ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ASCEND WELLNESS HOLDINGS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ascend Wellness Holdings, Inc. and its subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes to the consolidated financial statements (collectively, the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Macias Gini & O'Connell LLP

We have served as the Company's auditor since 2021.

Walnut Creek, California
March 13, 2025

ASCEND WELLNESS HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	December 31, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 88,254	$ 72,508
Accounts receivable, net	36,542	28,298
Inventory	89,552	95,294
Notes receivable	4,100	13,116
Other current assets	10,928	19,644
Total current assets	229,376	228,860
Property and equipment, net	260,461	268,082
Operating lease right-of-use assets	139,067	130,556
Intangible assets, net	205,502	221,452
Goodwill	49,599	47,538
Other non-current assets	16,426	23,062
TOTAL ASSETS	$ 900,431	$ 919,550
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 59,435	$ 71,112
Current portion of debt, net	73,881	11,148
Operating lease liabilities, current	5,469	3,660
Income taxes payable	696	—
Other current liabilities	5,060	6,766
Total current liabilities	144,541	92,686
Long-term debt, net	234,542	297,565
Operating lease liabilities, non-current	267,221	261,087
Deferred tax liabilities, net	23,439	35,745
Other non-current liabilities	158,887	89,595
Total liabilities	828,630	776,678
Commitments and contingencies (Note 15)		
Stockholders' Equity		
Preferred stock, $0.001 par value per share; 10,000 shares authorized, none issued and outstanding as of December 31, 2024 and 2023 (Note 12)	—	—
Class A common stock, $0.001 par value per share; 750,000 shares authorized, 204,961 and 206,810 shares issued and outstanding as of December 31, 2024 and 2023 (Note 12)	205	207
Class B common stock, $0.001 par value per share, 100 shares authorized, 65 shares issued and outstanding as of December 31, 2024 and 2023 (Note 12)	—	—
Additional paid-in capital	471,129	458,027
Accumulated deficit	(400,356)	(315,362)
Equity of Ascend Wellness Holdings, Inc.	70,978	142,872
Non-controlling interests	823	—
Total stockholders' equity	71,801	142,872
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 900,431	$ 919,550

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

ASCEND WELLNESS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Year Ended December 31, 2024	2023	2022
Revenue, net	$ 561,599	$ 518,590	$ 405,926
Cost of goods sold	(377,389)	(363,470)	(271,363)
Gross profit	184,210	155,120	134,563
Operating expenses			
General and administrative expenses	179,476	158,739	137,089
Settlement expense	—	—	5,000
Total operating expenses	179,476	158,739	142,089
Operating profit (loss)	4,734	(3,619)	(7,526)
Other (expense) income			
Interest expense	(45,263)	(36,984)	(32,436)
Other, net	707	25,843	756
Total other expense	(44,556)	(11,141)	(31,680)
Loss before income taxes	(39,822)	(14,760)	(39,206)
Income tax expense	(45,172)	(33,454)	(41,693)
Net loss	$ (84,994)	$ (48,214)	$ (80,899)
Net loss per share attributable to Class A and Class B stockholders — basic and diluted (Note 12)	$ (0.40)	$ (0.24)	$ (0.44)
Weighted-average common shares outstanding — basic and diluted	212,433	199,154	183,381

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

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

(in thousands)	Class A and Class B Common Stock Shares	Class A and Class B Common Stock Amount	Attributable to Ascend Wellness Holdings, Inc. Common Stockholders: Additional Paid-In Capital	Accumulated Deficit	Stockholders' Equity	Non-Controlling Interests	Total Equity
December 31, 2021	171,586	$ 171	$ 362,555	$ (186,249)	$ 176,477	$ —	$ 176,477
Shares issued in acquisitions or asset purchases	12,900	13	42,944	—	42,957	—	42,957
Vesting of equity-based payment awards	4,998	5	(5)	—	—	—	—
Equity-based compensation expense	—	—	27,570	—	27,570	—	27,570
Taxes withheld under equity-based compensation plans, net	(1,420)	(1)	(5,328)	—	(5,329)	—	(5,329)
Issuance of warrants	—	—	2,639	—	2,639	—	2,639
Net loss	—	—	—	(80,899)	(80,899)	—	(80,899)
December 31, 2022	188,064	$ 188	$ 430,375	$ (267,148)	$ 163,415	$ —	$ 163,415
Shares issued in private offering, net of offering expenses	9,859	10	6,990	—	7,000	—	7,000
Shares issued in acquisitions or asset purchases	5,185	5	4,765	—	4,770	—	4,770
Vesting of equity-based payment awards	4,950	5	(5)	—	—	—	—
Equity-based compensation expense	—	—	16,938	—	16,938	—	16,938
Taxes withheld under equity-based compensation plans, net	(1,402)	(1)	(1,222)	—	(1,223)	—	(1,223)
Exercise of stock options	219	—	186	—	186		186
Net loss	—	—	—	(48,214)	(48,214)	—	(48,214)
December 31, 2023	206,875	$ 207	$ 458,027	$ (315,362)	$ 142,872	$ —	$ 142,872
Vesting of equity-based payment awards	13,628	14	(14)	—	—	—	—
Equity-based compensation expense	—	—	21,452	—	21,452	—	21,452
Taxes withheld under equity-based compensation plans, net	(4,683)	(5)	(5,771)	—	(5,776)	—	(5,776)
Exercise of stock options	206	—	175	—	175	—	175
Repurchase of common stock	(11,000)	(11)	(2,739)	—	(2,750)	—	(2,750)
Repurchase of warrants	—	—	(1)	—	(1)	—	(1)
Recognition of non-controlling interests	—	—	—	—	—	1,050	1,050
Distributions to non-controlling interests	—	—	—	—	—	(227)	(227)
Net loss	—	—	—	(84,994)	(84,994)	—	(84,994)
December 31, 2024	205,026	$ 205	$ 471,129	$ (400,356)	$ 70,978	$ 823	$ 71,801

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

ASCEND WELLNESS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(in thousands)	2024	2023	2022
Cash flows from operating activities			
Net loss	$ (84,994)	$ (48,214)	$ (80,899)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	66,157	58,983	37,106
Amortization of operating lease assets	1,965	1,053	1,136
Non-cash interest expense	8,269	8,486	5,754
Equity-based compensation expense	18,614	19,776	18,979
Deferred income taxes	(12,306)	(12,250)	(5,755)
Loss (gain) on sale of assets	16	(226)	345
Other	12,249	21,550	16,116
Changes in operating assets and liabilities, net of effects of acquisitions			
Accounts receivable	(8,244)	(14,197)	(6,477)
Inventory	1,809	(14,885)	(43,813)
Other current assets	375	(9,740)	8,128
Other non-current assets	(772)	(424)	(214)
Accounts payable and accrued liabilities	(2,848)	26,807	12,741
Other current liabilities	(1,706)	1,052	561
Lease liabilities	(2,471)	(682)	(558)
Income taxes	77,179	38,245	(1,506)
Net cash provided by (used in) operating activities	73,292	75,334	(38,356)
Cash flows from investing activities			
Additions to capital assets	(22,534)	(24,248)	(81,642)
Investments in notes receivable	(600)	(15,169)	(2,772)
Collection of notes receivable	8,427	327	327
Proceeds from sale of assets	11	15,000	39,225
Acquisition of businesses, net of cash acquired	(9,800)	(19,857)	(25,140)
Purchases of intangible assets	(12,700)	(15,943)	(44,252)
Net cash used in investing activities	(37,196)	(59,890)	(114,254)
Cash flows from financing activities			
Proceeds from issuance of common stock in private placement	—	7,000	—
Proceeds from issuance of debt	217,413	—	84,364
Repayments of debt	(215,786)	(23,188)	(3,143)
Proceeds from finance leases	—	—	350
Repayments under finance leases	(892)	(369)	(69)
Debt issuance costs	(7,193)	—	(4,998)
Proceeds from exercise of stock options	175	186	—
Taxes withheld under equity-based compensation plans, net	(6,247)	(711)	(5,229)
Repurchase of common stock and warrants	(2,751)	—	—
Payment of contingent consideration	(4,842)	—	—
Distributions to non-controlling interests	(227)	—	—
Net cash (used in) provided by financing activities	(20,350)	(17,082)	71,275
Net increase (decrease) in cash, cash equivalents, and restricted cash	15,746	(1,638)	(81,335)
Cash, cash equivalents, and restricted cash at beginning of period	72,508	74,146	155,481
Cash, cash equivalents, and restricted cash at end of period	$ 88,254	$ 72,508	$ 74,146

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

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

	Year Ended December 31,		
(in thousands)	2024	2023	2022
Supplemental Cash Flow Information			
Interest paid	$ 16,894	$ 27,092	$ 23,613
Income tax (refunds) payments, net	(19,613)	7,425	48,937
Non-cash investing and financing activities			
Capital expenditures incurred but not yet paid	$ 1,977	$ 5,738	$ 6,777
Taxes withheld under equity-based compensation plans, net	141	612	100
Non-controlling interest recognized upon initial consolidation of variable interest entities	1,050	—	—
Issuance of shares in business acquisitions	—	4,770	—
Issuance of shares for purchase of intangible assets	—	—	42,957
Warrants issued with notes payable	—	—	2,639

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

1. THE COMPANY AND NATURE OF OPERATIONS

Ascend Wellness Holdings, Inc., which operates through its subsidiaries (collectively referred to as "AWH," "Ascend," "we," "us," "our," or the "Company"), is a vertically integrated multi-state operator in the United States cannabis industry. AWH owns, manages, and operates cannabis cultivation facilities and dispensaries in several states across the United States, including Illinois, Maryland, Massachusetts, Michigan, New Jersey, Ohio, 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 Morristown, New Jersey.

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

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements and accompanying notes (the "Financial Statements") have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Financial Statements include the accounts of Ascend Wellness Holdings, Inc. and its subsidiaries. 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 share or per unit amounts or as otherwise stated. We calculate all percentages, per-unit, and per-share data from the underlying whole-dollar amounts. Thus, certain amounts may not foot, crossfoot, or recalculate based on reported numbers due to rounding. The consolidated financial statements and the accompanying notes are expressed in U.S. dollars, which is the Company's functional currency. Unless otherwise indicated, all references to years are to our fiscal year, which ends on December 31.

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

Use of Estimates

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

Liquidity

As reflected in the Financial Statements, the Company had an accumulated deficit as of December 31, 2024 and 2023, as well as a net loss for 2024, 2023, and 2022, respectively. While we generated positive cash flows from operating activities during 2024 and 2023, historical cash flows from operating activities were negative. These financial factors are indicators that raise substantial doubt of our ability to continue as a going concern. Management believes that substantial doubt of our ability to continue as a going concern for at least one year from the issuance of these Financial Statements has been alleviated due to: (i) cash on hand and (ii) continued growth of sales from our consolidated operations. Management plans to continue to access capital markets for additional funding through debt and/or equity financings to supplement future cash needs, as may be required. However, management cannot provide any assurances that the Company will be successful in accomplishing its business plans. If the Company is unable to raise additional capital whenever necessary, it may be forced to decelerate or curtail certain of its operations until such time as additional capital becomes available.

Reclassifications

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

Variable Interest Entities

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

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

Where we determine we are the primary beneficiary of a VIE, we consolidate the accounts of that VIE. The equity owned by other stockholders is shown as non-controlling interests in the 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. See Note 8, “Variable Interest Entities,” for additional information.

Non-Controlling Interests

Non-controlling interests (“NCI”) represent equity interests in certain of our subsidiaries that are owned by outside parties. NCI may be initially measured at fair value or at the NCI’s proportionate share of the recognized amounts of the acquiree’s identifiable net assets, made on a transaction by transaction basis. The share of net assets attributable to NCI are presented as a component of equity and their share of net income or loss is recognized directly in equity, as applicable. Total comprehensive income or loss of subsidiaries is attributed to the Company and to the NCI, even if this results in the NCI having a deficit balance. See Note 4, “Acquisitions,” and Note 8, “Variable Interest Entities,” for additional information regarding the NCI associated with certain transactions.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash deposits in financial institutions plus cash held at retail locations. Cash and cash equivalents are stated at nominal value, which equals fair value. We did not hold significant cash equivalents or restricted cash balances as of December 31, 2024 and 2023.

We maintain cash with various U.S. banks and credit unions with balances in excess of the Federal Deposit Insurance Corporation and National Credit Union Share Insurance Fund limits. The failure of a bank or credit union where we have significant deposits could result in a loss of a portion of such cash balances in excess of the insured limits, which could materially and adversely affect our business, financial condition, and results of operations.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, which may bear interest and do not require collateral. Past due balances are determined based on the contractual terms of the arrangements. Effective January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and the related subsequent amendments to the Accounting Standards Codification ("ASC"), including the 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"). Following the adoption of ASC 326, the Company estimates its allowance for doubtful accounts related to trade receivables based on 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. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired.

The Company recorded $2,119 and $1,939 in allowance for doubtful accounts as of December 31, 2024 and 2023, respectively. Write-offs were not significant during 2024, 2023, or 2022.

Inventory

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

Notes Receivable

The Company may provide financing to various related and non-related businesses within the cannabis industry. These notes are generally classified as held for investment and are accounted for as financial instruments at their amortized cost basis in accordance with ASC Topic 310, *Receivables*. The carrying amounts of notes receivable approximate fair value due to their short-term nature. Following the adoption of ASC 326, the Company estimates allowances on notes receivable, where applicable, based on historical loss information, the financial condition of loan recipients, and various other economic conditions.

Property and Equipment

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

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

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

Leases

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

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

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

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. Initial direct costs incurred by the Company are generally not material and are generally excluded from the calculation of ROU assets. 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.

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

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

Intangible Assets

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

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

The estimated useful life and amortization method are reviewed at the end of each reporting year, and the effect of any changes in estimate is accounted for on a prospective basis.

Goodwill and Indefinite Life Intangible Assets

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

In accordance with the guidance adopted under ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, the two-step goodwill impairment process was eliminated and goodwill is first qualitatively assessed to determine whether further impairment testing is necessary. Factors that management considers in this assessment include macroeconomic conditions, industry and market considerations, overall financial performance (both current and projected), changes in management and strategy, and changes in the composition or carrying amount of net assets. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a one-step test is then performed by comparing the fair value of a reporting unit to its carrying amount. If the fair value of a reporting unit is less than its carrying value, an impairment charge will be recorded for the difference between the fair value and carrying value, but is limited to the carrying value of the reporting unit's goodwill. No impairment was recorded during 2024, 2023, or 2022.

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

Impairment of Long-Lived Assets

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

Fair Value of Financial Instruments

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

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

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

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

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

We evaluate assets and liabilities subject to fair value measurements on a recurring and non-recurring basis to determine the appropriate level at which to classify them for each reporting period. The Company records cash, accounts receivable, notes receivable, and notes payable at cost. The fair values of our financial instruments approximate their carrying values based on their short term maturities or, for long-term notes payable, based on borrowing rates currently available to us for loans with similar terms and maturities and which inputs are considered to be Level 2 under the fair value hierarchy. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. We had no transfers of assets or liabilities between any of the hierarchy levels during 2024 or 2023.

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

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

Convertible Instruments

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

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

Acquisitions

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

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

Contingencies and Litigation

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

Employee Benefit Plans

During 2021, the Company began to sponsor an employee retirement plan (the "401(k) Plan") that provides eligible employees of the Company an opportunity to accumulate funds for retirement. The Company provides matching contributions on a discretionary basis. A total of $452 of matching contributions were made to the 401(k) Plan during 2024. No matching contributions were made during 2023 or 2022.

Certain employees are covered under collective bargaining agreements. We do not participate in multiemployer benefit plans under these agreements and have not paid significant Company contributions under these agreements.

Income Taxes

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

Refer to Note 14, "Income Taxes," for information regarding the provisions of Internal Revenue Code ("IRC") Section 280E.

Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, ("Topic 606"). Under Topic 606, revenue recognition depicts the transfer of promised goods or services to a customer in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Revenue recognition is aligned with the delivery of goods and services and is recognized at a point in time or over time, the assessment of which requires judgment.

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

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

For certain locations, we offer a loyalty program to dispensary customers. A portion of the revenue generated in a sale is allocated to the loyalty points earned and the amount allocated to the points earned is deferred until the loyalty points are redeemed or expire. The liability related to the loyalty program we offer dispensary customers at certain locations was $1,394 and $1,317 at December 31, 2024 and 2023, respectively, and is included in "Other current liabilities" on the Consolidated Balance Sheets.

Equity-Based Payments

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

Basic and Diluted Loss per Share

The Company computes earnings (loss) per share (“EPS”) using the two-class method required for multiple classes of common stock. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, except for voting and conversion rights. As the liquidation and dividend rights are identical, undistributed earnings are allocated on a proportionate basis to each class of common stock and the resulting basic and diluted net loss per share attributable to common stockholders are, therefore, the same for both Class A and Class B common stock on both an individual and combined basis.

Basic EPS is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects potential dilution and is computed by dividing net loss by the weighted-average number of common shares outstanding during the period increased by the number of additional common shares that would have been outstanding if all potential common shares had been issued and were dilutive. However, potentially dilutive securities are excluded from the computation of diluted EPS to the extent that their effect is anti-dilutive. Potential dilutive securities include incremental shares of common stock issuable upon the exercise of warrants, unvested restricted stock awards, unvested restricted stock units, outstanding stock options, and other convertible securities, as applicable. At December 31, 2024, 2023, and 2022, a total of 12,427, 24,599, and 14,861 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. 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.

Reference Rate Reform

In March 2020, the Financial Accounting Standards Board (“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. Adoption of this guidance did not have a material impact on our consolidated financial statements.

Segment Reporting

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which expands and enhances the disclosures required for reportable segments in annual and interim consolidated financial statements, including reportable segment expenses, interim segment profit or loss, and how an entity’s chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. The guidance in this update is effective for annual periods beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. We adopted this ASU retrospectively on December 31, 2024. Refer to Note 3, “Reportable Segments and Revenue,” for the inclusion of the new required disclosures.

Recently Issued Accounting Pronouncements

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

Income Taxes

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires enhanced income tax disclosures, including disaggregation in the rate reconciliation table and disaggregation information related to income taxes paid. The amendments in this update are effective for the Company for the fiscal year ending December 31, 2026 on a prospective or retrospective basis, with early adoption permitted. We are currently evaluating the impact of this update on our disclosures in the consolidated financial statements.

Disaggregation of Income Statement Expenses

In November 2020, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses (Subtopic 220-40)*. This ASU requires the disaggregated disclosure of specific expense categories, including purchases of inventory, employee compensation, depreciation, and amortization, within relevant income statement captions. This ASU also requires disclosure of the total amount of selling expenses along with the definition of selling expenses. This ASU is effective for annual periods beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027. Adoption of this ASU can either be applied prospectively to consolidated financial statements issued for reporting periods after the effective date or retrospectively to any or all periods presented in the consolidated financial statements. Early adoption is permitted. We are currently evaluating the impact of this update on our disclosures in the 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. All of the Company's operations are located in the United States. The Company's chief operating decision maker ("CODM"), the Chief Executive Officer, manages the business and makes operating decisions at the consolidated level. Accordingly, our CODM uses consolidated operating profit and net income (loss) to measure segment profit or loss, allocate resources, and assess operating performance. Further, the CODM reviews and utilizes functional expenses, such as general and administrative expenses, at the consolidated level to manage the Company's operations. Other segment items included in consolidated net income (loss) that are reflected in the Consolidated Statements of Operations are: interest expense; other expense, net; and income tax expense. Refer to Note 17, "Supplemental," for additional information regarding our general and administrative expenses.

Disaggregation of Revenue

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

	Year Ended December 31,		
(in thousands)	**2024**	**2023**	**2022**
Retail revenue	$ 372,237	$ 371,172	$ 305,935
Third-party wholesale revenue	189,362	147,418	99,991
Total revenue, net	$ 561,599	$ 518,590	$ 405,926

4. ACQUISITIONS

Business Combinations

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

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

2024 Acquisition

Effective in April 2024, the Illinois Partnership, as defined in Note 8, "Variable Interest Entities," acquired two dispensaries in the greater Chicago, Illinois area (the "Chicago Partner Dispensaries"). The parties entered into interim management services agreements ("MSAs") pursuant to which the Illinois Partnership will advise on certain business, operational, and financial matters for a monthly fee (the "Illinois MSAs"), while the parties finalize asset purchase agreements to acquire the underlying dispensaries. The total purchase price of approximately $10,000 of cash consideration is subject to certain closing adjustments. An initial deposit of $1,500 was remitted during the first quarter of 2024. The remainder of $8,500 was remitted to escrow during the second quarter of 2024 and remained in escrow as of December 31, 2024. Direct transaction costs were not material. Based on the provisions of the Illinois MSAs, the Illinois Partnership obtained operational and financial influence over the dispensaries and therefore recognized the transaction as a business combination as of the April 2024 regulatory approval date of the Illinois MSAs. The asset purchase agreements in respect of the Chicago Partner Dispensaries are subject to regulatory review and approval. Refer to Note 8, "Variable Interest Entities," for additional information regarding the Company's VIEs.

The following table summarizes the preliminary purchase price allocation, which remains preliminary as management refines certain estimates during the measurement period:

(in thousands)

Assets acquired (liabilities assumed):		
Property and equipment[(1)]	$	1,525
Other assets		76
Licenses[(2)]		6,210
Goodwill[(3)]		2,261
Accounts payable and accrued liabilities		(72)
Net assets acquired	$	10,000

(1) Consists of leasehold improvements of $1,398 and furniture, fixtures, and equipment of $127. During 2024, certain estimates related to the fair value of the acquired leasehold improvements were refined, resulting in a measurement period purchase accounting adjustment that decreased the estimated fair value of the leasehold improvements by $1,307, with a related impact to goodwill.

(2) The amortization period for acquired licenses is 10 years. During 2024, certain estimates related to the fair value of the acquired licenses were refined, resulting in a measurement period purchase accounting adjustment that increased the value by $1,740, with a related impact to goodwill.

(3) Goodwill is largely attributable to the value expected to be obtained from long-term business growth and buyer-specific synergies. Goodwill is largely not deductible for tax purposes under the limitations under IRC Section 280E; see Note 14, "Income Taxes," for additional information.

The consolidated entity has also agreed to assume the lease for the associated locations and recognized a total lease liability and ROU asset of $3,065 as of the effective date; refer to Note 10, “Leases,” for additional information regarding the Company’s leases. Direct transaction costs were not material.

2023 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 (“Devi Maryland”). Total consideration at closing consisted of cash consideration of $12,000, which was 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 at issuance. Acquisition related costs incurred during 2023 were not material. In April 2024 the Company finalized the working capital settlement and reduced consideration and goodwill by $200.

Purchase Price Allocation

(in thousands)		**Devi Maryland**
Assets acquired (liabilities assumed):		
Cash	$	143
Inventory		447
Prepaids and other current assets(4)		97
Property and equipment(1)		4,593
Licenses(2)		9,560
Goodwill(3)(5)		2,968
Accounts payable and accrued liabilities(4)		(1,238)
Net assets acquired	**$**	**16,570**
Consideration transferred:		
Cash(5)	$	11,800
Fair value of shares issued(6)		4,770
Total consideration	**$**	**16,570**

(1) Consists of: furniture, fixtures, and equipment of $953; land of $364; and buildings of $3,276.

(2) The amortization period for acquired licenses is 10 years. During 2023, we refined certain estimates related to the fair value of the acquired licenses and recorded a measurement period purchase accounting adjustment that increased the initial estimate by $510, with a related impact to goodwill, which is reflected in the table above.

(3) Goodwill is largely attributable to the value we expect to obtain from long-term business growth and buyer-specific synergies. The Company is evaluating whether the goodwill is deductible for tax purposes under the limitations imposed under IRC Section 280E; see Note 14, “Income Taxes,” for additional information.

(4) During 2023, we refined certain estimates related to the total balance of accounts payable assumed in the acquisition and recorded measurement period purchase accounting adjustments that reduced the initial estimate of prepaids and other current assets by $17 and reduced accounts payable and accrued liabilities by $257, each with a related impact to goodwill, which is reflected in the table above.

(5) Reflects a $200 reduction from the working capital settlement that was finalized in April 2024.

(6) The seller received 5,185 shares of Class A common stock with a fair value of $4,770.

2022 Acquisition

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

Purchase Price Allocation

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

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

(2) Goodwill is largely attributable to the value we expect to obtain from long-term business growth and buyer-specific synergies. The Company determined the goodwill was largely not deductible for tax purposes under the limitations imposed under IRC Section 280E; see Note 14, "Income Taxes," for additional information.

(3) Includes settlement of $1,500 due under a promissory note and settlement of $1,000 due under a working capital line of credit.

Financial and Pro Forma Information

The following table summarizes the revenue and net income (loss) related to our business combinations recognized during 2024, 2023, and 2022 that are included in our consolidated results from the respective acquisition dates, as applicable.

	Year Ended December 31, 2024		Year Ended December 31, 2023		Year Ended December 31, 2022
(in thousands)	Chicago Dispensaries	Devi Maryland	Devi Maryland	Marichron	Marichron
Revenue, net	$ 4,000	$ 38,444	$ 20,861	$ 556	$ 122
Net income (loss)	(777)	3,407	807	(905)	22

Financial results associated with the Marichron acquisition that are included in our 2024 financial statements are not presented separately due to the subsequent integration of this acquisition. Pro forma financial information is not presented for these acquisitions, as such results are immaterial, individually and in aggregate, to both the current and prior periods.

Asset Acquisitions

The Company determined the acquisitions below did not meet the definition of a business and are therefore accounted for as asset acquisitions. When the Company acquires assets and liabilities that do not constitute a business or VIE of which the Company is the primary beneficiary, the cost of each acquisition, including certain transaction costs, is allocated to the assets acquired and liabilities assumed on a relative fair value basis. Contingent consideration associated with the acquisition is generally recognized only when the contingency is resolved.

When the Company acquires assets and liabilities that do not constitute a business but meet the definition of a VIE of which the Company is the primary beneficiary, the purchase is accounted for using the acquisition method described above for business combinations, except that no goodwill is recognized. To the extent there is a difference between the purchase consideration, including the estimated fair value of contingent consideration, plus the estimated fair value of any non-controlling interest and the VIE's identifiable assets and liabilities recorded and measured at fair value, the difference is recognized as a gain or loss. A non-controlling interest represents the non-affiliated equity interest in the underlying entity. Transaction costs are expensed.

License intangible assets acquired through asset acquisitions are amortized in accordance with the Company's policy, generally as of the commencement of operations for the respective location.

2024 Asset Acquisitions

Massachusetts Purchase Agreement

In January 2024, the Company entered into a definitive agreement (the "Massachusetts Purchase Agreement") to purchase a cultivation license and a manufacturer license from a third party in Massachusetts for a cash purchase price of $2,750, which total may be adjusted at closing, as provided in the Massachusetts Purchase Agreement and of which $1,500 was paid at signing and $1,250 was paid on October 1, 2024. The transfer of each license is subject to regulatory review and approval, which the Company anticipates will occur within the first half of 2025. The licenses were not associated with active operations at signing, but operations have since commenced. In conjunction with the Massachusetts Purchase Agreement, the parties also entered into a bridge loan which provides for the financing of certain covered expenses, at the sole discretion of the Company. This bridge loan bears interest based on the federal funds rate and, if not otherwise satisfied, is due on the fifth anniversary of the signing date. The parties also entered into an interim consulting services agreement, effective as of the signing date. The Company accounted for this transaction as an asset acquisition as of the signing date based on the provisions of the underlying agreements and allocated the cash consideration as the cost of the license acquired. The Company has also agreed to assume the lease for the associated location and to reimburse the seller for the security deposit at final closing. The Company recognized a lease liability and ROU asset of $761 as of the signing date; refer to Note 10, "Leases," for additional information regarding the Company's leases. Direct transaction costs were not material.

Detroit License

In September 2024, the Company acquired 49% of the member interests of an entity (the "Detroit License Holder") that received conditional approval for an adult-use license in Detroit, Michigan (the "Detroit License"). The Detroit License was not associated with active operations as of the closing date and the Detroit License Holder had no other active operations as of that date. The Company transferred the Detroit License to its existing dispensary in Detroit, Michigan, which re-opened in February 2025. The Company paid $850 of cash consideration at closing and the sellers may receive up to an additional $2,250 based upon the achievement of certain levels of sales during a specified twelve month period following the commencement of adult-use sales at the dispensary. The underlying agreement provides the Company with an option to acquire the remaining ownership interests in the Detroit License Holder, after such is permissible by applicable regulations, for no additional consideration. The parties also entered into a management services agreement, pursuant to which the Company is providing management and advisory services for a set monthly fee, which is expected to expire upon the Company's exercise of the option.

The Company determined that the Detroit License Holder is a VIE and the Company became the primary beneficiary as of the closing date; therefore, the Detroit License Holder is consolidated as a VIE. Management applied the acquisition method discussed above and allocated the total estimated fair value of the transaction consideration of $1,140 as the estimated fair value of the license. This total consisted of the fair value of the cash consideration of $850 plus the initial estimated fair value of the contingent consideration of $290, which 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. The estimated fair value of $300 as of December 31, 2024 is included within "Other non-current liabilities" on the Consolidated Balance Sheet and the change in estimated fair value is included within "General and administrative expenses" on the Statement of Operations for 2024. 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.

Previous 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 and holds a license for a cultivation and processing facility and up to six medical dispensaries throughout the Commonwealth of Pennsylvania. 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 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 (of which $15,000 was funded in April 2022 and $15,000 was funded in August 2023), and up to an additional total of $10,000 over the course of ten years following the transaction date.

The total acquisition cost was $137,594, as summarized in the table below, and was allocated to the license intangible asset acquired. The Company began to amortize the license when operations commenced during the fourth quarter of 2022.

(in thousands)		
Equity Consideration[1]	$	42,957
Cash consideration		10,170
Geisinger funding commitment[2]		40,000
Other liabilities assumed[3]		5,130
Forgiveness of bridge loan[4]		1,349
Transaction costs		595
Cost of initial investment		2
Deferred tax liability[5]		37,391
Total	$	137,594

(1) Comprised of 12,900 shares of Class A common stock with a fair value of $42,957 at issuance.

(2) Of the total funding commitment, $15,000 was paid in April 2022 and $15,000 was paid in August 2023. An additional annual payment is due from the third anniversary of the transaction through the tenth anniversary based on a percentage of revenue, up to a total of $10,000, of which approximately $800 is included within "Accounts payable and accrued liabilities" and $9,200 is included within "Other non-current liabilities" on the Consolidated Balance Sheet at December 31, 2024. As of December 31, 2023, the total of $10,000 was included within "Other non-current liabilities."

(3) Liabilities related to two consulting agreements assumed in the transaction. A total of $2,772 related to one agreement was paid during the second quarter of 2022. A total of $1,415 due under the second agreement was paid during 2022 and a total of $943 was paid during 2023.

(4) In November 2021, the Company issued a bridge loan to Story of PA that provided for maximum borrowings of up to $16,000 with an interest rate of 9% per annum. The outstanding balance of $1,349 due under the bridge loan was settled as additional consideration at closing.

(5) As goodwill is not recorded in an asset acquisition, the acquisition-related deferred tax liability arising from book/tax basis differences stemming from the transaction increased the value of the license acquired above the purchase price.

Ohio Patient Access

On August 12, 2022, the Company entered into a definitive agreement (the "Ohio Agreement") that provides the Company the option to acquire 100% of the equity of Ohio Patient Access LLC ("OPA"), the holder of a license that grants it the right to operate three medical dispensaries in Ohio, which operations had not yet commenced at that time. 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. As initially provided by the Ohio Agreement, the Company had the right to exercise the option until the fifth anniversary of the agreement date, but was subsequently amended in June 2024 such that the option will expire on March 22, 2026. The Company anticipates exercising the option prior to the amended expiration date.

In conjunction with the Ohio Agreement, the parties also entered into a support services agreement under which the Company is providing 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. Under the Ohio Agreement, the Company will also acquire the real property of the three dispensary locations. OPA had not yet commenced operations as of the signing date, but subsequently opened two dispensaries in December 2023 and a third in January 2024. 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 purchase price per the Ohio Agreement consisted of total cash consideration of $22,300. Of the total cash consideration, $11,300 was funded at signing pursuant to note agreements and $11,000 is due at final closing (the "OPA Sellers' Note"). The OPA Sellers Note was initially recorded net of a discount of $3,010 based on the estimated payment date utilizing the Company's incremental borrowing rate; refer to Note 11, "Debt," for additional information. The Ohio Agreement also included an earn-out provision of $7,300 that was dependent upon the commencement of adult-use cannabis sales in Ohio and which the sellers could elect to receive as either cash or shares of the Company's Class A common stock, or a combination thereof. The sellers elected to receive the payment in cash and such payment was made in July 2024. The parties amended the Ohio Agreement in June 2024 to incorporate certain provisions regarding evolving regulations in Ohio, including that the Company will, upon final closing of the Ohio Agreement, receive two additional adult-use licenses that are expected to be awarded to OPA.

The total estimated fair value of the transaction consideration was determined to be $24,132 and consisted of the fair value of the cash consideration of $19,290 plus the estimated fair value of the contingent consideration of $4,842. The estimated fair value of this 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. The estimated fair value of this contingent consideration was $6,670 as of December 31, 2023 and was included within "Other non-current liabilities" on the Consolidated Balance Sheet at that date. A change in fair value of $630, $1,594, and $234 is included within "General and administrative expenses" on the Consolidated Statements of Operations for 2024, 2023, and 2022, respectively. 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.

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 is being amortized subsequent to the commencement of operations in accordance with the Company's policy. During the third quarter of 2023, the Company recorded an acquisition-related deferred tax liability of $9,516, which was allocated to the estimated fair value of the license. Direct transaction expenses of $224 are included in "General and administrative expenses" on the Consolidated Statements of Operations for 2022.

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 was 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, plus an acquisition-related deferred tax liability of $2,414 that was recorded during 2023. Of the total cash consideration, $3,000 was paid at signing and $2,500 was due at final closing, which occurred in April 2024. The closing payment was included as a sellers' note within "Current portion of debt, net" on the Consolidated Balance Sheet at December 31, 2023; refer to Note 11, "Debt," for additional information. Operations at the associated location commenced during the second quarter of 2023 and direct transaction expenses were immaterial.

The second transaction was entered on August 12, 2022 for total cash consideration of $5,600. The Company accounted for this transaction as an asset acquisition and allocated the cash consideration as the cost of the license acquired, plus an acquisition-related deferred tax liability of $2,458 that was recorded during 2023. The cash consideration was paid at final closing in July 2024 and was included as a sellers' note within "Current portion of debt, net" on the Consolidated Balance Sheet at December 31, 2023; refer to Note 11, "Debt," for additional information. Operations at the associated location commenced during the fourth quarter of 2023 and direct transaction expenses were immaterial.

5. INVENTORY

The components of inventory are as follows:

	December 31,	
(in thousands)	**2024**	**2023**
Materials and supplies	$ 12,239	$ 16,824
Work in process	39,602	36,612
Finished goods	37,711	41,858
Total	$ 89,552	$ 95,294

Total compensation expense capitalized to inventory was $76,391, $72,090, and $56,586 during 2024, 2023, and 2022, respectively. At December 31, 2024 and 2023, $14,152 and $13,730, 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 $2,859, $16,350, and $10,478 during 2024, 2023, and 2022, respectively, related to net realizable value adjustments, expired products, and obsolete packaging. These amounts are included within "Other" on the Consolidated Statements of Cash Flows.

6. NOTES RECEIVABLE

	December 31,	
(in thousands)	2024	2023
Massachusetts Note[1]	$ 4,100	$ 147
Maryland Loan Receivable[2]	—	10,547
MMNY - working capital loan[3]	—	2,422
Total	$ 4,100	$ 13,116

(1) 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 originally accrued interest at a fixed annual rate of 11.5% as part of the note balance and principal was due monthly following the opening of the borrower's retail dispensary. The Massachusetts Note was amended in December 2023 to revise the funding and repayment terms and to increase the interest rate to 12.5% per annum, to be paid monthly beginning in January 2024, and the total principal balance was revised to a maximum of $3,500. In April 2024, the Massachusetts Note was further amended to increase the principal to $4,100 and the additional payment was funded at that time. As amended, principal is to be repaid monthly commencing in December 2024, based on a period of twenty-four months, with the remainder due at the December 1, 2025 revised maturity date. A total of $4,100 is outstanding under the Massachusetts Note as of December 31, 2024 and is included in "Notes receivable" on the Consolidated Balance Sheet. A total of $3,500 was outstanding as of December 31, 2023, of which $147 was included in "Notes receivable" on the Consolidated Balance Sheet and $3,353 was included in "Other non-current assets." 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.

(2) In June 2023, the Company purchased, at par, $12,027 of the principal of a loan (the "Maryland Loan Receivable"), outstanding pursuant to a loan agreement with a cannabis license holder in Maryland (the "Maryland Loan Agreement"), plus the associated interest receivable. The Maryland Loan Agreement had an initial maturity date of August 1, 2026, required monthly repayments equal to 10.0% of the outstanding balance (including PIK interest), and could be prepaid subject to a customary make-whole payment or prepayment penalty, as applicable. Mandatory prepayments were required from the proceeds of certain events. The Maryland Loan Agreement provided for a base interest rate of 12.0% plus LIBOR (LIBOR floor of 1.0%) and a paid-in-kind ("PIK") interest rate of 4.5%. Following the replacement of LIBOR, effective July 1, 2023, the LIBOR component of the interest rate transitioned to the secured overnight financing rate ("SOFR") plus an alternative reference rate committee ("ARRC") standard adjustment. As of December 31, 2023, the all-in interest rate was 26.9%, which included a default penalty of 5.0%.

The Maryland Loan Agreement contained customary events of default including: non-payment of principal, interest, or other amounts due; violations of covenants; bankruptcy; change of control; cross defaults to other debt; and material judgments. The Maryland Loan Agreement was guaranteed by certain owners of the borrowing entity and is secured by substantially all of the assets of the borrowing entity, excluding certain cannabis-related assets where prohibited. The Maryland Loan Agreement contained financial covenants including: a minimum adjusted EBITDA; a minimum free cash flow; a maximum total leverage ratio; a minimum fixed charge coverage ratio, and a minimum cash balance, each as provided for in the Maryland Loan Agreement. The Maryland Loan Agreement also contained non-financial covenants including restrictions on: indebtedness; liens; fundamental changes; disposal of assets; issuance of stock; sale and leaseback transactions; capital expenditures; and certain other matters.

The Company recorded the Maryland Loan Receivable at an amortized cost basis of $12,622. A total of $595 of transaction-related expenses were capitalized as part of the amortized cost basis and were being amortized to interest income over the term. The Company identified certain events of default and covenant violations, including non-payment, and provided an acceleration notice during the second quarter of 2023 that declared all amounts due and payable. Accordingly, during 2023, the Company established a reserve of $1,804 for potential collectability that was included within "General and administrative expenses" on the Consolidated Statements of Operations and within "Other" on the Consolidated Statements of Cash Flows. During 2023, the Company recognized a total $2,859 of interest income, including certain default fees and premiums and PIK interest, which total remained outstanding as of December 31, 2023 and is recorded within "Other, net" on the Consolidated Statements of Operations and which receivable is included within "Other current assets" on the Consolidated Balance Sheet as of that date.

In March 2024 the borrower refinanced the borrowings underlying the Maryland Loan Agreement with a third-party lender (the "Maryland Refinancing"). In conjunction with the Maryland Refinancing, the borrower's obligations to the Company under the Maryland Loan Agreement were settled. As part of this settlement, the Company received a cash payment of $8,100. Additionally, the parties entered into a supply agreement that provides for the Company to receive $6,000 of inventory products from the borrower, based on market prices, over the course of three years, with a maximum of $500 per quarter. The Company recorded this receivable net of an initial discount of $984 that is included within "General and administrative expenses" on the Consolidated Statements of Operations for 2024 and within "Other" on the Consolidated Statements of Cash Flows. This discount was calculated utilizing the Company's estimated incremental borrowing rate as of the agreement date and will be accreted to interest income over the agreement term. The total settlement value, excluding the discount, approximated the obligations outstanding under the Maryland Loan Receivable, including past due interest.

A total of $988 of inventory was supplied under this agreement during 2024. The Company established a reserve of $2,083 on the remaining receivable during 2024 due to collection risk. This reserve was recognized within "General and administrative expenses" on the Consolidated Statements of Operations and within "Other" on the Statements of Cash Flows. As of December 31, 2024, $1,000 of the remaining receivable is included within "Other current assets" and $1,084 is included within "Other non-current assets" on the Consolidated Balance Sheet, which amounts are net of $1,000 and $1,083 respectively, associated with this reserve.

(3) 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. During 2024, the Company increased its estimated reserve on the amounts outstanding from MMNY to include all associated amounts outstanding, including this working capital loan. The Company is pursuing collection of these amounts through its legal proceedings against MMNY. Refer to Note 15, "Commitments and Contingencies," for additional information.

During 2020 the Company received a promissory note from the owner of a property that the Company is renting with an initial principal of $4,500 that matures on November 1, 2030. The note bears interest at a rate of 4% per annum, payable monthly in arrears. The note provides for payments of $27 per month, consisting of principal and interest, with the remaining balance of principal due at maturity. A total of $3,848 is outstanding at December 31, 2024, of which $177 and $3,671 is included in "Other current assets" and "Other non-current assets," respectively, on the Consolidated Balance Sheet. At December 31, 2023, a total of $4,018 was outstanding of which $170 and $3,848 is included in "Other current assets" and "Other noncurrent assets," respectively, on the Consolidated Balance Sheet.

No impairment losses on notes receivable were recognized during 2024, 2023, or 2022, other than as described above.

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
(in thousands)	2024	2023
Leasehold improvements	$ 202,548	$ 192,807
Buildings	84,712	72,204
Furniture, fixtures, and equipment	78,775	71,474
Land	5,782	5,242
Construction in progress	5,555	6,511
Property and equipment, gross	377,372	348,238
Less: accumulated depreciation	116,911	80,156
Property and equipment, net	$ 260,461	$ 268,082

Total depreciation expense was $36,799, $34,171, and $25,374 during 2024, 2023, and 2022, respectively. Total depreciation expense capitalized to inventory was $25,904, $25,436, and $19,291 during 2024, 2023, and 2022, respectively. At December 31, 2024 and 2023, $3,174 and $5,510, respectively, of depreciation expense remained capitalized as part of inventory.

In June 2022, the Company entered into a master lease agreement under which we may lease equipment, up to $15,000 in aggregate, pursuant to individual lease agreements. As amended, this master lease agreement allows for an aggregate of up to $3,000 of such leases to be entered during the current annual renewal period. The table above includes equipment rented under these finance leases with a gross value of $2,321 as of each of December 31, 2024 and 2023, and accumulated amortization of $1,105 and $549, respectively. Additionally, the table above includes vehicle finance leases with a gross value of $2,410 and accumulated amortization of $416 as of December 31, 2024. Refer to Note 10, "Leases," for additional information regarding our lease arrangements.

Disposals and write offs of accumulated depreciation during 2024 were not material. During 2023, we recognized a loss of $323 related to the sale of one property that is included within "General and administrative expenses" on the Consolidated Statements of Operations and wrote-off $317 of accumulated depreciation. Refer to Note 10, "Leases," for additional information regarding this sale leaseback transaction. Additionally, during 2023 the Company wrote-off $1,484 of certain construction in progress projects, which is included within "General and administrative expenses" on the Consolidated Statements of Operations and within "Other" on the Consolidated Statements of Cash Flows. During 2022, we recognized a loss of $874 related to the sale of three properties, net of a $72 gain on sale, which is included within "General and administrative expenses" on the Consolidated Statements of Operations.

8. VARIABLE INTEREST ENTITIES

The Company assesses the terms of various agreements and contractual relationships to determine if the Company is the primary beneficiary, generally due to provisions that provide the Company with operational and financial influence over the underlying entity, as well as financial distributions based on the underlying associated results of operations. Such transactions may include support services agreements, management services agreements, loan or financing agreements, or various other contractual agreements. Where the Company determines that it is the primary beneficiary of a VIE, the accounts of that VIE are consolidated.

Recent Transactions

January 2024 Loan Agreement

In January 2024, the Company entered into a loan agreement pursuant to which the Company may provide, at its sole discretion, up to $2,500 of financing (the “January 2024 Loan Agreement”) to a third party (“the New Jersey Partnership”). Additionally, the January 2024 Loan Agreement provides the Company with conversion options to obtain 35% of the equity interests of the borrower upon the initial funding (which occurred in January 2024) and up to an additional 65% of the remaining equity interests of the borrower at any time through October 2033, subject to certain provisions and regulatory approvals. The Company determined that it is the primary beneficiary based on the provisions and restrictive covenants contained in the January 2024 Loan Agreement and has a variable interest in the New Jersey Partnership, which, therefore, met the criteria for consolidation as of such date.

Borrowings under the January 2024 Loan Agreement bear interest at a rate of 20.0% per annum and are secured by substantially all of the assets and equity interests of the third party. The January 2024 Loan Agreement provides for customary events of default, contains certain covenants and other restrictions, and provides for a default penalty of an additional 6.0% interest. Borrowings are due on the sixth anniversary of the January 2024 Loan Agreement, which may be extended by two additional two-year periods, and prepayment is permitted with prior written notice. The New Jersey Partnership received a conditional license approval for one dispensary in New Jersey that was determined to have a fair value of $1,050, which approximated the fair value of the non-controlling interest held by the New Jersey Partnership as of the effective date. The non-controlling interest received a distribution during 2024 in accordance with the provisions of the January 2024 Loan Agreement. The net loss attributable to the non-controlling interest was not significant during 2024. Since the New Jersey Partnership is consolidated as a VIE, the intercompany activity related to the January 2024 Loan Agreement is eliminated in consolidation.

February 2024 Loan Agreement

In February 2024, the Company entered into a loan agreement pursuant to which the Company may provide financing (the “February 2024 Loan Agreement”), at its sole discretion, to a third party (the “Illinois Partnership”). The February 2024 Loan Agreement initially provided for up to $3,750 of financing, but was amended in July 2024 to increase the funding amount based on the Company’s sole discretion at such a time that the borrower requests additional funding. The parties also entered into a support services agreement under which the Company will provide management and advisory services for a set monthly fee. The February 2024 Loan Agreement provides the Company with the option to convert the outstanding balance into equity interests of the borrower, up to 100%, as may be permissible by applicable regulations at such time.

Borrowings under the February 2024 Loan Agreement bear interest at a rate of 20.0% per annum and are secured by substantially all of the assets of the borrower. The February 2024 Loan Agreement provides for customary events of default, contains certain covenants and other restrictions, and provides for a default penalty of an additional 5.0% interest. The February 2024 Loan Agreement matures ten years from issuance, but may be extended if not otherwise converted prior to maturity, with borrowings and interest not due until such time.

The Company determined that it is the primary beneficiary based on the terms and provisions of these agreements and has a variable interest in the Illinois Partnership, which, therefore, met the criteria for consolidation as of such date. The Illinois Partnership held no assets at the time the agreements were entered into and the non-controlling interest was determined to have a *de minimis* fair value as of that date. The net loss attributable to the non-controlling interest was not significant during 2024. Since the entity is consolidated as a VIE, the intercompany activity related to the February 2024 Loan Agreement and the related support services agreement is eliminated in consolidation.

Recent Activity

Refer to Note 4, "Acquisitions," for additional information regarding certain transactions that are consolidated as of December 31, 2024.

In December 2024, the Illinois Partnership entered into a definitive agreement to acquire the membership interests of an entity that anticipates receiving two adult-use licenses in Illinois, subject to regulatory approval. In conjunction with this definitive agreement, the parties entered into certain management services agreements under which the Illinois Partnership will, subject to regulatory approval, provide certain management and advisory services for a set fee. These management services agreements are subject to regulatory review and approval. Total cash consideration for this transaction may be up to $4,000, subject to certain closing adjustments and of which $1,000 was paid at signing in December 2024 and is included within "Other non-current assets" on the Consolidated Balance Sheet as of December 31, 2024. A total of up to $1,500 may be paid upon opening of the associated dispensary locations and a total of up to $1,500 may be paid upon final closing of the associated transaction.

Financial Information

The following tables present the summarized financial information about the Company's consolidated VIEs which are included in the Consolidated Balance Sheets as of December 31, 2024 and 2023 and Consolidated Statements of Operations for 2024, 2023, and 2022. The underlying entities were determined to be VIEs since the Company possesses the power to direct the significant activities of the VIEs and has the obligation to absorb losses or the right to receive benefits from the VIE. The information below excludes intercompany balances and activity that eliminate in consolidation.

	December 31,	
(in thousands)	**2024**	**2023**
Current assets	$ 6,492	$ 585
Non-current assets	63,334	44,722
Current liabilities	4,558	25,460
Non-current liabilities	13,922	9,516
Deficit attributable to AWH	(8,646)	(3,476)

	Year Ended December 31,		
(in thousands)	**2024**	**2023**	**2022[(1)]**
Revenue, net	$ 17,066	$ 33	$ 261,503
Net (loss) income	(5,170)	(2,888)	31,618

(1) Includes the results of operations for the full year December 31, 2022 associated with a previous VIE that became a wholly-owned subsidiary in December 2022.

9. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

	December 31,	
(in thousands)	2024	2023
Finite-lived intangible assets		
Licenses and permits	$ 262,017	$ 250,867
In-place leases[1]	14,863	19,963
Trade names	380	380
	277,260	271,210
Accumulated amortization:		
Licenses and permits	(60,203)	(34,427)
In-place leases[1]	(11,175)	(14,951)
Trade names	(380)	(380)
	(71,758)	(49,758)
Total intangible assets, net[2]	$ 205,502	$ 221,452

(1) Reflects the write off of $5,100 of fully amortized intangible assets during 2024 that are no longer in-use.

(2) These intangible assets are being amortized over the expected period of benefit, with a weighted-average remaining life of approximately 7.8 years as of December 31, 2024.

Amortization expense was $27,100, $23,589, and $9,816 during 2024, 2023, and 2022, respectively. Total amortization expense capitalized to inventory was $3,016, $2,790, and $1,804 during 2024, 2023, and 2022, respectively. At December 31, 2024 and 2023, $994 and $916, respectively, of amortization expense remained capitalized as part of inventory.

No impairment indicators were noted during 2024, 2023, or 2022 and, as such, we did not record any impairment charges.

Estimated Annual Amortization Expense for Each of the Next Five Years

	2025	2026	2027	2028	2029
Estimated amortization expense[1]	$ 26,897	$ 26,978	$ 26,978	$ 26,978	$ 26,617

(1) Estimated amortization expense based on intangible assets recognized as of December 31, 2024. These amounts could vary as acquisitions of additional intangible assets occur in the future or due to changes in anticipated commencement of operations for certain locations.

Goodwill

(in thousands)	
Balance, December 31, 2022	$ 44,370
Acquisitions	3,168
Balance, December 31, 2023	$ 47,538
Acquisitions[1]	2,261
Adjustments to purchase price allocation[1]	(200)
Balance, December 31, 2024	$ 49,599

(1) See Note 4, “Acquisitions,” for additional information.

10. LEASES

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

(in thousands)	Classification	December 31, 2024	December 31, 2023
Lease assets			
Operating leases	Operating lease right-of-use assets	$ 139,067	$ 130,556
Finance leases	Property and equipment, net	3,210	1,772
Total lease assets		$ 142,277	$ 132,328
Lease liabilities			
Current liabilities			
Operating leases	Operating lease liabilities, current	$ 5,469	$ 3,660
Finance leases	Current portion of debt, net	1,189	496
Non-current liabilities			
Operating leases	Operating lease liabilities, non-current	267,221	261,087
Finance leases	Long-term debt, net	2,021	1,196
Total lease liabilities		$ 275,900	$ 266,439

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

(in thousands)	Year Ended December 31, 2024	2023	2022
Operating lease costs			
Capitalized to inventory	$ 36,531	$ 34,954	$ 29,177
General and administrative expenses	4,252	2,775	2,617
Total operating lease costs	$ 40,783	$ 37,729	$ 31,794
Finance lease costs			
Amortization of leased assets[1]	$ 972	$ 460	$ 89
Interest on lease liabilities	322	198	43
Total finance lease costs	$ 1,294	$ 658	$ 132

(1) Included as a component of depreciation expense within "General and administrative expenses" on the Consolidated Statements of Operations.

At December 31, 2024 and 2023, $6,886 and $6,028, respectively, of lease costs remained capitalized in inventory. We recognized a gain of $145 during 2022 related to lease terminations, which is included in "General and administrative expenses" on the Consolidated Statements of Operations.

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

(in thousands)	Year Ended December 31, 2024	2023	2022
Total short-term and variable lease costs	$ 4,087	$ 4,328	$ 4,970

Sublease income generated during 2024, 2023, and 2022 was immaterial.

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

	Year Ended December 31,		
(in thousands)	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	$ 41,501	$ 37,317	$ 31,251
Operating cash flows from finance leases	322	198	43
Financing cash flows from finance leases	892	369	69
ROU assets obtained in exchange for new lease obligations			
Operating leases	$ 10,414	$ 33,004	$ 35,991
Financing leases	2,410	1,159	971

The following table summarizes the weighted-average remaining lease term and discount rate:

	December 31,	
	2024	2023
Weighted-average remaining term (years)		
Operating leases	13.3	14.3
Finance leases	2.8	3.0
Weighted-average discount rate		
Operating leases	15.1%	15.1%
Finance leases	10.5%	13.7%

The amounts of future undiscounted cash flows related to the lease payments over the lease terms and the reconciliation to the present value of the lease liabilities as recorded on our Consolidated Balance Sheet as of December 31, 2024 are as follows:

(in thousands)	Operating Lease Liabilities	Finance Lease Liabilities
2025	$ 43,401	$ 1,456
2026	43,744	1,307
2027	44,913	625
2028	46,125	218
2029	47,034	57
Thereafter	442,671	—
Total lease payments	667,888	3,663
Less: imputed interest	395,198	453
Present value of lease liabilities	$ 272,690	$ 3,210

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.

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 Consolidated Balance Sheets.

(in thousands)	2025	2026	2027	2028	2029	Thereafter	Total
Cash payments due under financing liabilities	$ 2,521	$ 2,592	$ 2,665	$ 2,741	$ 2,069	$ 7,319	$ 19,907

Recent Transactions

In May 2023, the Company sold and subsequently leased back one of its capital assets in Pennsylvania for total proceeds of $15,000, excluding transaction costs. The transaction met the criteria for sale leaseback treatment. The lease was recorded as an operating lease and resulted in a lease liability of $12,758 and an ROU asset of $19,496, which includes an off-market lease adjustment of $6,738.

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

In June 2022, the Company sold and subsequently leased back two of its capital assets in Pennsylvania for total proceeds of $3,825, excluding transaction costs. Each transaction met the criteria for sale leaseback treatment. The leases were recorded as operating leases and resulted in a total lease liability and ROU asset of $2,102. Each of the lease agreements provide for a capital expenditure allowance of up to $3,000. The rent payments due under each lease will increase by a percentage of the capital expenditure allowance as funding occurs, and, therefore, each lease will be reassessed and remeasured as a modification upon such funding. During 2022, we received a total of $3,690 under the capital expenditure allowance that was recorded as a tenant improvement allowance and, based on the modified lease terms, resulted in $1,880 of additional lease liabilities and a net gain of $384, which is included in “General and administrative expenses” on the Consolidated Statement of Operations. During 2023, we received a total of $1,990 under the capital expenditure allowance that was recorded as a tenant improvement allowance, and, based on the modified lease terms, resulted in $1,075 of additional lease liabilities, a reduction of $366 to the ROU asset, and a net gain of $549. No additional amounts were received under the capital expenditure allowance during 2024.

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

11. DEBT

	December 31,	
(in thousands)	2024	2023
2024 Term Notes	$ 235,000	$ —
2021 Credit Facility	60,000	275,000
Finance liabilities	18,100	18,100
Sellers' notes	11,060	18,591
Finance leases	3,210	1,692
Financing Agreement	1,964	1,766
Total debt	$ 329,334	$ 315,149
Current portion of debt	$ 74,213	$ 11,148
Less: unamortized deferred financing costs	332	—
Current portion of debt, net	$ 73,881	$ 11,148
Long-term debt	$ 255,121	$ 304,001
Less: unamortized deferred financing costs	20,579	6,436
Long-term debt, net	$ 234,542	$ 297,565

2024 Term Notes

On July 16, 2024, the Company issued $235,000 in aggregate principal of senior secured notes due July 16, 2029 (the "2024 Term Notes") through a private placement (the "2024 Notes Offering") pursuant to an indenture agreement (the "July 2024 Loan Agreement"). The 2024 Term Notes were issued at 94.75% of face value and do not require scheduled principal amortization payments. The 2024 Term Notes bear interest at a rate of 12.75% per annum, payable semi-annually in arrears on January 15 and July 15 of each year until the maturity date, commencing on January 15, 2025, unless earlier prepaid in accordance with the terms of the July 2024 Loan Agreement. The total of the original issue discount and other capitalized direct financing fees was approximately $21,200 and will be amortized over the associated term using the straight-line method, which approximates the interest method. The Company utilized the proceeds from the 2024 Notes Offering, along with cash on hand, to prepay $215,000 of borrowings outstanding under the 2021 Credit Facility, as further described below. The 2024 Term Notes were funded by a combination of new and existing lenders. Borrowings from these existing lenders were accounted for as a modification of existing debt. The Company incurred approximately $3,600 of other expenses associated with this transaction that are included within "General and administrative expenses" on the Consolidated Statements of Operations for 2024.

The 2024 Term Notes are irrevocably and unconditionally guaranteed, jointly and severally, on a senior secured basis by certain of the Company's subsidiaries (the "Guarantees"). The 2024 Term Notes and the Guarantees are (i) secured, on a first lien basis, by substantially all assets of the Company and the guarantors of the 2024 Term Notes, subject to certain carveouts, and (ii) issued and governed by the July 2024 Loan Agreement. In addition, subject to certain limitations, the July 2024 Loan Agreement permits the Company to issue additional notes thereunder, including up to an additional $60,000 in aggregate principal in the future, with the proceeds therefrom to be used to prepay the remaining outstanding balance under, and to terminate, the 2021 Credit Facility.

The Company may, at any time and from time to time upon not less than 15 nor more than 60 days' prior notice, prepay the 2024 Term Notes, along with accrued and unpaid interest, subject to a prepayment premium equal to: zero through July 15, 2026, 4.5% if paid between July 16, 2026 through July 15, 2027, 3.0% if paid between July 16, 2027 through July 15, 2028, and zero if paid July 16, 2028 and thereafter. The July 2024 Loan Agreement requires mandatory prepayments from proceeds of certain events. In the event of a change of control, as provided in the July 2024 Loan Agreement, the Company will be required to make an offer to each holder of the 2024 Term Notes to repay all or any part of such holders' 2024 Term Notes at a price in cash equal to not less than 101% of the aggregate principal amount of such 2024 Term Notes repaid, plus accrued and unpaid interest thereon.

Pursuant to the July 2024 Loan Agreement, the Company has agreed to comply with certain customary covenants, including, but not limited to, restrictions on the Company's ability to: declare or pay dividends or make certain other payments; purchase, redeem, or otherwise purchase or retire for value any equity interests or any subordinated indebtedness or otherwise make any restricted investment or restricted payment; incur certain indebtedness; create certain liens; consolidate, amalgamate, merge, or transfer all or substantially all of the assets of the Company and certain restricted subsidiaries taken as a whole; enter into certain transactions with affiliates; and engage in certain types of businesses. Additionally, the July 2024 Loan Agreement provides for customary events of default which, if certain of them occur, would permit certain parties, including holders of not less than 25% in aggregate principal of the then-outstanding 2024 Term Notes to declare the principal of, and interest or premium, if any, and any other monetary obligations on, all the then-outstanding 2024 Term Notes to be due and payable immediately. The July 2024 Loan Agreement also requires the Company, on a consolidated basis, to maintain liquidity, consisting of cash and/or cash equivalents plus any future revolving credit availability, at all times in an aggregate amount of at least $20,000, with which the Company was in compliance as of December 31, 2024. The Company is required to comply with certain other financial covenants in contemplation of certain transactions or events, such as acquisitions and other financing activities, as defined within and provided for under the July 2024 Loan Agreement.

In January 2025, the July 2024 Loan Agreement was amended to modify certain terms and provisions, including that the minimum liquidity requirement is to be met as of the last day of each calendar month. The amended terms and provisions were not due to actual or anticipated covenant violations. Additionally, the Company borrowed an additional $15,000 through the issuance of additional term notes (the "January 2025 Term Notes"). The January 2025 Term Notes were issued at 97% of face value and are subject to the same terms and provisions of the July 2024 Loan Agreement, including the interest rate and maturity date thereunder.

2021 Credit Facility

On August 27, 2021, the Company entered into a credit agreement with a group of lenders (the "2021 Credit Agreement") that provided for an initial term loan of $210,000, which was borrowed in full. The 2021 Credit Agreement provided for an expansion feature that allowed the Company to request an increase in the term loan outstanding up to $275,000 if the then-existing lenders (or other lenders) agreed to provide such additional term loans. During the second quarter of 2022, the Company borrowed an additional $65,000 pursuant to this expansion feature (the "2022 Loans" and, together with the initial term loan, the "2021 Credit Facility").

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.

Proceeds from the initial term loan under the 2021 Credit Facility were used, in part, to repay certain then-outstanding debt obligations and, together with the 2022 Loans, fund working capital and general corporate matters, including, but not limited to, growth investments, acquisitions, capital expenditures, and other strategic initiatives.

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

The 2021 Credit Agreement requires mandatory prepayments from the proceeds of certain events, including: (i) indebtedness that is not permitted by the 2021 Credit Agreement; and (ii) asset sales and casualty events, subject to customary reinvestment rights. The Company may prepay the 2021 Credit Facility at any time, subject to (a) a customary make-whole payment if paid prior to February 27, 2023 (which did not occur), (b) a prepayment premium equal to 4.75% of the principal amount prepaid if paid after February 27, 2023 but prior February 27, 2024 (which did not occur), and (c) a prepayment premium of 2.375% if paid after February 27, 2024 but prior to February 27, 2025. No prepayment premium is required for prepayment on or after February 27, 2025. Once repaid, amounts borrowed under the 2021 Credit Facility may not be re-borrowed.

In April 2024, the 2021 Credit Agreement was amended to permit the Company to initiate, from time to time and at its discretion, a "Dutch Auction" pursuant to which it may issue a tender offer to existing lenders to re-purchase and retire their loans at a specified discount to par. No such re-purchase has occurred as of the date of filing of this Form 10-K.

In June 2024, the 2021 Credit Agreement was amended to, among other things, permit the Company to issue new senior secured notes. In July 2024, the Company prepaid $215,000 of borrowings outstanding under the 2021 Credit Facility, primarily utilizing the proceeds from the issuance of the 2024 Term Notes, as discussed above. The remaining $60,000 of borrowings outstanding under the 2021 Credit Facility remain outstanding based on the original terms of the 2021 Credit Agreement. The Company recognized, as a component of interest expense, a loss on extinguishment of $5,475, which includes $3,527 of prepayment fees and the write-off of $1,948 of unamortized deferred financing costs that were attributable to those lenders who did not provide funding under the 2024 Term Notes. A total of $1,579 of prepayment fees and $1,428 of previously unamortized deferred financing costs that were associated with existing lenders will remain capitalized and will be deferred over the term of the 2024 Term Notes in accordance with modification treatment. The total prepayment fee of $5,106 is included within "Debt issuance costs" on the Consolidated Statement of Cash Flows for 2024. A total of $943 of unamortized deferred financing costs were associated with the portion of the 2021 Credit Facility that was not prepaid and will be amortized through the remaining term of those loans.

The Company is required to comply with two financial covenants under the 2021 Credit Agreement. The Company may not permit its liquidity (defined as unrestricted cash and cash equivalents pledged under the 2021 Credit Facility plus any future revolving credit availability) to be below $20,000 as of the last day of any fiscal quarter. Additionally, the Company may not permit the ratio of Consolidated EBITDA (as defined in the 2021 Credit Agreement) to consolidated cash interest expense for any period of four consecutive fiscal quarters to be less than 2.00:1.00 for the period ending December 31, 2021 and increased to not less than 2.50:1.00 for the period ending June 30, 2022 and thereafter. The Company has a customary equity cure right for each of these financial covenants. The Company is in compliance with these covenants as of December 31, 2024.

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.

Finance Liabilities

Finance liabilities consist of amounts related to failed sale leaseback transactions. See Note 10, "Leases," for additional information.

Sellers' Notes

Sellers' notes consist of amounts owed for acquisitions or other purchases. Sellers' notes includes the OPA Sellers' Note which had a balance of $11,000 included in "Current portion of debt, net" as of December 31, 2024 and $9,705 that was included in "Long-term debt, net" as of December 31, 2023. The $11,000 OPA Sellers' Note was recorded net of an initial discount of $3,010 that was calculated as of the transaction date utilizing the Company's estimated incremental borrowing rate based on the anticipated close date and was accreted to interest expense over an expected term. Additionally, as of December 31, 2024 sellers' notes includes the remaining amount payable related to the Massachusetts Purchase Agreement. Refer to Note 4, "Acquisitions," for additional information regarding these transactions.

Sellers' notes outstanding as of December 31, 2023 also included a total of $8,100 related to the acquisition of two additional licenses in Illinois that was included in "Current portion of debt, net" and which were paid during 2024, as further described in Note 4, "Acquisitions." Additionally, during 2024 we repaid the final $786 that remained outstanding as of December 31, 2023 for the purchase of a previous non-controlling interest.

Finance Leases

Finance leases consist of liabilities related to finance lease arrangements. See Note 10, "Leases," for additional information.

Financing Agreement

In December 2022, the Company received $19,364 pursuant to a financing agreement with a third-party lender (the "Financing Agreement"). The Company assigned to the lender its interests in an employee retention tax credit claim (the "ERTC Claim") that it submitted in November 2022 totaling approximately $22,794. 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, in full, or other full repayment. The total claim amount of $22,794 was recognized as a component of "Other, net" on the Consolidated Statements of Operations during 2023. The Company received $20,830 of the ERTC Claim during 2023, which was remitted to the lender per the terms of the Financing Agreement. A total of $1,964 of the ERTC Claim remains outstanding as of December 31, 2024 and 2023, which receivable is included in "Other current assets" on the Consolidated Balance Sheets at each date, and the balance outstanding under the Financing Agreement is included in "Current portion of debt, net" as of December 31, 2024 and 2023.

Debt Maturities

In addition to the activity described above, during 2023 we repaid $8,000 of sellers' notes related to the final holdback payment for an acquisition from 2020 and $2,358 of sellers' notes related to the former owners of a previous non-controlling interest. During 2022, we repaid a total of $24,839 of sellers' notes related to two previous acquisitions and $3,143 of sellers' notes related to the former owners of a previous non-controlling interest.

As of December 31, 2024, the following cash payments are required under our debt arrangements:

(in thousands)	2025	2029	Total
Sellers' notes[1]	$ 11,060	$ —	$ 11,060
Term note maturities	60,000	235,000	295,000

(1) Certain cash payments include an interest accretion component. The timing of certain payments may vary based on regulatory approval of the underlying transactions.

The table above excludes the remaining amount due under the Financing Arrangement, as the timing of the repayment is uncertain.

Interest Expense

Interest expense during 2024, 2023, and 2022 consisted of the following:

	Year Ended December 31,		
(in thousands)	2024	2023	2022
Cash interest	$ 30,729	$ 25,992	$ 24,524
Accretion	6,321	8,486	3,576
Loss on extinguishment of debt[1]	5,475	—	2,180
Interest on financing liabilities[2]	2,416	2,308	2,113
Interest on finance leases	322	198	43
Total	$ 45,263	$ 36,984	$ 32,436

(1) The amount recorded for 2024 includes $3,527 of pre-payment fees associated with the partial extinguishment treatment of the pre-payment made under the 2021 Credit Facility and the write-off of $1,948 of unamortized deferred financing costs. The amount recorded for 2022 includes the non-cash write-off of unamortized deferred financing costs.

(2) Interest on financing liabilities related to failed sale leaseback transactions. See Note 10, "Leases," for additional details.

12. STOCKHOLDERS' EQUITY

Following the Conversion, the Company has authorized 750,000 shares of Class A common stock with a par value of $0.001 per share, 100 shares of Class B common stock with a par value of $0.001 per share, and 10,000 shares of preferred stock with a par value of $0.001 per share.

Holders of each share of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to 1,000 votes per share. Holders of Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by law or our certificate of incorporation. Each share of Class B common stock is convertible at any time into one share of Class A common stock at the option of the holder. In addition, each share of Class B common stock will automatically convert into one share of Class A common stock on May 4, 2026, the final conversion date. Each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our certificate of incorporation, including, without limitation, transfers for tax and estate planning purposes, so long as the transferring holder of Class B common stock continues to hold exclusive voting and dispositive power with respect to any such transferred shares. Once converted into a share of Class A common stock, a converted share of Class B common stock will not be reissued, and following the conversion of all outstanding shares of Class B common stock, no further shares of Class B common stock will be issued.

Subject to preferences that may apply to any shares of preferred stock outstanding at the time and any contractual limitations, such as our credit agreements, the holders of our common stock will be entitled to receive dividends out of funds then legally available, if any, if our board of directors (the "Board"), in its discretion, determines to issue dividends and then only at the times and in the amounts that our Board may determine. If a dividend is paid in the form of a Class A common stock or Class B common stock, then holders of Class A common stock shall receive Class A common stock and holders of Class B common stock shall receive Class B common stock.

In the event of a liquidation, dissolution, or winding up, holders of Class A common stock and Class B common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

In the event of any change of control transaction in respect of the Company, shares of our Class A common stock and Class B common stock shall be treated equally, ratably, and identically, on a per share basis, with respect to any consideration into which such shares are converted or any consideration paid or otherwise distributed to stockholders of the Company, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

Immediately prior to the Conversion, the Company was authorized to issue common units, preferred units, and restricted common units, all with no par value. In conjunction with the Conversion, each historical common unit then-outstanding converted into one share of Class A common stock, except 65 units that were allocated to shares of Class B common stock.

On May 4, 2021, the Company completed an Initial Public Offering ("IPO") of its Class A common stock, in which it issued and sold 10,000 shares of Class A common stock at a price of $8.00 per share. On May 7, 2021, the underwriters exercised their over-allotment option in full and we issued and sold an additional 1,500 shares of Class A common stock. We received total net proceeds of approximately $86,065 after deducting underwriting discounts and commissions and certain other direct offering expenses paid by us. In connection with the IPO, the historical common units and preferred units then-outstanding automatically converted into shares of Class A common stock on a one-for-one basis, except certain historical preferred units that converted at a rate of one plus 1.5x, divided by the IPO price of $8.00 per share. Additionally, the Company's then-outstanding convertible promissory notes, plus accrued interest, converted into shares of Class A common stock in accordance with the terms of such convertible notes.

The following table summarizes the total shares of Class A common stock and Class B common stock outstanding as of December 31, 2024 and 2023:

	December 31,	
(in thousands)	**2024**	**2023**
Shares of Class A common stock	204,961	206,810
Shares of Class B common stock	65	65
Total	205,026	206,875

In December 2024, the Company completed a non-brokered private transaction with a single investor through which it repurchased and retired 11,000 shares of Class A common stock for an aggregate of $2,750, which shares represented approximately 5% of the then-outstanding shares of Class A common stock. Additionally, in December 2024, the Company's Board authorized a share buyback program (the "Buyback Program") which permits the Company to repurchase up to the lesser of: (i) 10,216 shares of the Company's Class A common stock; and (ii) $2,250 worth of shares of Class A common stock, in the open market pursuant to a normal course issuer bid, subject to applicable legal, regulatory, and contractual requirements. The total number of shares purchased, timing of purchases, and share prices are dependent upon market conditions and business considerations, any applicable securities law requirements, CSE rules, and any determination of best use of cash available at the time. Any such shares purchased will be retired. The Buyback Program will expire on January 1, 2026, and may be suspended, terminated, or modified at any time for any reason and the Company is under no obligation to purchase any such shares for the duration of the Buyback Program. As of December 31, 2024, no shares had been repurchased under the Buyback Program.

On June 23, 2023, the Company completed a non-brokered private placement offering of an aggregate of 9,859 shares of the Company's Class A common stock to a single investor at a purchase price of $0.71 per share, for an aggregate of $7,000 in gross proceeds. Legal expenses incurred in connection with this financing were not material. These shares were issued pursuant to the exemption from registration provided by Rule 506(b) of Regulation D under the Securities Act of 1933, as amended, based on the nature of the transaction and various representations made by the investor.

Warrants

The following table summarizes the warrants activity during 2024, 2023, and 2022:

	Number of Warrants *(in thousands)*	Weighted-Average Exercise Price	Weighted-Average Remaining Exercise Period *(years)*	Aggregate Intrinsic Value *(in thousands)*[(1)]
Balance, December 31, 2021[(2)]	3,531	$ 4.00	2.0	$ 9,216
Granted[(3)]	3,318	3.07		
Expired/Cancelled	(1,109)	4.00		
Balance, December 31, 2022	5,740	$ 3.46	2.7	$ —
Expired	(1,172)	4.00		
Balance, December 31, 2023	4,568	$ 3.33	2.3	$ —
Cancelled	(1,291)	3.10		
Balance, December 31, 2024	3,277	$ 3.42	1.2	$ —

(1) Amount by which the closing market price of our Class A common stock exceeds the exercise price for the referenced dates. No intrinsic value is presented when the fair value of the warrants outstanding does not exceed the exercise price for the referenced dates.

(2) In conjunction with the Conversion during 2021, the holders of warrants to acquire 3,531 common units at an exercise price of $4.00 received warrants to acquire an equal number of shares of Class A common stock (the "Historical Warrants"), of which 1,250 remained outstanding as of December 31, 2024. The Historical Warrants are equity-classified instruments, are subject to customary anti-dilution adjustments, are stand-alone instruments, and are not part of the terms of the notes to which they were originally issued (as applicable). The Historical Warrants had an estimated total fair value of $237 at issuance, which was calculated using a Black-Scholes model and included significant assumptions such as volatility ranging from 69.2% to 108.4% and risk-free rates ranging from 0.17% to 2.17%.

(3) In June 2022, in connection with the 2022 Loans (refer to Note 11, "Debt"), the Company issued warrants to purchase up to 3,130 shares of Class A common stock (the "2022 Warrants"). Each of the 2022 Warrants is exercisable for one share of Class A common stock at an exercise price of $3.10 per share. The 2022 Warrants were exercisable upon issuance and have a four year term. The 2022 Warrants had a total estimated fair value of $2,639 at issuance, which was calculated using a Black-Scholes model and included significant assumptions such as volatility of 70% and a risk-free rate of 3.0%. Cashless

exercise was permitted only if there was no effective registration statement registering the resale of the shares issued upon exercise, which registration statement was declared effective in December 2022 prior to any exercise. The Company will have the option to require the holders to exercise the 2022 Warrants if, after the first anniversary of the issuance, the 30-day volume-weighted average price of the Company's Class A common stock exceeds $6.50 per share. The 2022 Warrants are equity-classified instruments, are subject to customary anti-dilution adjustments, are stand-alone instruments, and are not part of the notes with which they were originally issued. In December 2024, the Company entered into a warrant cancellation agreement with one of the holders of the 2022 Warrants to cancel warrants to acquire 1,291 shares of Class A common stock in exchange for a payment representing the par value of those underlying shares.

Additionally, in conjunction with an appointment to the Company's Board in November 2022, the Company issued a warrant to purchase 188 shares of Class A common stock at a strike price of $2.64 per share, which was immediately exercisable and expires 30 months from the date of issuance. The issuance of the warrant was made pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). These warrants are equity-classified instruments and are subject to customary anti-dilution adjustments. These warrants had a total estimated fair value of $148 at issuance, which is included within "Equity-based compensation expense" on the Consolidated Statements of Changes in Stockholder's Equity for 2022. The estimated fair value was calculated using a Black-Scholes model, which included significant assumptions such as volatility of 70% and a risk-free rate of 4.2%.

13. EQUITY-BASED COMPENSATION EXPENSE

Equity Incentive Plans

2020 Equity Incentive Plan

The Company adopted an incentive plan in November 2020 (the "2020 Plan") which authorized the issuance of incentive common unit options and restricted common units (collectively, "Awards"). The maximum number of Awards to be issued under the 2020 Plan was 10,031 and a total of 9,994 Awards were granted. No additional Awards were granted under the 2020 Plan after the adoption of the 2021 Plan, as further described below. As of December 31, 2023, there were no unvested Awards and no remaining unrecognized compensation cost associated with the Awards. The Awards generally vested over two or three years and the estimated fair value of the Awards at issuance was recognized as compensation expense over the related vesting period. Upon adoption of the 2020 Plan, a total of 1,619 incentive units that were granted under a previous incentive plan were cancelled and converted into restricted common units that were considered fully issued and outstanding. In conjunction with the Conversion, the holders of the restricted common units issued under the 2020 Plan received one restricted share of Class A common stock (a "Restricted Common Share") for each restricted common unit held immediately prior to the Conversion.

The following table summarizes the restricted common shares activity during 2023 and 2022:

(in thousands)	Restricted Common Shares
Unvested, December 31, 2021	1,653
Vested	(995)
Forfeited	(41)
Unvested, December 31, 2022	617
Vested	(617)
Unvested, December 31, 2023	—

2021 Equity Incentive Plan

In July 2021, the Company adopted a new stock incentive plan (the "2021 Plan"), pursuant to which 17,000 shares of Class A common stock are reserved for issuance thereunder, subject to certain adjustments and other terms. Following the adoption of the 2021 Plan, no additional awards are expected to be issued under the 2020 Plan. The 2021 Plan authorized the issuance of stock appreciation rights ("SAR Awards"), stock options, restricted stock, restricted stock units ("RSUs"), and other stock-based awards (collectively the "2021 Plan Awards"), as further described below. Any 2021 Plan Awards that expire or are forfeited may be re-issued. The estimated fair value of the 2021 Plan Awards at issuance is recognized as compensation expense over the related vesting, exercise, or service periods, as applicable.

On March 9, 2023, the Company's board of directors unanimously approved, subject to stockholder approval, an amendment to the 2021 Plan (the "Amendment" and together with the 2021 Plan, the "Amended 2021 Plan") to increase the maximum number of shares of Class A common stock available for issuance under the Amended 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 Amended 2021 Plan. On May 5, 2023, the stockholders of the Company voted to approve the Amendment. As of December 31, 2024, there were 11,347 shares of Class A common stock available for grant for future equity-based compensation awards under the Amended 2021 Plan. Activity related to awards issued under the Amended 2021 Plan is further described below.

Stock Appreciation Rights

SAR Awards provide the holder a right to receive upon exercise the excess of (i) the fair market value of one share of common stock on the date of exercise over (ii) the grant price of the SAR Awards as specified, which price shall not be less than the closing market value of one share of common stock on the date of grant, except in certain circumstances. The grant price, term, methods of exercise, dates of exercise, methods of settlement, and any other terms and conditions of any SAR Awards are determined at issuance. We determine the fair value of SAR Awards on the grant date using an option pricing model. As of December 31, 2024, no SAR Awards have been granted.

Stock Options

Stock option grants provide for an exercise price as determined at issuance, but not less than the closing market value of the Company's Class A common stock on the date of grant, except in certain circumstances. The term and exercise provisions of each option are determined at issuance and the term is not to exceed 10 years. The exercise price for any options that are considered incentive stock options shall not be less than the closing market value of the Company's Class A common stock on the date of grant; however, if granted to a participant who owns stock possessing more than 10% of the total combined voting power of all classes of the Company's stock, the exercise price shall not be less than 110% of the closing market value on the date of grant. We determine the fair value of stock options on the grant date using an option pricing model.

The following table summarizes stock option activity during 2024, 2023, and 2022 :

(in thousands, except per share amounts)	Options Outstanding: Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life *(years)*	Aggregate Intrinsic Value[1]
Outstanding, December 31, 2021	—	$ —	—	$ —
Granted	2,429	3.36		
Forfeited	(387)	3.69		
Outstanding, December 31, 2022	2,042	$ 3.29	4.4	$ —
Granted	3,195	0.85		
Exercised	(219)	0.85		$ 60
Forfeited	(726)	1.85		
Expired	(282)	2.40		
Outstanding, December 31, 2023	4,010	$ 1.80	3.9	$ 353
Exercised	(206)	0.85		$ 8
Forfeited	(161)	1.17		
Expired	(391)	2.74		
Outstanding, December 31, 2024	3,252	$ 1.78	3.0	$ —
Exercisable at December 31, 2024	2,702	$ 1.88	2.9	$ —

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

Total unrecognized stock-based compensation expense related to unvested options was $250 as of December 31, 2024, which is expected to be recognized over a weighted-average remaining period of 1.9 years.

We determine the fair value of stock options on the grant date using a Black-Scholes option pricing model. The fair value of stock options granted during 2023 and 2022 was calculated on the date of grant using the following weighted-average assumptions:

	Year Ended December 31, 2023	2022
Risk-free interest rate	3.8%	2.8%
Expected term (years)	3.75	3.75
Dividend yield	0%	0%
Expected volatility	70.0%	70.0%

Using the Black-Scholes option pricing model, the weighted-average fair value of stock options granted during 2023 and 2022 was $0.44 and $1.64, respectively, per share.

Restricted Stock Awards and Restricted Stock Units

Restricted Stock Awards ("RSAs") represent fully issued shares of common stock that may not be sold or otherwise transferred for a period of time and are subject to forfeiture in certain circumstances. The fair value of RSAs is based on the closing price of the common stock on the grant date. RSUs entitle the grantee to receive shares of our common stock (or a cash payment equal to the market value of a share) as the units vest. The vesting period, generally a period of two to four years, is determined at issuance, and may be conditioned on the grantee's completion of a specified period of service with the Company, or upon the achievement of one or more performance goals, or upon any combination of service-based and performance-based conditions. The fair value of the RSUs is based on the closing price of the common stock on the grant date and forfeitures are recognized when they occur.

RSAs and RSUs may be credited with dividends or dividend equivalents, which entitle the grantee to receive payments (in cash, shares, other securities, other awards, or other property, as determined by the Company) equivalent to the amount of cash dividends paid by the Company, as applicable. Any dividend and dividend equivalents may be accrued but not paid to the grantee until all conditions or restrictions on the related RSAs or RSUs have been satisfied, waived, or lapsed. No RSAs have been granted as of December 31, 2024.

The following table summarizes the RSU activity during 2024, 2023, and 2022:

	Number of Shares *(in thousands)*	Weighted-Average Grant Date Fair Value per Share
Unvested, December 31, 2021	6,329	$ 10.48
Granted	5,522	3.21
Vested[(1)]	(4,003)	6.25
Forfeited	(1,386)	5.93
Unvested, December 31, 2022	6,462	$ 7.62
Granted	11,877	0.92
Vested[(1)]	(4,333)	6.04
Forfeited	(1,985)	4.11
Unvested, December 31, 2023	12,021	$ 2.15
Granted	14,603	1.15
Vested[(1)]	(13,628)	2.08
Forfeited	(7,098)	1.13
Unvested, December 31, 2024	5,898	$ 1.06

(1) Includes 4,683, 1,402, and 1,420 shares that vested during 2024, 2023, and 2022, respectively, that were withheld to cover tax obligations and were subsequently cancelled.

As of December 31, 2024, total unrecognized compensation cost related to the RSUs was $4,936, which is expected to be recognized over a weighted-average remaining period of 2.6 years.

Performance Based Awards

In August 2023, the Company's board of directors approved the grant of 4,000 RSUs outside of the Company's Amended 2021 Plan (the "August 2023 Grant"). The August 2023 Grant was issued pursuant to an employment agreement and were to vest upon the later of the second anniversary of employment and the achievement of certain stock price targets. Continued service to the Company was required as of the date that the conditions were satisfied. The August 2023 Grant was forfeited in August 2024 following the cessation of the associated service to the Company and $638 of associated equity-based compensation expense was reversed during 2024.

In August 2024, the Company's board of directors approved an award of 3,000 RSUs pursuant to an employment agreement that were not granted as of December 31, 2024 or as of the date of filing of this Annual Report. These awards, once granted, will be subject to certain vesting conditions, including the achievement of certain stock price targets and continued service to the Company.

Compensation Expense by Type of Award

The following table details the equity-based compensation expense by type of award during 2024, 2023, and 2022:

	Year Ended December 31,		
(in thousands)	2024	2023	2022
RSUs[1]	$ 16,923	$ 18,627	$ 18,004
Stock Options	1,691	1,034	557
Restricted Common Shares	—	115	270
Other[2]	—	—	148
Total equity-based compensation expense	$ 18,614	$ 19,776	$ 18,979

(1) The 2023 expense amount includes $2,838 related to 2023 annual performance bonuses, which is included within "accounts payable and accrued liabilities" on the Consolidated Balance Sheet at December 31, 2023. These RSUs were subsequently issued in 2024 and were fully vested at issuance with a value of $3,304, with the difference reflected as a change in estimate that is included within "General and administrative expenses" on the Consolidated Statements of Operations for 2024. The expense amount for 2022 reflects a change in estimate of $632 that is included as a reduction to equity-based compensation expense and is included within "General and administrative expenses" related to RSUs that were issued in 2022 for the 2021 annual performance bonus, which vested at issuance with a value of $7,959.

(2) The 2022 expense amount relates to warrants granted to a Board member, see Note 12, "Stockholders' Equity," for additional information.

Of the total equity-based compensation expense, $7,793, $7,943, and $7,611 was capitalized to inventory during 2024, 2023, and 2022 respectively. As of December 31, 2024 and 2023, $2,102 and $1,968, respectively, remained capitalized in inventory. During 2024, 2023, and 2022 we recognized $10,821, $11,833, and $11,368, respectively, within "General and administrative expenses" on the Consolidated Statements of Operations and we recognized $7,659, $6,511, and $11,889, respectively, within "Cost of goods sold."

Employee Stock Purchase Plan

In July 2021, the Company also adopted an employee stock purchase plan (the "2021 ESPP"), pursuant to which 4,000 shares of Class A common stock are reserved for issuance thereunder, subject to certain adjustments and other terms. No shares have been issued under the 2021 ESPP as of December 31, 2024.

14. INCOME TAXES

The following table sets forth the components of income tax expense:

(in thousands)	Year Ended December 31, 2024	2023	2022
Current taxes:			
Federal	$ 55,297	$ 43,143	$ 35,067
State	2,181	2,561	12,381
Deferred taxes:			
Federal	(6,391)	(7,916)	(3,685)
State	(5,915)	(4,334)	(2,070)
Total income tax expense	$ 45,172	$ 33,454	$ 41,693

The Internal Revenue Service has taken the position that cannabis companies are subject to the limitations of IRC Section 280E, under which such companies are only allowed to deduct expenses directly related to the sales of product (cost of goods sold). This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and those allowed for financial statement reporting purposes ("book-to-tax" differences). Cannabis companies 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 on income realized by cannabis companies can be highly variable and may not necessarily correlate with pre-tax income or loss. Effective during 2023, Illinois and New Jersey, two states in which the Company has significant operations, began permitting cannabis businesses to deduct ordinary and necessary business expenses from gross profit for state tax purposes. As such, the effective tax rate for 2023 reflects a benefit from this change and varies from the effective rate for 2022.

The following table sets forth a reconciliation of income tax at the federal statutory rate to recorded income tax expense:

($ in thousands)	Year Ended December 31, 2024	2023	2022
Loss before income taxes	$ (39,822)	$ (14,760)	$ (39,206)
U.S. Statutory Rate	21%	21%	21%
Recovery based on Statutory Rate	$ (8,363)	$ (3,100)	$ (8,233)
Expense (recovery) resulting from:			
State and local income taxes	(3,734)	(1,773)	10,311
Uncertain tax position, inclusive of interest and penalties	51,127	40,149	—
Expenses disallowed under IRC Section 280E	—	—	34,346
(Refundable) nondeductible penalties and interest	—	(658)	3,046
Equity-based compensation shortfall	980	1,322	904
Acquisition-related adjustments	—	(3,150)	—
Other permanent differences	1,960	429	437
Nondeductible executive compensation	3,202	267	—
Nondeductible litigation settlement	—	—	1,050
Other, net	—	(32)	(168)
Income tax expense	$ 45,172	$ 33,454	$ 41,693

The following tables set forth the components of deferred income taxes:

	December 31,	
(in thousands)	**2024**	**2023**
Deferred tax assets attributable to:		
Operating lease liabilities	$ 67,439	$ 67,192
Acquired intangible assets	3,964	4,421
Equity-based compensation	184	906
State and local net operating loss carryforwards	873	707
Property and equipment	686	470
Loyalty program	425	402
Other	3,868	786
Gross deferred tax assets	77,439	74,884
Valuation allowance	—	—
Total deferred tax assets	$ 77,439	$ 74,884
Deferred tax liabilities attributable to:		
Goodwill and other acquired intangible assets	$ (46,620)	$ (52,686)
Property and equipment	(24,969)	(29,008)
Operating lease right-of-use assets	(29,289)	(28,779)
Tenant improvement allowance	—	(156)
Total deferred tax liabilities	$ (100,878)	$ (110,629)
Net deferred tax liabilities	$ (23,439)	$ (35,745)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion, or all, of its deferred tax assets will not be realized. No valuation allowance has been provided on our net deferred tax assets, as we believe the remaining net deferred tax assets are more likely than not to be realizable in the applicable jurisdictions based on estimates of future taxable income.

As of December 31, 2024, the Company has gross state and local net operating loss carryforwards totaling $38,202, which begin to expire in 2026. The Company files income tax returns in the United States and various state and local jurisdictions, which jurisdictions have varying statutes of limitations. The U.S. federal statute of limitations remains open for tax years 2020 and forward. The state and local statutes of limitations generally remain open for tax years 2020 and forward.

The Company operates in a number of domestic tax jurisdictions and is subject to examination of its income tax returns by tax authorities in these jurisdictions who may challenge any item of those returns. Because tax matters that may be challenged by tax authorities are typically complex, the ultimate outcome of these challenges is uncertain. The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon technical merits, it is more-likely-than-not that the position will be sustained upon examination. The Company evaluates uncertain tax positions on a quarterly basis and adjusts the level of the liability to reflect any subsequent changes in the relevant facts surrounding the uncertain positions. The measurement of the uncertain tax position is based on the largest benefit amount to be realized upon settlement of the matter. If payment ultimately proves to be unnecessary, then the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, then a further charge to income tax expense may result. As of December 31, 2024 and 2023, the Company recorded an uncertain tax liability for uncertain tax positions primarily related to the treatment of certain transactions and deductions under IRC Section 280E based on legal interpretations that challenge the Company's tax liability under IRC Section 280E. These uncertain tax positions are included within "Other non-current liabilities" on the Consolidated Balance Sheets.

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

The following table shows a reconciliation of the beginning and ending amount of unrecognized tax benefits:

Balance, December 31, 2022	$ —
Additions for tax positions related to the current year	35,367
Additions for tax positions related to prior years	37,588
Balance, December 31, 2023	$ 72,955
Additions for tax positions related to the current year	38,289
Additions for tax positions related to prior years(1)	38,163
Balance, December 31, 2024	$ 149,407

(1) Includes approximately $27,000 of IRC Section 280E refunds received during 2024.

A total of $20,168 of interest and penalties is accrued for the uncertain tax positions as of December 31, 2024, which includes $14,744 related to the current year and $5,424 for the prior years. Of the $5,424 of interest and penalties accrued as of December 31, 2023, $4,782 was related to that year and $642 related to prior years. The Company has been selected for examination of its amended tax returns filed with these unrecognized tax benefits but does not currently anticipate its unrecognized tax benefits to be resolved within the next twelve months and anticipates that the total amount of unrecognized tax benefits may change within the next twelve months for additional uncertain tax positions taken on a go-forward basis. If favorably resolved, then the unrecognized tax benefits would decrease the Company's effective tax rate.

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. The Company has commercial relationships with license holders across the markets in which it operates with mutually beneficial purchasing and supply arrangements entered into in the ordinary course of business.

In conjunction with an acquisition in December 2021, the Company entered into a supply agreement with a producer and supplier of medical cannabis products in Ohio (the "Ohio Supply Agreement") with an initial expiration date of August 2028. Under the Ohio Supply Agreement, the Company will purchase products from the supplier that results in 7.5% of the Company's monthly gross sales of all products in its Ohio dispensaries for the first five years, and 5% for the remaining term. The Company can establish the selling price of the products and the purchases are made at the lowest then-prevailing wholesale market price of products sold by the supplier to other dispensaries in Ohio.

Indemnifications

We are party to a variety of agreements under which we may be obligated to indemnify the other party for certain matters. These agreements are primarily standard indemnification arrangements entered into in our ordinary course of business. Pursuant to these arrangements, we may agree to indemnify, hold harmless, and reimburse the indemnified parties for losses suffered or incurred by the indemnified party. In addition, the Company has entered into indemnification agreements with members of its board of directors and senior management team that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications, and such costs would only be recognized as incurred. During 2024, 2023, and 2022, the Company paid for certain legal fees on behalf of certain officers of the Company who were parties to an employment related claim with a related party entity. These legal fees were not material and the matter was resolved during 2024.

Legal and Other Matters

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management believes that the Company is in compliance with applicable local and state regulations as of December 31, 2024 in all material respects, cannabis regulations continue to evolve and are subject to differing interpretations, and accordingly, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

State laws that permit and regulate the production, distribution, and use of cannabis for adult-use or medical purposes are in direct conflict with the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"), which makes cannabis use and possession federally illegal. Although certain states and territories of the United States authorize medical and/or adult-use cannabis production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under the CSA. Although the Company's activities are believed to be compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

The Company may be, from time to time, subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Contingent liabilities associated with legal proceedings are recorded when a liability is probable and the contingent liability can be estimated. We do not accrue for contingent losses that, in our judgment, are considered to be reasonably possible but not probable. At December 31, 2024 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.

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 required that MMNY operate only in compliance with the law and in a manner consistent with its ordinary course of business that preserved all assets of MMNY. It further required MMNY to not take certain actions, including any actions that would have a material adverse effect on MedMen's New York business. On March 27, 2023, the parties entered a further stipulation that modified the January 21, 2022 Stipulation and Order by lifting the Court's prohibition against a sale or transfer of MMNY or its assets, without waiver of any claims that the

Company might have in the event of such a transaction. That further stipulation modifying the January 21, 2022 Stipulation and Order was entered by the Court on August 1, 2023.

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 Complaint. 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. 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 had not materially changed since December 31, 2021 and an acknowledgement that the representations and warranties from the Investment Agreement would survive for three months after the closing of the contemplated transactions. However, after the Company determined that MedMen could not make or provide the representations and warranties that MedMen would have been required to make as part of the contemplated transactions, the Company determined that it no longer intended to consummate the contemplated transactions.

On September 30, 2022, the Company sought leave from the Court to file a second amended complaint (the "Second Amended Complaint"). The Second Amended Complaint contains breach of contract claims against MedMen, as well as a claim for the breach of the implied covenant of good faith and fair dealing, and a claim for anticipatory breach of contract. In connection with those claims, the Company is no longer seeking injunctive or declaratory relief; however, the Company continues to seek damages from MedMen, including, but not limited to, the return of the $4,000 deposit, approximately $2,400 of advances pursuant to a working capital loan agreement (as described in Note 6, "Notes Receivable") and other capital expenditure advances paid to MMNY by the Company.

On November 21, 2022, the parties entered into a stipulation whereby MedMen agreed to the filing of the Second Amended Complaint, which is now the Company's 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. 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 its second 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 alleged that the Company breached the Term Sheet. On January 20, 2023, the Company moved to dismiss MedMen's second amended counterclaims.

On August 18, 2023, the Court issued a Decision and Order on the Company's motion to dismiss, dismissing seven of MedMen's ten counterclaims, including each of the counterclaims brought by MedMen relating to the Term Sheet. On September 26, 2023, MedMen filed a motion seeking leave to file its third amended counterclaims, in which MedMen seeks to revive its previously dismissed counterclaims relating to the Term Sheet. On October 24, 2023, the Company filed an opposition to that motion for leave. As further discussed below, the Court denied that motion on February 2, 2024. In addition, on October 18, 2023, MedMen filed a Notice of Appeal of the Court's August 18, 2023 Decision and Order with respect to the dismissal of MedMen's three counterclaims relating to the Term Sheet. On November 1, 2023 the Company filed a Notice of Cross-Appeal with respect to the Court's determination that the Company's motion to dismiss was not subject to New York's anti-SLAPP statute. Both parties have yet to perfect the appeals.

On February 2, 2024, the Court issued a Decision and Order denying MedMen's motion for leave to file its third amended counterclaims. On February 21, 2024, the current counsel-of-record for MedMen filed an order to show cause with the Court seeking leave to withdraw as counsel and stay proceedings for thirty days to permit MedMen time to obtain new counsel. On March 20, 2024, the Court granted such withdrawal motion and designated April 25, 2024 as the deadline for MedMen to obtain new counsel, which, as of the date of filing of this Form 10-K, has not occurred.

On April 26, 2024, MedMen announced that it made an assignment into bankruptcy pursuant to Canada's Bankruptcy and Insolvency Act on April 24, 2024 and B. Riley Farber Inc. was appointed as its bankruptcy trustee. In addition, MedMen announced that MedMen's wholly owned subsidiary, MM CAN USA, Inc., a California corporation, was placed into receivership in the Los Angeles Superior Court, Santa Monica Division on April 23, 2024 to effectuate an orderly dissolution and liquidation of its California-based assets. MedMen further announced that it intends to initiate additional receivership proceedings in those U.S. states where MM CAN USA, Inc. controls or owns assets, through which the operations and assets of MedMen's subsidiaries will be dissolved or liquidated pursuant to applicable laws in the United States. On May 21, 2024, the Los Angeles Superior Court issued an order confirming the appointment a receiver for MM CAN USA, Inc. The receiver has submitted monthly reports to the Los Angeles Superior Court estimating that the liabilities of MedMen's subsidiaries likely significantly exceed the estimated liquidated value of MedMen's subsidiaries and their respective assets, and such reports indicate that efforts to dissolve, liquidate, or abandon such assets are ongoing.

Following the Company's decision to no longer consummate the contemplated transactions during 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 2022 the Company established an estimated reserve of $3,700 related to amounts that it has been actively pursuing collecting. The write-off and reserve are each included within "General and administrative expenses" on the Consolidated Statements of Operations and within "Other" on the Consolidated Statements of Cash Flows for 2022 and the reserve is included within "Other current assets" on the Consolidated Balance Sheet as of December 31, 2023. During 2024, the Company increased the estimated reserve by $5,447, which is included within "General and administrative expenses" on the Consolidated Statements of Operations and within "Other" on the Consolidated Statements of Cash Flows. The total reserve as of December 31, 2024 is reflective of all outstanding balances and, of which, $2,422 is included within "Notes receivable" on the Consolidated Balance Sheet, $6,695 is included within "Other current assets," and the remainder is included within "Other non-current assets."

Previous Matters

<u>TVP Settlement</u>

In April 2021, the Company, through a subsidiary, entered into a settlement agreement with TVP, LLC, TVP Grand Rapids, LLC and, TVP Alma, LLC (collectively, the "TVP Parties") regarding a dispute related to a purchase agreement for the Company's potential acquisition of certain real estate properties in Michigan. As part of that settlement, the Company issued historical equity units to the TVP Parties to be held in the name of an escrow agent (the "Escrow Units"). The Escrow units were fully issued and outstanding as of the settlement date and were to remain in the escrow account until such time as the TVP Parties exercised an option to hold the Escrow Units directly (the "Put Option"), which could be exercised for three years. In February 2024, the TVP Parties notified the Company that they were exercising the Put Option and the transfer was completed in May 2024, at which time the Escrow Units were released to the TVP Parties and the TVP Parties transferred to the Company the equity interests of the entities that hold the three real estate properties. The underlying properties were determined to have a total fair value of $5,400 as of the settlement date, which was included within "Other non-current assets" on the Consolidated Balance Sheet as of December 31, 2023 and was reclassified to "Property and equipment, net" as of the transfer date. Prior to the completion of the transfer, the Company operated dispensaries at these locations pursuant to lease agreements, which operations will continue at the now-owned properties.

Stockholder Dispute

In April 2022, the Company entered into a settlement agreement related to a stockholder dispute that arose in 2021. The settlement total of $5,000 is included within "Settlement expense" on the Consolidated Statement of Operations for 2022 and was paid in May 2022.

16. RELATED PARTY TRANSACTIONS

There were no significant related party transactions during 2024, 2023, and 2022, other than as disclosed in Note 6, "Notes Receivable," and Note 12, "Stockholders' Equity."

17. SUPPLEMENTAL INFORMATION

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

	December 31,	
(in thousands)	2024	2023
Prepaid expenses	$ 5,497	$ 7,270
Deposits and other receivables	4,706	9,302
Construction deposits	375	569
Other	350	2,503
Total	$ 10,928	$ 19,644

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

	December 31,	
(in thousands)	2024	2023
Accounts payable	$ 26,414	$ 34,687
Accrued interest	13,835	—
Accrued payroll and related expenses	8,204	21,306
Fixed asset purchases	1,977	5,738
Other	9,005	9,381
Total	$ 59,435	$ 71,112

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

	Year Ended December 31,		
(in thousands)	2024	2023	2022
Compensation	$ 76,240	$ 74,688	$ 61,503
Depreciation and amortization	34,979	29,534	14,095
Rent and utilities	22,842	21,432	21,974
Professional services	19,418	13,215	17,110
Insurance	5,536	5,175	5,586
Marketing	4,687	4,380	3,445
Loss (gain) on sale of assets	16	(226)	345
Other	15,758	10,541	13,031
Total	$ 179,476	$ 158,739	$ 137,089

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through the filing date of this Annual Report on Form 10-K require adjustment to or disclosure in the Company's Financial Statements. There were no events that require adjustment to or disclosure in the Financial Statements, except as disclosed.

In January 2025, the Illinois Partnership entered into a definitive agreement to acquire a conditional adult-use license in Illinois, subject to regulatory approval. Total cash consideration for this transaction is $1,900, which is due at final closing and is subject to certain closing adjustments. In conjunction with this definitive agreement, the parties entered into certain management services agreements under which, subject to regulatory approval, the Illinois Partnership will provide certain management and advisory services for a set fee. The parties also entered into a working capital loan and security agreement, under which the Illinois Partnership may loan up to $3,650 for the build-out of the associated dispensary, which loan has a five year maturity, if not otherwise settled, bears interest at a rate of 12.5% per annum, and provides for a default interest penalty of an additional 6.0% and a repayment fee of 10.0%. The Company is evaluating the accounting treatment of this transaction to determine if it meets the criteria for consolidation.

In January 2025, the Illinois Partnership entered into definitive agreements to acquire an adult-use dispensary and a conditional adult-use license in Illinois, subject to regulatory approval. The parties also entered into certain management services agreements under which the Illinois Partnership will, subject to regulatory approval, provide certain management and advisory services for a set fee. Total cash consideration for these transactions is $5,000, of which $2,500 is payable upon the regulatory approval of the management services agreements and the remainder is due at final closing, subject to certain closing adjustments. The agreements also provide for an earnout payment based on the achievement of certain financial metrics. The Company is evaluating the accounting treatment of this transaction to determine if it meets the criteria for consolidation.

In February 2025, the Company entered into a loan agreement pursuant to which the Company may provide up to $2,500 of financing (the "February 2025 NJ Loan Agreement") to a third party ("New Jersey Partnership Two"). Borrowings under the February 2025 NJ Loan Agreement are secured by substantially all of the assets and equity interests of the borrower and borrowings bear interest at a rate of 20% per annum. The February 2025 NJ Loan Agreement provides for customary events of default, contains certain covenants and other restrictions, and provides for a default penalty of an additional 6% interest. Borrowings are due on the tenth anniversary of the February 2025 NJ Loan Agreement. The February 2025 NJ Loan Agreement provides the Company with conversion options to obtain to 100% of the equity interests in the borrower at any time through the maturity date, subject to certain provisions and as may be permitted by applicable regulations. The February 2025 NJ Loan Agreement also provides the Company with certain financial distributions based on the borrower's results of operations. The Company and New Jersey Partnership Two entered into a purchase agreement to acquire an entity that received licensing approvals for operation of an adult-use dispensary, subject to regulatory approval, for $650 of cash consideration. The Company is evaluating the accounting treatment of this transaction to determine if it meets the criteria for consolidation.

In February 2025, pursuant to a loan agreement through which the Company may provide funding (the "February 2025 Loan Agreement"), at its sole discretion to a third party, the third party entered into a definitive agreement through which it anticipates acquiring, subject to certain regulatory approvals and closing conditions, two adult-use dispensaries for total consideration of $7,850, payable in cash and subject to certain closing adjustments including the settlement of a note outstanding. This transaction also provides for an earnout payment, payable in cash, in an amount equal to the lesser of $2,000 or three times the Annual EBITDA (as defined) during the one-year period following closing. The February 2025 Loan Agreement provides the Company with the option to convert the outstanding balance into equity interests of the borrower, up to 100%, as may be permissible by applicable regulations at such time. Borrowings under the February 2025 Loan Agreement bear interest at a rate of 20.0% per annum and are secured by substantially all of the then-current or future assets of the borrower, as applicable. The February 2025 Loan Agreement matures ten years from issuance, but may be extended if not otherwise converted prior to maturity, with borrowings and interest not due until such time. This third party held no assets at the time the agreements were entered into. The Company is evaluating the accounting treatment of these transactions.