Vesting of equity-based payment awards	2,023	2	(2)	—	—
Equity-based compensation expense	—	—	4,555	—	4,555
Taxes withheld under equity-based compensation plans, net	(521)	(1)	(536)	—	(537)
Net loss	—	—	—	(18,472)	(18,472)
<b>March 31, 2023</b>	189,566	\$ 189	\$ 434,392	\$ (285,620)	\$ 148,961

**Three Months Ended March 31, 2022**

<i>(in thousands)</i>	Class A and Class B Common Stock		<b>Additional Paid- In Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>			
<b>December 31, 2021</b>	171,586	\$ 171	\$ 362,555	\$ (186,249)	\$ 176,477
Vesting of equity-based payment rewards	4,131	4	(4)	—	—
Equity-based compensation expense	—	—	14,306	—	14,306
Taxes withheld under equity-based compensation plans, net	(1,260)	(1)	(4,941)	—	(4,942)
Net loss	—	—	—	(27,815)	(27,815)
<b>March 31, 2022</b>	174,457	\$ 174	\$ 371,916	\$ (214,064)	\$ 158,026

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

**ASCEND WELLNESS HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (18,472)	\$ (27,815)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>		
Depreciation and amortization	21,941	9,918
Amortization of operating lease assets	264	291
Non-cash interest expense	1,919	571
Equity-based compensation expense	4,555	5,715
Deferred income taxes	(2,165)	(1,147)
(Gain) loss on sale of assets	(442)	818
Other	4,433	2,204
<b>Changes in operating assets and liabilities, net of effects of acquisitions</b>		
Accounts receivable	(5,374)	(2,759)
Inventory	(12,415)	(17,421)
Other current assets	2,001	3,031
Other noncurrent assets	(328)	(353)
Accounts payable and accrued liabilities	(802)	9,950
Other current liabilities	(1,163)	(1,099)
Lease liabilities	(314)	244
Income taxes payable	12,140	7,607
<b>Net cash provided by (used in) operating activities</b>	<b>5,778</b>	<b>(10,245)</b>
<b>Cash flows from investing activities</b>		
Reimbursements for (additions to) capital assets	3,442	(10,214)
Investments in notes receivable	(731)	(1,000)
Collection of notes receivable	82	82
Proceeds from sale of assets	—	35,400
Acquisition of businesses, net of cash acquired	(8,000)	(24,890)
Purchase of intangible assets	(472)	—
<b>Net cash used in investing activities</b>	<b>(5,679)</b>	<b>(622)</b>
<b>Cash flows from financing activities</b>		
Repayments of debt	(786)	(786)
Repayments under finance leases	(63)	—
Debt issuance costs	—	(31)
Taxes withheld under equity-based compensation plans, net	(100)	—
<b>Net cash used in financing activities</b>	<b>(949)</b>	<b>(817)</b>
Net decrease in cash, cash equivalents, and restricted cash	(850)	(11,684)
<b>Cash, cash equivalents, and restricted cash at beginning of period</b>	<b>74,146</b>	<b>155,481</b>
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 73,296</b>	<b>\$ 143,797</b>

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

**ASCEND WELLNESS HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(CONTINUED, UNAUDITED)**

<i>(in thousands)</i>	Three Months Ended March 31,	
	2023	2022
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 7,551	\$ 5,133
Income taxes paid	—	650
<b>Non-cash investing and financing activities</b>		
Capital expenditures incurred but not yet paid	4,015	10,695
Taxes withheld under equity-based compensation plans, net	537	4,942

The accompanying notes are an integral part of the condensed 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.

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 accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with (i) United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information, and (ii) the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of our management, our unaudited condensed consolidated financial statements and accompanying notes (the “Financial Statements”) include all normal recurring adjustments that are necessary for the fair statement of the interim periods presented. Interim results of operations are not necessarily indicative of results for the full year, or any other period. The Financial Statements should be read in conjunction with our audited consolidated financial statements (and notes thereto) in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “Annual Report”), as filed with the United States Securities and Exchange Commission (“SEC”) and with the relevant Canadian securities regulatory authorities under its profile on the System for Electronic Document Analysis and Retrieval (“SEDAR”). Except as noted below, there have been no material changes to the Company’s significant accounting policies and estimates during the three months ended March 31, 2023.

The Financial Statements include the accounts of Ascend Wellness Holdings, Inc. and its subsidiaries. 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. 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 condensed 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.

### **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.

### **Liquidity**

As reflected in the Financial Statements, the Company had an accumulated deficit as of March 31, 2023 and December 31, 2022, as well as a net loss for the three months ended March 31, 2023 and 2022, 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.

### **Cash and Cash Equivalents and Restricted Cash**

As of March 31, 2023 and December 31, 2022, we did not hold significant restricted cash or cash equivalents.

### **Fair Value of Financial Instruments**

During the three months ended March 31, 2023 and 2022, we had no transfers of assets or liabilities between any of the hierarchy levels.

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 right-of use assets. We estimate the fair value of these assets using primarily unobservable Level 3 inputs.

### **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.

Basic EPS is computed by dividing net 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 include incremental shares of common stock issuable upon the exercise of warrants, unvested restricted stock awards, unvested restricted stock units, and outstanding stock options. At March 31, 2023 and 2022, 14,976 and 11,447 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 Quarterly Report on Form 10-Q. 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.

#### ***Financial Instruments***

On January 1, 2023, the Company adopted Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, (“ASU 2016-13”) and the related subsequent amendments, transitional guidance, and other interpretive guidance within ASU 2019-05, ASU 2019-11, ASU 2020-03, and ASU 2022-02 (collectively, including ASU 2016-13, “ASC 326”). ASC 326 replaces the 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 results in earlier recognition of credit losses than the previous “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.

Following the adoption of this guidance, the Company’s estimation of allowance for doubtful accounts related to trade receivables considers factors such as historical credit loss experience, age of receivable balances, current market conditions, and an assessment of receivables due from specific identifiable counterparties to determine whether these receivables are considered at risk or uncollectible. Additionally, the Company’s estimation of allowances on notes receivable, as applicable, incorporates historical loss information, the financial condition of loan recipients, and various other economic conditions. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

### **Recently Issued Accounting Pronouncements**

The following standards have been recently issued by the Financial Accounting Standards Board (“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.

#### ***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.

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Retail revenue	\$ 82,745	\$ 63,290
Wholesale revenue	58,414	37,933
	141,159	101,223
Elimination of inter-company revenue	(26,983)	(16,133)
<b>Total revenue, net</b>	<b>\$ 114,176</b>	<b>\$ 85,090</b>

The liability related to the loyalty program we offer dispensary customers at certain locations was \$604 and \$672 at March 31, 2023 and December 31, 2022, respectively, and is included within “Other current liabilities” on the accompanying unaudited Condensed Consolidated Balance Sheets. The Company recorded \$1,048 and \$493 in allowance for doubtful accounts as of March 31, 2023 and December 31, 2022, respectively. Write-offs were not significant during the three months ended March 31, 2023 and 2022.

### 4. ACQUISITIONS

#### Business Combinations

The Company has determined that the acquisition discussed below is considered a business combination under ASC Topic 805, *Business Combinations*, and is 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. The purchase price allocation remains preliminary as the Company finalizes certain estimates of the fair value of the net assets acquired within the measurement period. Our results of operations for the three months ended March 31, 2023 include \$257 of net revenue and \$338 of net loss related to Marichron.

## **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 variable interest entity (“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.

### **2022 Asset Acquisitions**

#### *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 two years following the transaction date and up to an additional total of \$10,000 over the course of ten years following the transaction date.

The total acquisition cost in respect of the Story of PA acquisition was \$137,594 and was allocated to the license intangible asset acquired. The total cost consists of the equity consideration, cash consideration, Geisinger funding commitment, other liabilities related to consulting agreements, forgiveness of the previously outstanding bridge loan, transaction costs, the initial cost of the investment, and an acquisition-related deferred tax liability of \$37,391 that was recorded during the fourth quarter of 2022.

Of the total funding commitment, \$15,000 was paid in April 2022 and \$15,000 is due in 2023 and is included within “Accounts payable and other accrued liabilities” on the unaudited Condensed Consolidated Balance Sheet at March 31, 2023. The additional \$10,000 is included within “Other non-current liabilities” on the unaudited Condensed Consolidated Balance Sheet at March 31, 2023. A total of \$472 due under one of the consulting agreements was paid during the three months ended March 31, 2023, and \$471 remains due in June 2023 and is included within “Accounts payable and other accrued liabilities” on the unaudited Condensed Consolidated Balance Sheet at March 31, 2023.

#### *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

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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 initial 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 unaudited Condensed Consolidated Balance Sheet at March 31, 2023; refer to Note 11, "Debt," for additional information. 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.

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 March 31, 2023 and December 31, 2022, the estimated fair value of this contingent consideration was \$5,567 and \$5,076, respectively, and is included within "Other non-current liabilities" on the accompanying unaudited Condensed Consolidated Balance Sheets. The \$491 change in fair value during the three months ended March 31, 2023 is included within "General and administrative expenses" on the unaudited Condensed Consolidated Statement of Operations. Direct transaction expenses of \$224 were incurred in the year ended December 31, 2022. The Company determined the fair value of any noncontrolling interest is *de minimis*. 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. The licenses acquired will be amortized in accordance with the Company's policy once the related operations commence.

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 unaudited Condensed Consolidated Balance Sheet at March 31, 2023 and December 31, 2022; refer to Note 11, "Debt," for additional information.

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 unaudited Condensed Consolidated Balance Sheet at March 31, 2023 and December 31, 2022; refer to Note 11, "Debt," for additional information.

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**5. INVENTORY**

The components of inventory are as follows:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Materials and supplies	\$ 16,417	\$ 16,115
Work in process	49,553	49,586
Finished goods	32,390	31,831
<b>Total</b>	<b>\$ 98,360</b>	<b>\$ 97,532</b>

Total compensation expense capitalized to inventory was \$17,121 and \$13,134 during the three months ended March 31, 2023 and 2022, respectively. At March 31, 2023 and December 31, 2022, \$10,988 and \$15,920, 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 \$3,942 and \$2,204 during the three months ended March 31, 2023 and 2022, respectively, related to net realizable value adjustments, expired products, and obsolete packaging. These amounts are included within "Other" on the unaudited Condensed Consolidated Statements of Cash Flows.

**6. NOTES RECEIVABLE**

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
MMNY - working capital loan <sup>(1)</sup>	\$ 2,422	\$ 2,422
Massachusetts Note <sup>(2)</sup>	1,732	1,001
<b>Total</b>	<b>\$ 4,154</b>	<b>\$ 3,423</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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"). The Massachusetts Note accrues interest at a fixed annual rate of 11.5%. Following the opening of the borrower's retail dispensary, which had not occurred as of March 31, 2023, 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.

Additionally, a total of \$4,141 is outstanding at March 31, 2023 related to a promissory note issued to the owner of a property the Company is leasing, of which \$165 and \$3,976 is included in "Other current assets" and "Other noncurrent assets," respectively, on the unaudited Condensed Consolidated Balance Sheet. At December 31, 2022, \$4,181 was outstanding, of which \$163 and \$4,018 is included in "Other current assets" and "Other noncurrent assets," respectively, on the unaudited Condensed Consolidated Balance Sheet.

No impairment losses on notes receivable were recognized during the three months ended March 31, 2023 or 2022.

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**7. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Leasehold improvements	\$ 175,599	\$ 174,099
Buildings	75,868	71,951
Furniture, fixtures, and equipment	66,332	63,974
Construction in progress	11,050	9,633
Land	6,505	6,505
<b>Property and equipment, gross</b>	<b>335,354</b>	<b>326,162</b>
Less: accumulated depreciation	54,448	46,302
<b>Property and equipment, net</b>	<b>\$ 280,906</b>	<b>\$ 279,860</b>

Total depreciation expense was \$8,146 and \$5,378 during the three months ended March 31, 2023 and 2022, respectively. Total depreciation expense capitalized to inventory was \$6,170 and \$4,208 during the three months ended March 31, 2023 and 2022, respectively. At March 31, 2023 and December 31, 2022, \$6,887 and \$6,548, respectively, of depreciation expense remained capitalized as part of inventory.

The table above includes equipment with a gross value of \$1,480 and \$1,086 as of March 31, 2023 and December 31, 2022, respectively, and accumulated amortization of \$163 and \$89, respectively, that the Company is renting under finance leases pursuant to a master lease agreement that was entered into in June 2022 and allows for an aggregate of \$15,000 of such leases. Refer to Note 10, "Leases," for additional information regarding our lease arrangements.

**8. VARIABLE INTEREST ENTITIES**

A 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. 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 unaudited Condensed 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.

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The following tables present the summarized financial information about the Company's consolidated VIEs which are included in the unaudited Condensed Consolidated Balance Sheets as of March 31, 2023 and December 31, 2022 and in the unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2023 and 2022, as applicable. 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 VIEs. The information below excludes intercompany balances and activity that eliminate in consolidation.

<i>(in thousands)</i>	<b>Ohio Patient Access</b>	
	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Other noncurrent assets	\$ 25,039	\$ 24,675
Current liabilities	3,012	1,675
Deficit	(1,187)	(588)

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>Ohio Patient Access</b>	<b>Ascend Illinois<sup>(1)</sup></b>
Revenue, net	\$ —	\$ 63,892
Net income (loss)	(598)	7,298

<sup>(1)</sup> 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.

**9. INTANGIBLE ASSETS AND GOODWILL**

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>Intangible Assets</b>		
Licenses and permits	\$ 226,919	\$ 226,919
In-place leases	19,963	19,963
Trade names	380	380
	<u>247,262</u>	<u>247,262</u>
Accumulated amortization:		
Licenses and permits	(18,636)	(13,035)
In-place leases	(13,304)	(12,754)
Trade names	(380)	(380)
	<u>(32,320)</u>	<u>(26,169)</u>
<b>Total intangible assets, net</b>	<u>\$ 214,942</u>	<u>\$ 221,093</u>
<b>Goodwill</b>	<u>\$ 44,370</u>	<u>\$ 44,370</u>

Amortization expense related to intangible assets was \$6,151 and \$1,970 during the three months ended March 31, 2023 and 2022, respectively. Total amortization expense capitalized to inventory was \$735 and \$408 during the three months ended March 31, 2023 and 2022, respectively. At March 31, 2023 and December 31, 2022, \$1,335 and \$1,101, respectively, of amortization expense remained capitalized as part of inventory.

No impairment indicators were noted during the three months ended March 31, 2023 or 2022 and, as such, we did not record any impairment charges during either period.

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**10. 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 with terms generally ranging from 1 to 20 years.

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. Right-of-use (“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. 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 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. 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.

The components of lease assets and lease liabilities and their classification on our unaudited Condensed Consolidated Balance Sheets were as follows:

<i>(in thousands)</i>	<b>Classification</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>Lease assets</b>			
Operating leases	Operating lease right-of-use assets	\$ 106,050	\$ 108,810
Finance leases	Property and equipment, net	1,317	997
<b>Total lease assets</b>		<b>\$ 107,367</b>	<b>\$ 109,807</b>
<b>Lease liabilities</b>			
<b>Current liabilities</b>			
Operating leases	Operating lease liabilities, current	\$ 2,819	\$ 2,633
Finance leases	Current portion of debt, net	287	207
<b>Noncurrent liabilities</b>			
Operating leases	Operating lease liabilities, noncurrent	242,888	229,816
Finance leases	Long-term debt, net	903	695
<b>Total lease liabilities</b>		<b>\$ 246,897</b>	<b>\$ 233,351</b>

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The components of lease costs and classification within the unaudited Condensed Consolidated Statements of Operations were as follows:

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating lease costs</b>		
Capitalized to inventory	\$ 8,227	\$ 7,058
General and administrative expenses	340	332
<b>Total operating lease costs</b>	<b>\$ 8,567</b>	<b>\$ 7,390</b>
<b>Finance lease costs</b>		
Amortization of leased assets <sup>(1)</sup>	\$ 74	\$ —
Interest on lease liabilities	36	—
<b>Total finance lease costs</b>	<b>\$ 110</b>	<b>\$ —</b>

<sup>(1)</sup> Included as a component of depreciation expense within “General and administrative expenses” on the accompanying unaudited Condensed Consolidated Statements of Operations.

At March 31, 2023 and December 31, 2022, \$4,305 and \$6,660, respectively, of lease costs remained capitalized in inventory.

The following table presents information on short-term and variable lease costs:

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Total short-term and variable lease costs	<b>\$ 1,135</b>	<b>\$ 1,206</b>

Sublease income generated during the three months ended March 31, 2023 and 2022 was immaterial.

The following table includes supplemental cash and non-cash information related to our leases:

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows from operating leases	\$ 8,604	\$ 6,829
Operating cash flows from finance leases	36	—
Financing cash flows from finance leases	63	—
<b>ROU assets obtained in exchange for new lease obligations</b>		
Operating leases	\$ 13,571	\$ 30,746
Finance leases	351	—

**Ascend Wellness Holdings, Inc.**  
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The following table summarizes the weighted-average remaining lease term and discount rate:

	March 31, 2023	December 31, 2022
<b>Weighted-average remaining term (years)</b>		
Operating leases	15.0	15.1
Finance leases	3.5	3.7
<b>Weighted-average discount rate</b>		
Operating leases	15.0 %	14.8 %
Finance leases	13.5 %	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 unaudited Condensed Consolidated Balance Sheet as of March 31, 2023 are as follows:

<i>(in thousands)</i>	Operating Lease Liabilities	Finance Lease Liabilities
Remainder of 2023	\$ 27,180	\$ 321
2024	37,124	428
2025	38,173	428
2026	38,859	307
2027	39,885	9
Thereafter	483,648	—
Total lease payments	664,869	1,493
Less: imputed interest	419,162	303
<b>Present value of lease liabilities</b>	<b>\$ 245,707</b>	<b>\$ 1,190</b>

As of March 31, 2023, we have entered into operating lease arrangements which are effective for future periods. The total amount of ROU lease assets and lease liabilities related to these arrangements is approximately \$1,900.

**Lease Amendments**

In February 2023, we amended the lease related to our Franklin, New Jersey cultivation facility to increase the tenant improvement allowance, which resulted in increased rent amounts. We accounted for the amendment as a lease modification and remeasured the ROU asset and lease liability as of the amendment date, which resulted in a total additional tenant improvement allowance of \$15,000, a reduction of \$2,254 to the ROU asset, and an increase of \$12,746 to the lease liability.

During the three months ended March 31, 2023, we received a total of \$1,510 under the capital expenditure allowance associated with two leases in Pennsylvania that was recorded as a tenant improvement allowance, which, based on the modified lease terms, resulted in \$825 of additional lease liabilities, a reduction of \$243 to the ROU asset, and a net gain of \$442 during the three months ended March 31, 2023, which is included in “General and administrative expenses” on the unaudited Condensed Consolidated Statement of Operations.

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**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 unaudited Condensed Consolidated Balance Sheets.

<i>(in thousands)</i>	Remainder of 2023	2024	2025	2026	2027	Thereafter	Total
Cash payments due under financing liabilities	\$ 1,738	\$ 2,416	\$ 2,525	\$ 2,599	\$ 2,676	\$ 9,477	\$ 21,431

**11. DEBT**

<i>(in thousands)</i>	March 31, 2023	December 31, 2022
2021 Credit Facility <sup>(1)</sup>	\$ 275,000	\$ 275,000
Sellers’ Notes <sup>(2)</sup>	19,149	27,606
Financing Agreement <sup>(3)</sup>	19,975	19,364
Finance liabilities <sup>(4)</sup>	18,100	18,100
Finance leases <sup>(5)</sup>	1,190	902
<b>Total debt</b>	<b>\$ 333,414</b>	<b>\$ 340,972</b>
Current portion of debt	2,642	11,347
Less: unamortized deferred financing costs	13	18
<b>Current portion of debt, net</b>	<b>\$ 2,629</b>	<b>\$ 11,329</b>
Long-term debt	330,772	329,625
Less: unamortized deferred financing costs	9,355	10,328
<b>Long-term debt, net</b>	<b>\$ 321,417</b>	<b>\$ 319,297</b>

<sup>(1)</sup> 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 (the “2021 Credit Facility”), which was borrowed in full. The 2021 Credit Agreement provided for an expansion feature that allowed the Company to request an increase in the 2021 Credit Facility 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 the expansion feature (the “2022 Loans”) for total borrowings of \$275,000 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.

We incurred initial financing costs of \$8,806 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. 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 second quarter of 2022, which was 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.

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The 2021 Credit Agreement requires mandatory prepayments from proceeds of certain events, including the proceeds of indebtedness that is not permitted under the agreement and asset sales and casualty events, subject to customary reinvestment rights. The Company 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.

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 2.50:1.00. The Company has a customary equity cure right for each of these financial covenants. The Company is in compliance with these covenants as of March 31, 2023.

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.

- (2) Sellers' Notes consist of amounts owed for acquisitions or other purchases. During the three months ended March 31, 2023, we repaid \$8,000 to the former owners of one entity that we previously acquired, which is included in "Current portion of debt, net" on the unaudited Condensed Consolidated Balance Sheet at December 31, 2022. 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 is included in "Long-term debt, net" at each of March 31, 2023 and December 31, 2022, and \$8,694 and \$8,366, respectively, related to the OPA acquisition are included in Long-term debt, net at March 31, 2023 and December 31, 2022. The \$11,000 OPA sellers' note was recorded net of a discount of \$3,010 that was calculated 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 March 31, 2023 and December 31, 2022, \$2,355 and \$3,140, respectively, remains due under the purchase of a previous non-controlling interest and are included in "Current portion of debt, net" on the unaudited Condensed Consolidated Balance Sheet at each date.

- (3) 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 March 31, 2023 and 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 March 31, 2023 because of the uncertain nature of the ERTC Claim.
- (4) Finance liabilities related to failed sale leaseback transactions. See Note 10, "Leases," for additional information.
- (5) Liabilities related to finance leases. See Note 10, "Leases," for additional information.

**Debt Maturities**

During the three months ended March 31, 2023, we repaid \$8,000 of sellers' notes related to one previous acquisition and \$786 of sellers' notes related to the former owners of a previous non-controlling interest.

At March 31, 2023, the following cash payments are required under our debt arrangements:

<i>(in thousands)</i>	<b>Remainder of 2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
Sellers' notes <sup>(1)</sup>	\$ 2,357	\$ 8,100	\$ 11,000	\$ 21,457
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.

**Ascend Wellness Holdings, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(in thousands, except per unit or per share data)

**Interest Expense**

Interest expense during the three months ended March 31, 2023 and 2022 consisted of the following:

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash interest	\$ 6,450	\$ 4,943
Accretion	1,919	573
Interest on financing liabilities <sup>(1)</sup>	570	515
Interest on finance leases	36	—
<b>Total</b>	<b>\$ 8,975</b>	<b>\$ 6,031</b>

<sup>(1)</sup> Interest on financing liability related to failed sale leaseback transactions. See Note 10, "Leases," for additional details.

**12. STOCKHOLDERS' EQUITY**

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.

The following table summarizes the total shares of Class A common stock and Class B common stock outstanding as of March 31, 2023 and December 31, 2022:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Shares of Class A common stock	189,501	187,999
Shares of Class B common stock	65	65
<b>Total</b>	<b>189,566</b>	<b>188,064</b>

**Ascend Wellness Holdings, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(in thousands, except per unit or per share data)

**Warrants**

The following table summarizes the warrants activity during the three months ended March 31, 2023:

	Number of Warrants (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Exercise Period (years)	Aggregate Intrinsic Value (in thousands) <sup>(1)</sup>
Outstanding, December 31, 2022	5,740	\$ 3.46	2.7	\$ —
Outstanding, March 31, 2023 <sup>(2)</sup>	5,740	\$ 3.46	2.5	\$ —

<sup>(1)</sup> Based on the amount by which the closing market price of our Class A common stock exceeds the exercise price on each date indicated.

<sup>(2)</sup> The warrants outstanding as of March 31, 2023 are equity-classified instruments, are subject to customary anti-dilution adjustments, and are stand-alone instruments. The fair value per warrant is calculated at issuance using a Black-Scholes model and ranged from \$0.02 to \$0.84. Significant assumptions used in the calculations included volatility ranging from 70.0% to 108.4% and risk-free rates ranging from 0.17% to 4.20%. No warrants were exercised during the three months ended March 31, 2023.

**13. EQUITY-BASED COMPENSATION EXPENSE**

**Equity Incentive Plans**

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 issued under the plan as of March 31, 2023. 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.

The following table summarizes the restricted common shares activity during the three months ended March 31, 2023:

<i>(in thousands)</i>	<b>Restricted Common Shares</b>
Invested, December 31, 2022	617
Vested	(492)
<b>Unvested, March 31, 2023</b>	<b>125</b>

As of March 31, 2023, total unrecognized compensation cost related to the restricted common shares was \$17, which is expected to be recognized over a weighted-average remaining period of 0.5 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 stock options, stock appreciation rights (“SAR Awards”), restricted stock awards (“RSAs”), restricted stock units (“RSUs”), and other stock-based awards (collectively the “2021 Plan Awards”). 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 March 31, 2023, there were 4,242 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. As of March 31, 2023, no SAR Awards and no RSAs have been granted under the 2021 Plan.

**Ascend Wellness Holdings, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(in thousands, except per unit or per share data)

On March 9, 2023, the Company’s board of directors unanimously approved, subject to stockholder approval, an amendment to the 2021 Plan (the “Amendment”) to increase the maximum number of shares of Class A common stock available for issuance under the 2021 Plan to an amount not to exceed 10% of the total number of issued and outstanding shares of Class A common stock, on a non-diluted basis, as constituted on the grant date of an award pursuant to the 2021 Plan. On May 5, 2023, the stockholders of the Company voted to approve the Amendment.

*Stock Options*

The following table summarizes stock option activity during the three months ended March 31, 2023:

<i>(in thousands, except per share amounts)</i>	<b>Options Outstanding</b>			
	<b>Number of Options</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Life (years)</b>	<b>Aggregate Intrinsic Value<sup>(1)</sup></b>
Outstanding, December 31, 2022	2,042	\$ 3.29	4.4	\$ —
Forfeited	(109)	\$ 3.36		
Outstanding, March 31, 2023	1,933	\$ 3.29	4.2	\$ —
Exercisable at March 31, 2023	261	\$ 4.10	4.1	\$ —

<sup>(1)</sup> 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 and no options were granted during the three months ended March 31, 2023. Total unrecognized stock-based compensation expense related to unvested options was \$2,441 as of March 31, 2023, which is expected to be recognized over a weighted-average remaining period of 3.1 years.

*Restricted Stock Units*

The following table summarizes the RSU activity during the three months ended March 31, 2023:

	<b>Number of Shares (in thousands)</b>	<b>Weighted-Average Grant Date Fair Value per Share</b>
Unvested, December 31, 2022	6,462	\$ 7.62
Granted	2,486	1.28
Vested <sup>(1)</sup>	(1,531)	8.49
Forfeited	(239)	5.04
<b>Unvested, March 31, 2023</b>	<b>7,178</b>	<b>\$ 5.33</b>

<sup>(1)</sup> Includes 521 vested shares that were withheld to cover tax obligations and were subsequently cancelled.

As of March 31, 2023, total unrecognized compensation cost related to the RSUs was \$35,939, which is expected to be recognized over a weighted-average remaining period of 2.1 years.

**Ascend Wellness Holdings, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(in thousands, except per unit or per share data)

**Compensation Expense by Type of Award**

The following table details the equity-based compensation expense by type of award for the periods presented:

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
RSUs	\$ 4,328	\$ 5,533
Stock Options	177	27
Restricted Common Shares	50	155
<b>Total equity-based compensation expense</b>	<b>\$ 4,555</b>	<b>\$ 5,715</b>

Of the total equity-based compensation expense, \$1,600 and \$3,211 was capitalized to inventory during the three months ended March 31, 2023 and 2022, respectively. As of March 31, 2023 and December 31, 2022, \$2,086 and \$536, respectively, remains capitalized in inventory. During the three months ended March 31, 2023 and 2022, we recognized \$2,955 and \$2,504, respectively, within “General and administrative expenses” on the unaudited Condensed Consolidated Statements of Operations and we recognized \$50 and \$3,995, 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 March 31, 2023.

**14. INCOME TAXES**

<i>(\$ in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Loss before income taxes	\$ (8,455)	\$ (20,708)
Income tax expense	10,017	7,107
Effective tax rate	(118.5)%	(34.3)%
Gross profit	\$ 35,704	\$ 23,447
Effective tax rate on gross profit	28.1 %	30.3 %

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. As such, the effective tax rate for the three months ended March 31, 2023 varies from the effective tax rate for the three months ended March 31, 2022 due to the tax-effected change in nondeductible expenses under IRC Section 280E as a proportion of pre-tax loss during the period.

The Company's quarterly tax provision is calculated under the discrete method which treats the interim period as if it were the annual period and determines the income tax expense or benefit on that basis. The discrete method is applied when application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The Company believes, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method due to the high degree of uncertainty in estimating annual pre-tax income due to the early growth stage of the business.

## **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, and certain payments related to acquisitions, as disclosed in Note 4.

### **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 March 31, 2023 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 March 31, 2023 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.

### ***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. On March 27, 2023, the parties entered a further stipulation that would modify the January 21, 2022 Stipulation and Order, but that modification has not been approved by the Court. Accordingly, 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 cannot 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 intends to consummate the contemplated transactions.

**Ascend Wellness Holdings, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(in thousands, except per unit or per share data)

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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, during the third quarter of 2022, 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, during the fourth quarter of 2022, the Company established an estimated reserve of \$3,700 related to the remaining amounts that it is actively pursuing collecting. The Company determined that the estimated reserve remained adequate as of March 31, 2023 and is included within “Other current assets” on the unaudited Condensed Consolidated Balance Sheets at March 31, 2023 and December 31, 2022.

#### **16. RELATED PARTY TRANSACTIONS**

There were no significant related party transactions during the three months ended March 31, 2023, other than as disclosed in Note 6, “Notes Receivable.”

**Ascend Wellness Holdings, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(in thousands, except per unit or per share data)

**17. SUPPLEMENTAL INFORMATION**

The following table presents supplemental information regarding our other current assets:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Deposits and other receivables	\$ 3,232	\$ 3,170
Prepaid expenses	2,937	4,765
Tenant improvement allowance	1,965	500
Construction deposits	538	863
Other	251	243
<b>Total</b>	<b>\$ 8,923</b>	<b>\$ 9,541</b>

The following table presents supplemental information regarding our accounts payable and accrued liabilities:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Accounts payable	\$ 20,940	\$ 17,065
Acquisition-related liabilities	15,471	15,943
Accrued payroll and related expenses	4,367	7,549
Fixed asset purchases	4,015	6,777
Accrued interest	—	1,100
Other	8,203	8,161
<b>Total</b>	<b>\$ 52,996</b>	<b>\$ 56,595</b>

The following table presents supplemental information regarding our general and administrative expenses:

<i>(in thousands)</i>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2023</b>	<b>2022</b>
Compensation	\$ 16,488	\$ 14,500
Depreciation and amortization	7,392	2,732
Rent and utilities	4,511	5,986
Professional services	3,372	5,864
Insurance	1,419	1,339
Marketing	1,014	675
(Gain) loss on sale of assets	(442)	818
Other	1,695	1,313
<b>Total</b>	<b>\$ 35,449</b>	<b>\$ 33,227</b>

## **18. SUBSEQUENT EVENTS**

Management has evaluated subsequent events to determine if events or transactions occurring through the filing date of this Quarterly Report on Form 10-Q 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 April 27, 2023, the Company acquired 100% of the membership interests of certain entities related to Devi Holdings, Inc. ("Devi"), pursuant to a definitive agreement that was entered into on January 25, 2023 (the "Maryland Agreement"). Through the Maryland Agreement, the Company acquired the four licensed medical cannabis dispensaries that Devi owned and operated in Maryland. Total consideration at closing consisted of cash consideration of \$12,000, subject to customary closing conditions and working capital adjustments, and 5,185 shares of Class A common stock with an estimated fair value of \$4,770. The Company anticipates accounting for this transaction as a business combination and is in the process of completing the preliminary purchase price allocation of the net assets acquired.

## **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The following management discussion and analysis, which we refer to as the “MD&A,” of the financial condition and results of operations of Ascend Wellness Holdings, Inc. (the “Company,” “AWH,” or “Ascend”) is for the three months ended March 31, 2023 and 2022. It is supplemental to, and should be read in conjunction with, the unaudited condensed consolidated financial statements, and the accompanying notes thereto, (the “Financial Statements”) appearing elsewhere in this Quarterly Report on Form 10-Q (the “Quarterly Report” or “Form 10-Q”) and our Annual Report on Form 10-K for the year ended December 31, 2022 (the “Annual Report”), which has been filed with the United States Securities and Exchange Commission (“SEC”) and with the relevant Canadian securities regulatory authorities under its profile on the System for Electronic Document Analysis and Retrieval (“SEDAR”). The Financial Statements and Annual Report were prepared in accordance with accounting principles generally accepted in the United States of America, which we refer to as “GAAP.”

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements. In addition to historical information, the discussion in this section contains forward-looking statements and forward-looking information (collectively, “forward-looking information”) that involve risks and uncertainties. Generally, forward-looking information may be identified by the use of forward-looking terminology such as “plans,” “expects,” “does not expect,” “proposed,” “is expected,” “budgets,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates,” “does not anticipate,” “believes,” or variations of such words and 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 information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information. Forward-looking information is subject to known and unknown risks, uncertainties, and other factors that may cause the actual results, level of activity, performance, or achievements of the Company to be materially different from those or implied by such forward-looking information. 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.

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<sup>®</sup> Best Market 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.

Since our formation, we have expanded our operational footprint, primarily through acquisitions, and, as of March 31, 2023, had direct or indirect operations or financial interests in six United States geographic markets: Illinois, Michigan, Ohio, Massachusetts, New Jersey, and Pennsylvania. In April 2023, we closed on a definitive agreement that expanded our operations into the state of Maryland and represents our seventh United States geographic market. 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. We currently employ approximately 2,000 people.

Our consumer products portfolio is generated primarily from plant material that we grow and process ourselves. As of March 31, 2023, we produce our consumer packaged goods in six manufacturing facilities with 245,000 square feet of current operational canopy and total current capacity of approximately 123,000 pounds annually. As of March 31, 2023, our product portfolio consists of 554 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 March 31, 2023, we have 26 open and operating retail locations and opened one additional location in April 2023. We expect to have 39 retail locations by mid-2024, which includes the four dispensaries that we acquired in Maryland in April 2023. 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.

## **Recent Developments**

### ***Business Developments***

AWH continues to further develop its business and operations, including:

- continuing the build out of our Pennsylvania cultivation facility, which had its first harvest at the end of March;
- opening dispensaries in New Bedford, Massachusetts and Grand Rapids, Michigan, and, subsequently, in Tinley Park, Illinois; and
- subsequently acquiring four licensed medical cannabis dispensaries in Maryland, as further described below.

### ***Recent and Pending Transactions***

#### **Maryland**

On April 27, 2023, the Company acquired 100% of the membership interests of certain entities related to Devi Holdings, Inc. (“Devi”), pursuant to a definitive agreement that was entered into on January 25, 2023 (the “Maryland Agreement”). Through the Maryland Agreement, the Company acquired the four licensed medical cannabis dispensaries that Devi owned and operated in Maryland. Total consideration at closing consisted of cash consideration of \$12,000, subject to customary closing conditions and working capital adjustments, and 5,185 shares of Class A common stock with an estimated fair value of \$4,770. The Company anticipates accounting for this transaction as a business combination.

#### **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 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 consists of the fair value of the cash consideration of \$19,290 plus the initial 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 unaudited Condensed Consolidated Balance Sheet in the Financial Statements at March 31, 2023; refer to Note 11, "Debt," in the Financial Statements for additional information. The estimated fair value of the contingent consideration is included within "Other non-current liabilities" on the unaudited Condensed Consolidated Balance Sheets in the Financial Statements at March 31, 2023 and 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. 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 "Current portion of debt, net" on the unaudited Condensed Consolidated Balance Sheet in the Financial Statements at March 31, 2023; refer to Note 11, "Debt," in the Financial Statements for additional information.

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 "Current portion of debt, net" on the unaudited Condensed Consolidated Balance Sheet in the Financial Statements at March 31, 2023.

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 related to these transactions.

### ***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 the Annual Report.

### **Key Financial Highlights**

- Revenue increased by \$29,086, or 34%, during Q1 2023, as compared to Q1 2022, primarily driven by incremental revenue from new site openings and growth from our existing business.
- Operating profit of \$255 during Q1 2023, as compared to an operating loss of \$14,780 in Q1 2022, primarily driven by improved gross profit margin and the absence of a litigation settlement charge.
- Net decrease in cash and cash equivalents of \$850 during the three months ended March 31, 2023, primarily driven by net cash used in investing activities, including payments related to prior year acquisitions, offset by timing of payments related to working capital and operating activities.

## RESULTS OF OPERATIONS

Three Months Ended March 31, 2023 Compared with the Three Months Ended March 31, 2022

(\$ in thousands)	Three Months Ended March 31,		Increase / (Decrease)	
	2023	2022		
Revenue, net	\$ 114,176	\$ 85,090	\$ 29,086	34%
Cost of goods sold	(78,472)	(61,643)	16,829	27%
<b>Gross profit</b>	<b>35,704</b>	<b>23,447</b>	<b>12,257</b>	<b>52%</b>
Gross profit %	31.3 %	27.6 %		
<b>Operating expenses</b>				
General and administrative expenses	35,449	33,227	2,222	7%
Settlement expense	—	5,000	(5,000)	NM*
Total operating expenses	35,449	38,227	(2,778)	(7)%
<b>Operating profit (loss)</b>	<b>255</b>	<b>(14,780)</b>	<b>15,035</b>	<b>102%</b>
<b>Other (expense) income</b>				
Interest expense	(8,975)	(6,031)	2,944	49%
Other, net	265	103	162	157%
Total other expense	(8,710)	(5,928)	2,782	47%
Loss before income taxes	(8,455)	(20,708)	(12,253)	(59)%
Income tax expense	(10,017)	(7,107)	2,910	41%
<b>Net loss</b>	<b>\$ (18,472)</b>	<b>\$ (27,815)</b>	<b>\$ (9,343)</b>	<b>(34)%</b>

\*Not meaningful

### Revenue

Revenue increased by \$29,086, or 34%, during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. Our revenue growth was primarily driven by \$8,506 of incremental related to new dispensaries that opened during 2022 and 2023 and an increase of \$7,798 across our legacy locations, which includes a benefit from the commencement of adult-use sales at our New Jersey dispensaries that began in 2022. Additionally, we recognized \$3,408 of incremental revenue from acquisitions, which includes \$257 related to the Marichron acquisition that occurred in late 2022. The current period also benefited from a \$9,374 increase in net revenue related to our wholesale operations, primarily driven by an increase in wholesale volume sold, particularly in New Jersey, but partially offset by pricing pressure across the markets in which we operate. As of March 31, 2023, we had 554 SKUs for our cultivation products, compared to 285 SKUs as of March 31, 2022.

### Cost of Goods Sold and Gross Profit

Cost of goods sold increased by \$16,829, or 27%, during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. 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. Gross profit for the three months ended March 31, 2023 was \$35,704, representing a gross margin of 31.3%, compared to gross profit of \$23,447 and gross margin of 27.6% for the three months ended March 31, 2022. The increase in gross margin was primarily driven by improved utilization and production at our Massachusetts and New Jersey cultivation facilities due to increased production, partially offset by pricing pressure and lower margins from our outlet stores. Additionally, the current period included \$3,942 of write-downs of certain inventory items primarily within our Michigan and Massachusetts businesses, compared with total write-downs of \$2,204 in the prior period.

### ***General and Administrative Expenses***

General and administrative expenses increased by \$2,222, or 7%, during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The increase was primarily driven by:

- a \$4,660 increase in depreciation and amortization expense due to \$3,854 of incremental amortization of licenses driven by prior year acquisitions and \$806 of incremental depreciation expense due to a larger average balance of fixed assets in service; and
- a \$1,988 increase in compensation expense, including \$451 higher equity-based compensation expense.

These increases were partially offset by:

- \$2,492 lower fees related to professional services and external support, driven by lower legal expenses; and
- \$1,475 lower overhead due to improved utilization at our cultivation facilities.

### ***Settlement Expense***

During 2022, we recognized an expense of \$5,000 related to the settlement of a stockholder dispute.

### ***Interest Expense***

Interest expense increased by \$2,944, or 49%, during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The increase was primarily driven by higher cash interest expense associated with additional borrowings under our credit facility. During the three months ended March 31, 2023, the Company had a weighted-average outstanding debt balance of \$335,104 with a weighted-average interest rate of 9.9%, excluding finance leases, compared to a weighted-average debt balance of \$241,649 during the three months ended March 31, 2022 with a weighted-average interest rate of 9.6%.

### ***Income Tax Expense***

The Company's quarterly tax provision is calculated under the discrete method which treats the interim period as if it were the annual period and determines the income tax expense or benefit on that basis. The discrete method is applied when application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The Company believes, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method due to the high degree of uncertainty in estimating annual pre-tax income due to the early growth stage of the business. 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. During the three months ended March 31, 2023 the Company had 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, 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. There have been no material changes to income tax matters in connection with the normal course of our operations during the current year.

Income tax expense was \$10,017, or 28.1%, of gross profit, during the three months ended March 31, 2023, as compared to \$7,107, or 30.3%, of gross profit, during the three months ended March 31, 2022. The effective tax rate on gross profit for the three months ended March 31, 2023 benefited from an incremental impact attributable to the tax accounting treatment of certain acquired intangible assets, partially offset by relatively higher penalties and interest due on federal tax payments in the current year as compared to the prior year.

## 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 three months ended March 31, 2023 and 2022:

<i>(\$ in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Gross Profit	\$ 35,704	\$ 23,447
Depreciation and amortization included in cost of goods sold	6,327	2,943
Equity-based compensation included in cost of goods sold	50	3,995
Start-up costs included in cost of goods sold <sup>(1)</sup>	1,570	3,923
Non-cash inventory adjustments <sup>(2)</sup>	3,942	2,204
<b>Adjusted Gross Profit</b>	<b>\$ 47,593</b>	<b>\$ 36,512</b>
<i>Adjusted Gross Margin</i>	<i>41.7 %</i>	<i>42.9 %</i>

<sup>(1)</sup> 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.

<sup>(2)</sup> Consists of write-offs of expired products, obsolete packaging, and net realizable value adjustments related to certain inventory items in Michigan and Massachusetts.

The following table presents Adjusted EBITDA for the three months ended March 31, 2023 and 2022:

(\$ in thousands)	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (18,472)	\$ (27,815)
Income tax expense	10,017	7,107
Other (income) expense	(265)	(103)
Interest expense	8,975	6,031
Depreciation and amortization	13,719	5,675
Non-cash inventory adjustments <sup>(1)</sup>	3,942	2,204
Equity-based compensation	3,005	6,499
Start-up costs <sup>(2)</sup>	2,527	4,760
Transaction-related and other non-recurring expenses <sup>(4)</sup>	302	6,194
(Gain) loss on sale of assets	(442)	818
Litigation settlement	—	5,000
<b>Adjusted EBITDA</b>	<b>\$ 23,308</b>	<b>\$ 16,370</b>
<i>Adjusted EBITDA Margin</i>	<i>20.4 %</i>	<i>19.2 %</i>

<sup>(1)</sup> Consists of write-offs of expired products, obsolete packaging, and net realizable value adjustments related to certain inventory items in Michigan and Massachusetts.

<sup>(2)</sup> 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 2023 amount also includes a \$491 fair value adjustment related to the OPA acquisition earn-out.

<sup>(3)</sup> Legal and professional fees associated with litigation matters, potential acquisitions, and other regulatory matters and other non-recurring expenses.

## 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, and 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 March 31, 2023 and December 31, 2022, we had total current liabilities of \$109,812 and \$110,949, respectively, and total current assets of \$204,208 and \$198,743, respectively, which includes cash and cash equivalents of \$73,296 and \$74,146, respectively, to meet our current obligations. As of March 31, 2023, we had working capital of \$94,396, compared to \$87,794 as of December 31, 2022.

Approximately 94% and 90% of our cash and cash equivalents balance as of March 31, 2023 and December 31, 2022, 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 March 31, 2023 and December 31, 2022, as well as a net loss for the three months ended March 31, 2023 and 2022, 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 facility (the "2021 Credit Facility") which provided for an initial term loan of \$210,000. We had the ability to request an increase in the 2021 Credit Facility 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") for total borrowings of \$275,000 outstanding as of March 31, 2023. 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. The initial proceeds from 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.

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 2.50:1.00. The Company has a customary equity cure right for each of these financial covenants. The Company is in compliance with these covenants as of March 31, 2023. 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 March 31, 2023. 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 March 31, 2023 because of the uncertain nature of the ERTC Claim. Refer to Note 11, "Debt," in the Financial Statements for additional information.

### **Cash Flows**

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net cash provided by (used in) operating activities	\$ 5,778	\$ (10,245)
Net cash used in investing activities	(5,679)	(622)
Net cash used in financing activities	(949)	(817)

#### *Operating Activities*

Net cash provided by operating activities was \$5,778 during the three months ended March 31, 2023, as compared to net cash used in operating activities of \$10,245 during the three months ended March 31, 2022, primarily driven by the timing of payments to suppliers and vendors and other working capital payments, as well as the timing and amount of income tax payments.

#### *Investing Activities*

Net cash used in investing activities increased by \$5,057 during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The increase was primarily due to the absence of proceeds from the sale of assets that occurred in the prior year, partially offset by lower payments associated with acquisitions and a benefit from reimbursements under tenant improvement allowances related to leasehold improvement expenditures.

### Financing Activities

Net cash used in financing activities increased by \$132 during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The slight increase was primarily due to higher payments for taxes withheld under equity-based compensation plans and repayments associated with finance leases.

### 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 March 31, 2023:

(in thousands)

Contractual Obligations	Commitments Due by Period				
	Total	Remainder of 2023	2024 - 2025	2026 - 2027	Thereafter
Term notes <sup>(1)</sup>	\$ 275,000	\$ —	\$ 275,000	\$ —	\$ —
Fixed interest related to term notes <sup>(2)</sup>	62,915	19,683	43,232	—	—
Sellers' Notes <sup>(3)</sup>	21,457	2,357	19,100	—	—
Finance arrangements <sup>(4)</sup>	21,431	1,738	4,941	5,275	9,477
Operating leases <sup>(5)</sup>	664,869	27,180	75,297	78,744	483,648
Finance leases <sup>(5)</sup>	1,493	321	856	316	—
Other commitments <sup>(6)</sup>	15,471	—	15,471	—	—
<b>Total</b>	<b>\$ 1,062,636</b>	<b>\$ 51,279</b>	<b>\$ 433,897</b>	<b>\$ 84,335</b>	<b>\$ 493,125</b>

(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 March 31, 2023. 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 \$5,567 at March 31, 2023 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 under the research collaboration agreement over the ten years following the agreement date. Since the timing of the payments may vary, this amount has been excluded from the table above.

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 the remainder of 2023, including expenditures related to the Maryland transaction. 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 the remainder of 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 March 31, 2023, our construction in progress (“CIP”) balance was \$11,050 and relates to capital spending on projects that were not yet complete. This balance includes amounts related to: the expansion of our New Jersey cultivation facility; certain projects at our Illinois cultivation facility; the build out of the Tinley Park dispensary that opened in April 2023; the build out of dispensaries in Ohio; and other projects across our dispensaries and cultivation facilities.

## Other Matters

### *Equity Incentive Plans*

As of March 31, 2023, a total of 9,994 restricted common shares had been issued under the equity incentive plan approved in 2020 (the “2020 Plan”), of which 125 were unvested as of March 31, 2023. Total unrecognized compensation cost related to the restricted common shares was \$17 as of March 31, 2023, which is expected to be recognized over a weighted-average remaining period of 0.5 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 March 31, 2023, there were 4,242 shares of Class A common stock available for grant for future equity-based compensation awards under the 2021 Plan.

During the three months ended March 31, 2023, the Company granted a total of 2,486 RSUs under the 2021 Plan. As of March 31, 2023, a total of 14,438 RSUs have been granted under the 2021 Plan, of which 7,178 are unvested as of March 31, 2023. Total unrecognized compensation cost related to the RSUs was \$35,939 as of March 31, 2023, which is expected to be recognized over a weighted-average remaining period of 2.1 years.

Additionally, 1,933 stock option awards are outstanding as of March 31, 2023, of which 261 of which are exercisable. No options were granted or exercised during the three months ended March 31, 2023. The outstanding options have a remaining weighted-average contractual life of 4.2 years as of March 31, 2023, and total unrecognized stock-based compensation expense related to unvested options was \$2,441, which is expected to be recognized over a weighted-average remaining period of 3.1 years.

Total equity-based compensation expense was \$4,555 and \$5,715 during the three months ended March 31, 2023 and 2022, respectively, of which \$1,600 and \$3,211, respectively, was capitalized to inventory. As of March 31, 2023 and December 31, 2022, \$2,086 and \$536, respectively, remains capitalized in inventory. During the three months ended March 31, 2023, we recognized \$2,955 within “General and administrative expenses” on the unaudited Condensed Consolidated Statements of Operations in the Financial Statements and we recognized \$50 within “Cost of goods sold.” During the three months ended March 31, 2022, we recognized \$2,504 within “General and administrative expenses” and we recognized \$3,995 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 March 31, 2023, no shares have been issued under the 2021 ESPP.

On March 9, 2023, the Company’s board of directors unanimously approved, subject to stockholder approval, an amendment to the 2021 Plan (the “Amendment”) to increase the maximum number of shares of Class A common stock available for issuance under the 2021 Plan to an amount not to exceed 10% of the total number of issued and outstanding shares of Class A common stock, on a non-diluted basis, as constituted on the grant date of an award pursuant to the 2021 Plan. On May 5, 2023, the stockholders of the Company voted to approve the Amendment.

#### ***Lease-Related Transactions***

In February 2023, we amended the lease related to our Franklin, New Jersey cultivation facility to increase the tenant improvement allowance, which resulted in increased rent amounts. We accounted for the amendment as a lease modification and remeasured the ROU asset and lease liability as of the amendment date. The modification resulted in a total additional tenant improvement allowance of \$15,000, a reduction of \$2,254 to the ROU asset, and an increase of \$12,746 to the lease liability.

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

#### ***COVID-19 Pandemic***

We continue to evaluate and implement actions to strengthen our financial position and support the continuity of our business and operations in the face of the COVID-19 pandemic (the “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 \$73,296 as of March 31, 2023 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.

#### ***Legal Matters***

##### ***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. On March 27, 2023, the parties entered a further stipulation that would modify the January 21, 2022 Stipulation and Order, but that modification has not been approved by the Court. Accordingly, 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 cannot 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 intends 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, during the third quarter of 2022, 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, during the fourth quarter of 2022, the Company established an estimated reserve of \$3,700 related to the remaining amounts that it is actively pursuing collecting. The Company determined that the estimated reserve remained adequate as of March 31, 2023 and is included within “Other current assets” on the unaudited Condensed Consolidated Balance Sheets in the Financial Statements at March 31, 2023 and December 31, 2022.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our accompanying Financial Statements are prepared in accordance with GAAP, which requires us to make certain estimates in the application of our accounting policies based on the best assumptions, judgments, and opinions of our management. The Company's significant accounting policies are described in Note 2, "Basis of Presentation and Significant Accounting Policies," in the Financial Statements. For a description of our critical accounting policies, see Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report. There have been no significant changes to our critical accounting policies and estimates, except as disclosed in Note 2, "Basis of Presentation and Significant Accounting Policies," to the Financial Statements.

### ***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," to the Financial Statements.

The Company is an emerging growth company under federal securities laws and as such we are able to elect to follow scaled disclosure requirements for this filing, including an extended transition period for complying with new or revised accounting standards applicable to public companies.

## **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 incorporated by reference from subsections "Overview of Government Regulation," "Compliance with Applicable State Laws in the United States," and "State Regulation of Cannabis," under Item 1., "Business," of the Company's Annual Report, as filed with the Securities and Exchange Commission and with the relevant Canadian securities regulatory authorities under its profile on SEDAR.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are exposed in varying degrees to various market risks, including changes in interest rates, prices of raw materials, and other financial instrument related risks. There have been no material changes in our market risks from those disclosed in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 31, 2022.

### **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 March 31, 2023 and December 31, 2022, as well as a net loss for the three months ended March 31, 2023 and 2022, 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 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.

#### **ITEM 4. CONTROLS AND PROCEDURES.**

##### **a. Disclosure Controls and Procedures.**

As of the end of the period covered by this report, our 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 Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based upon that evaluation, our 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 United States Securities and Exchange Commission and (2) accumulated and communicated to our management, including our Principal Executive Officers and Principal Financial Officer, to allow timely decisions regarding required disclosure.

##### **b. Changes in Internal Control Over Financial Reporting.**

There have been no changes in our internal control over financial reporting identified in connection with the evaluation described above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **PART II. OTHER INFORMATION**

##### **ITEM 1. LEGAL PROCEEDINGS.**

A discussion of our litigation matters occurring in the period covered by this report is found in [Note 15](#), “Commitments and Contingencies,” to the Financial Statements in this Form 10-Q.

##### **ITEM 1A. RISK FACTORS.**

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, in response to Item 1A., “Risk Factors,” of Part I of the Annual Report.

##### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

There have been no sales of unregistered securities during the quarter ended March 31, 2023, and from the period from April 1, 2023 to the filing date of this report, which have not been previously disclosed in a prior Current Report on Form 8-K.

##### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

##### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

##### **ITEM 5. OTHER INFORMATION.**

Not applicable.

**ITEM 6. EXHIBITS.**

**(a) EXHIBIT INDEX**

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	<a href="#">Certificate of Incorporation</a>	S-1	333-254800	3.4	April 23, 2021
3.2	<a href="#">Bylaws</a>	S-1	333-254800	3.5	April 23, 2021
4.1	<a href="#">Specimen Stock Certificate evidencing the shares of common stock</a>	S-1	333-254800	4.1	April 15, 2021
4.2	<a href="#">Form of Registration Rights Agreement</a>	S-1	333-254800	4.2	April 23, 2021
4.3	<a href="#">Form of Warrant Agreement between Ascend Wellness Holdings, Inc. and each of the several lenders, dated June 30, 2022</a>	10-Q	333-254800	4.5	August 15, 2022
10.1†	<a href="#">Amendment to the Ascend Wellness Holdings, Inc. 2021 Stock Incentive Plan</a>	8-K	333-254800	10.1	May 9, 2023
10.2†	<a href="#">Employment Agreement between Ascend Wellness Holdings, Inc. and John Hartmann, dated May 9, 2023</a>	8-K	333-254800	10.2	May 9, 2023
10.3†	<a href="#">Amendment No. 1 to the Amended and Restated Employment Agreement between Ascend Wellness Holdings, Inc. and Francis Perullo, dated May 9, 2023</a>	8-K	333-254800	10.3	May 9, 2023
31.1*	<a href="#">Certification of Periodic Report by Interim Co-Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
31.2*	<a href="#">Certification of Periodic Report by Interim Co-Principal Executive Officer and Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
32‡	<a href="#">Certification of Interim Co-Chief Executive Officers and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				
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.

## SIGNATURES

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

May 10, 2023

**Ascend Wellness Holdings, Inc.**

/s/ Daniel Neville

Daniel Neville

Interim Co-Chief Executive Officer

(Interim Co-Principal Executive Officer) and

Chief Financial Officer

(Principal Financial Officer)

May 10, 2023

/s/ Roman Nemchenko

Roman Nemchenko

Executive Vice President,

Chief Accounting Officer

(Principal Accounting Officer)

**CERTIFICATION OF INTERIM CO-CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934  
RULE 13a-14(a) OR 15d-14(a)**

I, Frank Perullo, certify that:

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

May 10, 2023

/s/ Frank Perullo

Frank Perullo

Interim Co-Chief Executive Officer,

President and Co-Founder

(Interim Co-Principal Executive Officer)

**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 Quarterly Report on Form 10-Q 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) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 10, 2023

/s/ Daniel Neville

Daniel Neville  
Interim Co-Chief Executive Officer  
(Interim Co-Principal Executive Officer) and  
Chief Financial Officer  
(Principal Financial Officer)

**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 Quarterly Report of Ascend Wellness Holdings, Inc. (the “Company”) for the quarter ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Frank 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.

May 10, 2023

/s/ Frank Perullo

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Frank Perullo  
Interim Co-Chief Executive Officer,  
President and Co-Founder  
(Interim Co-Principal Executive Officer)

May 10, 2023

/s/ Daniel Neville

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Daniel Neville  
Interim Co-Chief Executive Officer  
(Interim Co-Principal Executive Officer) and  
Chief Financial Officer  
(Principal Financial Officer)