UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

OR

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

For the transition period from to

Commission File Number: 021-340690

TerrAscend Corp.
(Exact Name of Registrant as Specified in its Charter)

Ontario	**N/A**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3610 Mavis Road Mississauga, Ontario	**L5C 1W2**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (855) 837-7295

Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of August 9, 2022, the registrant had 252,907,618 shares of common stock, $0.01 par value per share, outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements that TerrAscend Corp. ("TerrAscend" or the "Company") believes are, or may be considered to be, "forward-looking statements." All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q regarding the prospects of the Company's industry or the Company's prospects, plans, financial position or business strategy may constitute forward-looking statements. Such statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, statements with respect to:

- the performance of the Company's business and operations;
- the Company's expectations regarding revenues, expenses and anticipated cash needs;
- the competitive conditions of the industry;
- federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the US relating to cannabis operations in the US;
- the legalization of the use of cannabis for medical and/or recreational use in the US and the related timing and impact thereof;
- laws and regulations and any amendments thereto applicable to the business and the impact thereof;
- the competitive advantages and business strategies of the Company;
- the Company's ability to source and operate facilities in the US;
- the Company's ability to integrate and operate the assets acquired from Arise Bioscience Inc. ("Arise"), the Apothecarium Dispensaries ("The Apothecarium"), Valhalla Confections ("Valhalla"), Ilera Healthcare ("Ilera"), State Flower or ABI SF LLC ("State Flower"), HMS Health, LLC, KCR Holdings LLC, and Gage;
- any benefits expected from the Gage Acquisition; and
- Gage's plans to continue building a diverse portfolio of branded cannabis assets and business arrangements through investments, strategic business relationships and the pursuit of licenses in attractive retail locations in Michigan.

Certain of the forward-looking statements contained herein concerning the cannabis industry and the general expectations of the Company concerning the cannabis industry are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of the cannabis industry. Such data is inherently imprecise. The cannabis industry involves risks and uncertainties that are subject to change based on various factors, which factors are described further below.

With respect to the forward-looking statements contained in this Quarterly Report on Form 10-Q, the Company has made assumptions regarding, among other things: (i) its ability to generate cash flows from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial market, regulatory and political conditions in which the Company operates; (iii) the output from the Company's operations; (iv) consumer interest in the Company's products; (v) competition; (vi) anticipated and unanticipated costs; (vii) government regulation of the Company's activities and products and in the areas of taxation and environmental protection; (viii) the timely receipt of any required regulatory approvals; (ix) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (x) the Company's ability to conduct operations in a safe, efficient and effective manner; and (xi) the Company's construction plans and timeframe for completion of such plans.

Readers are cautioned that the above list of cautionary statements is not exhaustive. Known and unknown risks, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking statements in this Quarterly Report on Form 10-Q. Such risks and uncertainties include, but are not limited to, current and future market conditions; risks related to federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States; and those discussed under Item 1A – "*Risk Factors*" in this Quarterly Report on Form 10-Q. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Quarterly Report on Form 10-Q. The Company can give no assurance that such expectations will prove to have been correct. Forward-looking statements contained herein are made as of the date of this Quarterly Report on Form 10-Q and are based on the beliefs, estimates, expectations and opinions of management on the date such forward-looking statements are made. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking statements, except as required by applicable law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

TerrAscend Corp.

Unaudited Interim Condensed Consolidated Balance Sheets

(Amounts expressed in thousands of United States dollars, except for per share amounts)

		At June 30, 2022		At December 31, 2021
Assets				
Current Assets				
Cash and cash equivalents	$	48,426	$	79,642
Restricted cash		605		—
Accounts receivable, net		22,189		14,920
Investments		4,072		—
Inventory		54,371		42,323
Prepaid Expenses and other current assets		7,655		6,336
		137,318		143,221
Non-Current Assets				
Property and equipment, net		238,797		140,762
Deposits		4,698		—
Operating lease right of use assets		30,570		29,561
Intangible assets, net		351,638		168,984
Goodwill		240,598		90,326
Indemnification asset		-		3,969
Other non-current assets		4,998		5,111
		871,299		438,713
Total Assets	**$**	**1,008,617**	**$**	**581,934**
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	$	57,535	$	30,340
Deferred revenue		2,404		1,071
Loans payable, current		58,856		8,837
Contingent consideration payable, current		3,028		9,982
Operating lease liability, current		1,394		1,171
Lease obligations under finance leases, current		384		22
Corporate income tax payable		13,189		9,621
Other current liabilities		3,613		-
		140,403		61,044
Non-Current Liabilities				
Loans payable, non-current		180,781		176,306
Contingent consideration payable, non-current		2,620		2,553
Operating lease liability, non-current		31,680		30,573
Lease obligations under finance leases, non-current		4,794		181
Warrant liability		6,176		54,986
Deferred income tax liability		73,087		14,269
Financing obligations		11,606		—
Other long term liabilities		12,502		13,068
		323,246		291,936
Total Liabilities		463,649		352,980
Commitments and Contingencies				
Shareholders' Equity				
Share Capital				
Series A, convertible preferred stock, no par value, unlimited shares authorized; 12,658 and 13,708 shares outstanding as of June 30, 2022 and December 31, 2021 respectively		—		—
Series B, convertible preferred stock, no par value, unlimited shares authorized; 610 and 610 shares outstanding as of June 30, 2022 and December 31, 2021 respectively		—		—
Series C, convertible preferred stock, no par value, unlimited shares authorized; nil and 36 shares outstanding as of June 30, 2022 and December 31, 2021 respectively		—		—
Series D, convertible preferred stock, no par value, unlimited shares authorized; nil and nil shares outstanding as of June 30, 2022 and December 31, 2021 respectively		—		—
Proportionate voting shares, no par value, unlimited shares authorized; nil and nil shares outstanding as of June 30, 2022 and December 31, 2021 respectively		—		—
Exchangeable shares, no par value, unlimited shares authorized; 52,395,071 and 38,890,571 shares outstanding as of June 30, 2022 and December 31, 2021 respectively		—		—
Common stock, no par value, unlimited shares authorized; 252,707,325 and 190,930,800 shares outstanding as of June 30, 2022 and December 31, 2021 respectively		—		—
Additional paid in capital		854,948		535,418
Accumulated other comprehensive income (loss)		(1,063)		2,823
Accumulated deficit		(315,132)		(314,654)
Non-controlling interest		6,215		5,367
Total Shareholders' Equity		544,968		228,954
Total Liabilities and Shareholders' Equity	**$**	**1,008,617**	**$**	**581,934**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(Amounts expressed in thousands of United States dollars, except for per share amounts)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue	$ 65,367	$ 61,977	$ 115,812	$ 118,473
Excise and cultivation tax	(563)	(3,254)	(1,349)	(6,396)
Revenue, net	**64,804**	**58,723**	**114,463**	**112,077**
Cost of Sales	41,811	23,888	76,330	42,300
Gross profit	22,993	34,835	38,133	69,777
Operating expenses:				
General and administrative	33,981	20,750	56,533	41,142
Amortization and depreciation	3,016	1,844	5,634	3,717
Total operating expenses	36,997	22,594	62,167	44,859
(Loss) income from operations	(14,004)	12,241	(24,034)	24,918
Other expense (income)				
Revaluation of contingent consideration	34	(7)	153	2,990
(Gain) loss on fair value of warrants and purchase option derivative asset	(47,345)	19,891	(53,058)	25,301
Finance and other expenses	13,902	8,919	20,758	15,309
Transaction and restructuring costs	627	432	1,242	432
Impairment of goodwill	—	5,007	—	5,007
Impairment of intangible assets	—	3,633	—	3,633
Unrealized and realized foreign exchange loss	(306)	3,055	50	5,838
Unrealized and realized loss (gain) on investments	234	(5,964)	234	(6,192)
Income (loss) before provision from income taxes	18,850	(22,725)	6,587	(27,400)
Provision for income taxes	4,688	6,937	8,431	16,373
Net income (loss)	$ 14,162	$ (29,662)	$ (1,844)	$ (43,773)
Foreign currency translation	280	(3,025)	3,887	(5,214)
Comprehensive income (loss)	$ 13,882	$ (26,637)	$ (5,731)	$ (38,559)
Net income (loss) attributable to:				
Common and proportionate Shareholders of the Company	$ 13,217	$ (30,660)	$ (3,140)	$ (44,834)
Non-controlling interests	945	998	1,296	1,061
Comprehensive income (loss) attributable to:				
Common and proportionate Shareholders of the Company	$ 12,937	$ (27,635)	$ (7,027)	$ (39,620)
Non-controlling interests	945	998	1,296	1,061
Net income (loss) per share, basic and diluted				
Net income (loss) per share - basic	$ 0.05	$ (0.17)	$ (0.01)	$ (0.25)
Weighted average number of outstanding common and proportionate voting shares	252,305,425	182,369,839	231,829,926	176,901,119
Net income (loss) per share - diluted	$ 0.05	$ (0.17)	$ (0.01)	$ (0.25)
Weighted average number of outstanding common and proportionate voting shares, assuming dilution	257,883,711	182,369,839	231,829,926	176,901,119

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Amounts expressed in thousands of United States dollars, except for per share amounts)

Three months ended

	Number of Shares		Convertible Preferred Stock									
	Common Stock	**Exchangeable Shares**	**Series A**	**Series B**	**Series C**	**Series D**	**Common Shares Equivalent**	**Additional paid in capital**	**Accumulated other comprehensive income (loss)**	**Accumulated deficit**	**Non-controlling interest**	**Total**
Balance at March 31, 2022	**251,971,226**	**52,395,071**	**13,358**	**610**	**—**	**—**	**318,334,501**	**$ 850,386**	**$ (783)**	**(329,855)**	**5,491**	**$ 525,239**
Shares issued - stock option, warrant and RSU exercises	36,099	—	—	—	—	—	36,099	1,041	—	—	—	**1,041**
Shares issued- conversion	700,000	—	(700)	—	—	—	—	—	—	—	—	**—**
Share-based compensation expense	—	—	—	—	—	—	—	4,463	—	—	—	**4,463**
Options expired/forfeited	—	—	—	—	—	—	—	(1,506)	—	1,506	—	**—**
Capital Contribution	—	—	—	—	—	—	—	564	—	—	(221)	**343**
Net income for the period	—	—	—	—	—	—	—	—	—	13,217	945	**14,162**
Foreign currency translation	—	—	—	—	—	—	—	—	(280)	—	—	**(280)**
Balance at June 30, 2022	**252,707,325**	**52,395,071**	**12,658**	**610**	**—**	**—**	**318,370,600**	**$ 854,948**	**$ (1,063)**	**$ (315,132)**	**$ 6,215**	**$ 544,968**

	Number of Shares			Convertible Preferred Stock									
	Common Stock	**Exchangeable Shares**	**Proportionate Voting Shares**	**Series A**	**Series B**	**Series C**	**Series D**	**Common Shares Equivalent**	**Additional paid in capital**	**Accumulated other comprehensive income (loss)**	**Accumulated deficit**	**Non-controlling interest**	**Total**
Balance at March 31, 2021	**178,956,366**	**38,890,571**	**—**	**14,008**	**610**	**—**	**—**	**232,464,485**	**$ 513,643**	**$ (1,473)**	**(332,715)**	**3,705**	**$ 183,160**
Shares issued - stock option, warrant and RSU exercises	1,676,567		—	—	—	—	—	1,676,567	7,310	—	—	—	**7,310**
Shares issued - acquisitions	3,464,870		—	—	—	—	—	3,464,870	34,427	—	—	—	**34,427**
Shares issued - liability settlement	5,000		—	—	—	—	—	5,000	57	—	—	—	**57**
Shares issued- conversion	300,000		—	(300)	—	—	—	—	—	—	—	—	**—**
Share-based compensation expense	—		—	—	—	—	—	—	4,648	—	—	—	**4,648**
Return of capital	—		—	—	—	—	—	—	—	—	—	(223)	**(223)**
Net loss for the period	—		—	—	—	—	—	—	—	—	(30,660)	998	**(29,662)**
Foreign currency translation	—		—	—	—	—	—	—	—	3,025	—	—	**3,025**
Balance at June 30, 2021	**184,402,803**	**38,890,571**	**—**	**13,708**	**610**	**—**	**—**	**237,610,922**	**$ 560,085**	**$ 1,552**	**$ (363,375)**	**$ 4,480**	**$ 202,742**

Six months ended

	Number of Shares		Convertible Preferred Stock									
	Common Stock	**Exchangeable Shares**	**Series A**	**Series B**	**Series C**	**Series D**	**Common Shares Equivalent**	**Additional paid in capital**	**Accumulated other comprehensive income (loss)**	**Accumulated deficit**	**Non-controlling interest**	**Total**
Balance at December 31, 2021	**190,930,800**	**38,890,571**	**13,708**	**610**	**36**	**—**	**244,175,394**	**$ 535,418**	**$ 2,823**	**(314,654)**	**5,367**	**$ 228,954**
Shares issued - stock option, warrant and RSU exercises	9,336,728	—	—	—	—	—	9,336,728	25,743	—	—	—	**25,743**
Shares, options and warrants issued- acquisitions	51,349,978	13,504,500	—	—	—	—	64,854,478	288,044	—	—	—	**288,044**
Shares issued- liability settlement	4,000	—	—	—	—	—	4,000	22	—	—	—	**22**
Shares issued- conversion	1,085,819	—	(1,050)	—	(36)	—	—	—	—	—	—	**—**
Share-based compensation expense	—	—	—	—	—	—	—	7,819	—	—	—	**7,819**
Options expired/forfeited	—	—	—	—	—	—	—	(2,662)	—	2,662	—	—
Capital Contribution	—	—	—	—	—	—	—	564	—	—	(448)	**116**
Net loss for the period	—	—	—	—	—	—	—	—	—	(3,140)	1,296	**(1,844)**
Foreign currency translation	—	—	—	—	—	—	—	—	(3,886)	—	—	**(3,886)**
Balance at June 30, 2022	**252,707,325**	**52,395,071**	**12,658**	**610**	**—**	**—**	**318,370,600**	**$ 854,948**	**$ (1,063)**	**$ (315,132)**	**$ 6,215**	**$ 544,968**

	Number of Shares			Convertible Preferred Stock									
	Common Stock	Exchangeable Shares	Proportionate Voting Shares	Series A	Series B	Series C	Series D	Common Shares Equivalent	Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Non-controlling interest	Total
Balance at December 31, 2020	**79,526,785**	**38,890,571**	**76,307**	**14,258**	**710**	**—**	**—**	**209,692,379**	**$ 305,138**	**$ (3,662)**	**(318,594)**	**3,802**	**$ (13,316)**
Shares issued - stock option, warrant and RSU exercises	3,647,503	—	—	—	—	87	1,315	5,048,796	33,168	—	—	—	**33,168**
Shares issued - acquisitions	3,464,870	—	—	—	—	—	—	3,464,870	34,427	—	—	—	**34,427**
Shares issued - liability settlement	5,000	—	—	—	—	—	—	5,000	57	—	—	—	**57**
Private placement net of share issuance costs	18,115,656	—	—	—	—	—	—	18,115,656	173,477	—	—	—	**173,477**
Shares issued- conversion	78,358,768	—	(76,307)	(550)	(100)	(87)	(1,315)	—	—	—	—	—	**—**
Share-based compensation expense	—	—	—	—	—	—	—	—	8,215	—	—	—	**8,215**
Options expired/forfeited	—	—	—	—	—	—	—	—	(53)	—	53	—	**—**
Conversion of convertible debt	1,284,221	—	—	—	—	—	—	1,284,221	5,656	—	—	—	**5,656**
Return of capital	—	—	—	—	—	—	—	—	—	—	—	(383)	**(383)**
Net loss for the period	—	—	—	—	—	—	—	—	—	—	(44,834)	1,061	**(43,773)**
Foreign currency translation	—	—	—	—	—	—	—	—	—	5,214	—	—	**5,214**
Balance at June 30, 2021	**184,402,803**	**38,890,571**	**—**	**13,708**	**610**	**—**	**—**	**237,610,922**	**$ 560,085**	**$ 1,552**	**$ (363,375)**	**$ 4,480**	**$ 202,742**

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements

TerrAscend Corp.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

(Amounts expressed in thousands of United States dollars, except for per share amounts)

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Operating activities		
Net loss	$ (1,844)	$ (43,773)
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Non-cash write downs of inventory	8,495	699
Accretion expense	1,936	(544)
Depreciation of property and equipment and amortization of intangible assets	12,131	7,050
Amortization of operating right-of-use assets	1,074	2,269
Share-based compensation	7,819	8,215
Deferred income tax (recovery) expense	(787)	285
(Gain) loss on fair value of warrants and purchase option derivative	(53,058)	25,301
Revaluation of contingent consideration	153	2,990
Impairment of intangible assets	—	3,633
Impairment of goodwill	—	5,007
Loss on disposal of fixed assets	929	—
Release of indemnification asset	3,973	3,796
Forgiveness of loan principal and interest	—	(766)
Unrealized and realized foreign exchange loss	50	5,838
Unrealized and realized loss (gain) on investments	234	(6,192)
Changes in operating assets and liabilities		
Receivables	475	(950)
Inventory	208	(9,879)
Prepaid expense and deposits	1,474	(507)
Deposits	206	—
Other assets	461	389
Accounts payable and accrued liabilities and other payables	(8,299)	639
Operating lease liability	(614)	(1,889)
Other liability	(10,353)	—
Contingent consideration payable	(410)	(11,394)
Corporate income tax payable	5	(293)
Deferred revenue	766	—
Net cash used in operating activities	(34,976)	(10,076)
Investing activities		
Investment in property and equipment	(12,500)	(10,856)
Investment in intangible assets	(1,330)	(40)
Principal payments received on lease receivable	392	359
Distributions of earnings from associates	—	469
Deposits for property and equipment	(10,036)	(10,583)
Deposits for business acquisition	(852)	—
Payments made for land contracts	(429)	—
Cash received on acquisition	24,716	—
Cash portion of consideration paid in acquisitions, net of cash acquired	—	(42,736)
Net cash used in investing activities	(39)	(63,387)
Financing activities		
Proceeds from options and warrants exercised	24,158	12,921
Loan principal paid	(5,203)	—
Loan amendment fee paid	(1,200)	—
Proceeds from loans payable	—	766
Cash distributions to NJ partners	(1,436)	—
Capital contributions received (paid) from (to) non-controlling interests	(448)	(383)
Payments of contingent consideration	(6,630)	(18,274)
Payments made for financing obligations	(460)	—
Proceeds from private placement, net of share issuance costs	—	173,477
Net cash provided by financing activities	8,781	168,507
Net (decrease) increase in cash and cash equivalents and restricted cash during the period	(26,234)	95,044
Net effects of foreign exchange	(4,377)	(89)
Cash and cash equivalents and restricted cash, beginning of period	79,642	59,226
Cash and cash equivalents and restricted cash, end of period	$ 49,031	$ 154,181
Supplemental disclosure with respect to cash flows		
Income taxes paid	$ 9,213	$ 16,381
Interest paid	$ 14,641	$ 13,290
Lease termination fee paid	$ 3,300	-
Non-cash transactions		
Equity and warrant liability issued as consideration for acquisition	$ 294,800	$ 34,427
Promissory note issued as consideration for acquisitions	$ -	$ 6,750
Shares issued for liability settlement	$ 22	$ 57
Accrued capital purchases	$ 9,776	$ 336

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

1. Nature of operations

TerrAscend was incorporated under the Ontario Business Corporations Act on March 7, 2017. TerrAscend provides cannabis products, brands, and services in the United States ("US") and Canada cannabinoid markets where cannabis production or consumption has been legalized for therapeutic or adult use. TerrAscend operates a number of synergistic businesses, including Gage Growth Corp. ("Gage"), a cultivator, processor, and retailer in Michigan, The Apothecarium ("The Apothecarium"), a cannabis dispensary with several retail locations in California, Pennsylvania and New Jersey; TerrAscend NJ, LLC ("TerrAscend NJ"), a cultivator, processor and retailer with operations in New Jersey, Ilera Healthcare ("Ilera"), Pennsylvania's medical cannabis cultivator, processor and dispenser; HMS Health, LLC and HMS Processing, LLC (collectively "HMS"), a medical cannabis cultivator and processor based in Maryland; Valhalla Confections, a manufacturer of cannabis-infused edibles; State Flower a California-based cannabis producer operating a licensed cultivation facility in San Francisco; and Arise Bioscience Inc., a manufacturer and distributor of hemp-derived products.

The Company was listed on the Canadian Stock Exchange effective May 3, 2017, having the ticker symbol TER and effective October 22, 2018, the Company began trading on OTCQX under the ticker symbol TRSSF. The Company's registered office is located at 3610 Mavis Road, Mississauga, Ontario, L5C 1W2.

2.Summary of significant accounting policies

(a)Basis of presentation

These unaudited interim condensed consolidated financial statements as of and for the three and six months ended June 30, 2022 and 2021 (the "Consolidated Financial Statements") of the Company and its subsidiaries were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The accompanying condensed consolidated financial statements contained in this report are unaudited. In the opinion of management, these unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and notes thereto of the Company and include all adjustments, consisting only of normal recurring adjustments, considered necessary for the fair presentation of the Company's financial position and operating results. The results for the three and six months ended June 30, 2022 and 2021 are not necessarily indicative of the operating results for the year ended December 31, 2022, or any other interim or future periods.

The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended December 31, 2021 contained in the Company's 2021 Form 10-K. There were no significant changes to the policies disclosed in Note 2 of the summary of significant accounting policies of the Company's audited consolidated financial statements for the year ended December 31, 2021 in the Company's 2021 Form 10-K.

3.Accounts receivable, net

	June 30, 2022	December 31, 2021
Trade receivables	$ 22,341	$ 14,684
Sales tax receivable	559	358
Other receivables	437	370
Provision for sales returns	(316)	(157)
Expected credit losses	(832)	(335)
Total receivables, net	**$ 22,189**	**$ 14,920**

(Amounts expressed in thousands of United States dollars, except for per share amounts)

Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada. Other receivables at June 30, 2022 and December 31, 2021 mainly include amounts due from the sellers of the Apothecarium.

		June 30, 2022		December 31, 2021
Trade receivables	$	22,341	$	14,684
Less: provision for sales returns and expected credit losses		(1,148)		(492)
Total trade receivables, net	**$**	**21,193**	**$**	**14,192**
Of which				
Current		8,173		13,282
31-90 days		711		569
Over 90 days		13,457		833
Less: provision for sales returns and expected credit losses		(1,148)		(492)
Total trade receivables, net	**$**	**21,193**		**14,192**

The over 90 days aged balance relates mainly to one customer who has agreed to a payment plan and the Company has received payments in accordance with the payment plan subsequent to June 30, 2022.

The following is a roll-forward of the provision for sales returns and allowances related to trade accounts receivable:

		June 30, 2022	December 31, 2021
Beginning of period	$	492	1,782
Provision for sales returns		255	1,125
Expected credit losses		859	357
Write-offs charged against provision		(431)	(2,772)
Foreign currency translation adjustments		(27)	-
Total provision for sales returns and allowances	**$**	**1,148**	**492**

4.Acquisitions

AMMD

On April 8, 2022, the Company entered into a definitive agreement to acquire Allegany Medical Marijuana Dispensary ("AMMD"), a medical dispensary in Maryland from Moose Curve Holdings, LLC. Under the terms of the agreement, the Company will acquire 100% equity interest in AMMD for total consideration of $10,000 in cash, in addition to acquiring related real estate for $1,700. The transaction is subject to customary closing conditions and regulatory approvals. The Company intends to rebrand the 8,000 square foot dispensary as The Apothecarium.

Pinnacle

On April 14, 2022, the Company entered into a definitive agreement to acquire KISA Enterprises MI, LLC and KISA Holdings, LLC (collectively, "Pinnacle"), a dispensary operator in Michigan, and related real estate, for total consideration of $28,500, payable in cash, two promissory notes in an aggregate amount of $10,000, and stock. The transaction includes six retail dispensary licenses, five of which are currently operational and located in the cities of Addison, Buchanan, Camden, Edmore, and Morenci, Michigan. The Company intends to rebrand each of the dispensaries under either the Gage or Cookies retail brand. This transaction is pending approval.

Gage

On March 10, 2022, in order to expand its footprint in key markets, the Company acquired all of the issued and outstanding subordinate voting shares (or equivalent) of Gage, a cultivator and processor with operations in the Michigan market. Pursuant to the terms of the arrangement agreement, for each Gage subordinate voting share and other equity instruments, including outstanding stock options and warrants, each holder received a 0.3001 equivalent replacement award of the Company's respective security at the time of closing based on the closing price of the Common Shares on the Canadian Stock Exchange ("CSE") on March 10, 2022. On the acquisition date there was consideration in the form of 51,349,978 Common Shares valued at $207,871, 13,504,500 exchangeable units valued at $66,591, 4,940,364 replacement stock options with a fair value of $13,147, and 282,023 replacement warrants with a fair value of $435. Each of the directors, officers and 10% shareholders of Gage entered into voting support and lock-up agreements in which the shares issued to these individuals are subject to various vesting periods. As such, a restriction discount of $45,336 has been placed over the shares subject to lock-up. The fair value of the replacement options and warrants was calculated using the Black Scholes Option Pricing Model combined with the percentage of the vesting period that was completed prior to the acquisition. Additionally, total consideration included warrant liabilities convertible into equity with a fair value of $6,756.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

The following table presents the fair value of assets acquired and liabilities assumed as of the March 10, 2022 acquisition date and allocation of the consideration to net assets acquired:

	$
Cash and cash equivalents	24,716
Accounts receivable	8,996
Inventory	20,852
Prepaid expenses and other current assets	1,855
Property and equipment	69,595
Operating right of use asset	1,948
Deposits	1,147
Intangible assets	187,953
Goodwill	150,272
Investments	4,121
Accounts payable and accrued liabilities	(29,871)
Corporate income taxes payable	(5,000)
Operating lease liability	(1,948)
Finance lease liability	(308)
Deferred revenue	(562)
Loans payable	(60,605)
Deferred tax liability	(59,603)
Financing obligations	(12,184)
Other liabilities	(6,574)
Net assets acquired	**294,800**
Common shares of TerrAscend	274,462
Fair value of other equity instruments	13,582
Fair value of warrants classified as liabilities	6,756
Total consideration	**294,800**

The acquired intangible assets include cultivation and processing licenses, as well as retail licenses, which are treated as definite-lived intangible assets which are amortized over a 15 year period. The fair value of the cultivation and processing and the retail licenses are $77,198 and $53,321, respectively. In addition, the intangible assets include brand intangibles which are treated as indefinite lived intangible assets. The fair value of the brand intangibles is $57,435.

The consideration paid reflected the synergies, economies of scale, and workforce. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognized is expected to be deductible for income tax purposes.

The accounting for this acquisition has been provisionally determined at June 30, 2022. The fair value of net assets acquired, specifically with respect to inventory, intangible assets, deferred revenue, property and equipment, operating right of use assets, lease liabilities, investments, corporate income taxes payable, deferred tax liability, and goodwill have been determined provisionally and are subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, the amounts above may be adjusted retrospectively to the acquisition date in future reporting periods.

Costs related to this transaction were $3,949, including legal, accounting, due diligence, and other transaction-related expenses. Of the total amount of transaction costs, $1,309 was recorded during the six months ended June 30, 2022, and was included in transaction and restructuring costs in the consolidated statement of operations and comprehensive income.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

On a standalone basis, had the Company acquired the business on January 1, 2022, sales estimates would have been $41,444 for the six months ended June 30, 2022 and net loss estimates would have been $(16,959). Actual sales and net loss for the six months ended June 30, 2022 since the date of acquisition are $28,928 and $(7,748), respectively.

Contingent consideration

Contingent consideration recorded relates to the Company's business acquisitions. Contingent consideration is based upon the potential earnout of the underlying business unit and is measured at fair value using a projection model for the business and the formulaic structure for determining the consideration under the terms of the agreement.

The balance of contingent consideration is as follows:

	State Flower	Apothecarium	KCR	Total
Carrying amount, December 31, 2021	**$ 8,360**	**$ 3,028**	**$ 1,147**	**$ 12,535**
Payments of contingent consideration	(7,040)	—	—	(7,040)
Revaluation of contingent consideration	86	—	67	153
Carrying amount, June 30, 2022	**$ 1,406**	**$ 3,028**	**$ 1,214**	**$ 5,648**
Less: current portion	—	**(3,028)**	—	**(3,028)**
Non-current contingent consideration	**$ 1,406**	**$ -**	**$ 1,214**	**$ 2,620**

During the six months ended June 30, 2022, the Company made payments of $7,040 to the sellers of its previously acquired State Flower business. The remaining amount will be paid to the sellers of State Flower upon the Company's acquisition of the remaining 50.1% of State Flower, which is subject to regulatory approval.

Refer to Note 20 for discussion of valuation methods used when determining the fair value of the contingent consideration liability at June 30, 2022, and the changes in fair value during the six months ended June 30, 2022.

5.Inventory

The Company's inventory of dry cannabis and oil includes both purchased and internally produced inventory. The Company's inventory is comprised of the following items:

	June 30, 2022	December 31, 2021
Raw materials	$ 7,161	$ 3,185
Finished goods	16,520	8,721
Work in process	27,842	26,852
Accessories, supplies and consumables	2,848	3,565
	$ 54,371	$ 42,323

On February 4, 2022, more than 500 vape products were recalled by the Pennsylvania's Department of Health, including several of the Company's SKUs. As a result of the recall, the Company wrote off $1,071 and $1,925 of inventory during the three and six months ended June 30, 2022, respectively.

In addition, management wrote down its inventory by $6,351 and $6,570 for the three and six months ended June 30, 2022, respectively, and $115 and $699 for the three and six months ended June 30, 2021. The inventory write-downs in the current year period were mainly due to the write down of inventory to lower of cost or market which was related to the Company's operational reconfiguration of its cultivation facility in Pennsylvania, as well as inventory in Canada that the Company deemed unsaleable. The inventory write-downs in the prior year period were related to inventory that the Company deemed unsaleable.

6.Property and equipment

Property and equipment consisted of:

(Amounts expressed in thousands of United States dollars, except for per share amounts)

	June 30, 2022	December 31, 2021
Land	$ 7,613	$ 4,183
Assets in process	52,624	6,858
Buildings & improvements	157,814	118,014
Machinery & equipment	27,906	23,424
Office furniture & equipment	8,290	3,232
Assets under finance leases	4,961	239
Total cost	259,208	155,950
Less: accumulated depreciation	(20,411)	(15,188)
Property and equipment, net	$ 238,797	$ 140,762

Assets in process represent construction in progress related to both cultivation and dispensary facilities not yet completed, or otherwise not placed in service.

During the six months ended June 30, 2022 and the twelve months ended December 31, 2021, borrowing costs were not capitalized because the assets in process did not meet the criteria of a qualifying asset.

Depreciation expense was $3,027 and $5,513 for the three and six months ended June 30, 2022, respectively ($1,670 and $3,406, respectively included in cost of sales) and $1,805 and $3,771 for the three and six months ended June 30, 2021, respectively ($1,127 and $2,225 included in cost of sales).

7.Intangible assets and goodwill

Intangible assets consisted of the following:

At June 30, 2022	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Finite lived intangible assets			
Software	$ 2,926	$ (1,819)	$ 1,107
Licenses	284,818	(17,301)	267,517
Brand intangibles	1,144	(568)	576
Non-compete agreements	280	(48)	232
Total finite lived intangible assets	289,168	(19,736)	269,432
Indefinite lived intangible assets			
Brand intangibles	82,206	—	82,206
Total indefinite lived intangible assets	82,206	—	82,206
Intangible assets, net	**$ 371,374**	**$ (19,736)**	**$ 351,638**

At December 31, 2021	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Finite lived intangible assets			
Software	$ 2,626	$ (1,353)	$ 1,273
Licenses	153,300	(11,311)	141,989
Brand intangibles	1,144	(254)	890
Non-compete agreements	280	(221)	59
Total finite lived intangible assets	157,350	(13,139)	144,211
Indefinite lived intangible assets			
Brand intangibles	24,773	—	24,773
Total indefinite lived intangible assets	24,773	—	24,773
Intangible assets, net	**$ 182,123**	**$ (13,139)**	**$ 168,984**

(Amounts expressed in thousands of United States dollars, except for per share amounts)

Amortization expense was $4,019 and $6,618 for the three and six months ended June 30, 2022, respectively ($2,345 and $3,076, respectively included in cost of sales) and $1,787 and $3,279 for the three and six months ended June 30, 2021, respectively ($621 and $1,108, respectively included in cost of sales).

Estimated future amortization expense for finite lived intangible assets for the next five years is as follows:

2022	$	8,236
2023	$	15,661
2024	$	15,234
2025	$	14,797
2026	$	14,748

The following table summarizes the activity in the Company's goodwill balance:

Balance at December 31, 2021	$	90,326
Acquisitions (see Note 4)		150,272
Balance at June 30, 2022	$	240,598

Impairment of Intangible Assets

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Finite lived intangible assets				
Software	$ -	$ 9	$ -	$ 9
Licenses	—	—	—	-
Customer Relationships	—	2,000	—	2,000
Non-compete agreements	—	224	—	224
Total impairment of finite lived intangible assets	—	2,233	—	2,233
Indefinite lived intangible assets				
Brand intangibles	—	1,400	—	1,400
Total impairment of indefinite lived intangible assets	—	1,400	—	1,400
Total impairment of intangible assets	**$ -**	**$ 3,633**	**$ -**	**$ 3,633**

In August 2021, the Company made the decision to undertake a strategic review process to explore, review and evaluate potential alternatives for its Arise business focused on maximizing shareholder value. As a result of this review, the Company recorded impairment of intangible assets of $3,633 for the six months ended June 30, 2021.

8.Loans payable

	Canopy Growth (formerly RIV Capital) Loan	Canopy Growth-Canada Inc Loan	Other Loans	Canopy Growth-Arise Loan	Ilera Term Loan	KCR Loan	Gage loans	Total
Balance at December 31, 2021	$ 8,680	$ 42,165	$ 7,915	$ 8,900	$ 115,233	$ 2,250	$ -	$ 185,143
Addition on acquisition	—	—	—	—	—	—	60,605	60,605
Loan amendment fee	—	—	—	—	(1,200)	—	—	(1,200)
Interest accretion	665	2,739	319	702	8,542	74	2,819	15,860
Principal and interest paid	(624)	(3,837)	(2,586)	—	(7,662)	(2,324)	(2,811)	(19,844)
Effects of movements in foreign exchange	(142)	(691)	(94)	—	—	—	—	(927)
Ending carrying amount at June 30, 2022	**$ 8,579**	**$ 40,376**	**$ 5,554**	**$ 9,602**	**$ 114,913**	**$ -**	**$ 60,613**	**$ 239,637**
Less: current portion	(309)	(1,170)	(464)	—	(42)	—	(56,871)	(58,856)
Non-current loans payable	**$ 8,270**	**$ 39,206**	**$ 5,090**	**$ 9,602**	**$ 114,871**	**$ -**	**$ 3,742**	**$ 180,781**

(Amounts expressed in thousands of United States dollars, except for per share amounts)

Total interest paid on all loan payables was $6,370 and $14,641 for the three and six months ended June 30, 2022, respectively, and $4,150 and $13,290 for the three and six months ended June 30, 2021, respectively.

Gage loans

The Gage Acquisition (refer to Note 4) included a senior secured term loan with an acquisition date fair value of $53,357. The Credit Agreement bears interest at a rate equal to the greater of the Prime Rate plus 7% or 10.25%. The term loan is payable monthly and matures on November 30, 2022. The term loan is secured by a first lien on all Gage assets.

Additionally, the Gage Acquisition included a loan payable to a former owner of a licensed entity with an acquisition date fair value of $2,683, and a Promissory Note with an acquisition date fair value of $4,065. The loan payable to the former owner bears interest at a rate of 0.2%. The Promissory Note bears interest at a fixed rate of 6%.

Maturities of loans payable

Stated maturities of loans payable over the next five years are as follows:

		June 30, 2022
2022	$	56,589
2023		9,187
2024		131,869
2025		—
2026		—
Thereafter		82,491
Total principal payments	$	280,136

9.Leases

The majority of the Company's leases are operating leases used primarily for corporate offices, retail, cultivation and manufacturing. The operating lease periods generally range from 1 to 28 years. The Company had three finance leases at June 30, 2022 and one finance lease at December 31, 2021.

Amounts recognized in the consolidated balance sheet are as follows:

		June 30, 2022		December 31, 2021
Operating leases:				
Operating lease right-of-use assets	$	30,570	$	29,561
Operating lease liability classified as current		1,394		1,171
Operating lease liability classified as non-current		31,680		30,573
Total operating lease liabilities	**$**	**33,074**	**$**	**31,744**
Finance leases:				
Property and equipment, net	$	4,724	$	168
Lease obligations under finance leases classified as current		384		22
Lease obligations under finance leases classified as non-current		4,794		181
Total finance lease obligations	**$**	**5,178**	**$**	**203**

The Company recognized operating lease expense of $1,173 and $2,355 for the three and six months ended June 30, 2022, respectively and $1,231 and $2,109 for the three and six months ended June 30, 2021, respectively.

On January 27, 2022, the Company made a payment of $3,300 related to the Lease Termination at its Hagerstown location which enables the Company to terminate its building lease at a later date. The lease termination fee was expensed during the year ended December 31, 2021.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

Other information related to operating leases at June 30, 2022 and December 31, 2021 consist of the following:

	June 30, 2022	December 31, 2021
Weighted-average remaining lease term (years)		
Operating leases	12.9	14.2
Finance leases	9.9	5.5
Weighted-average discount rate		
Operating leases	10.69 %	10.72 %

Supplemental cash flow information related to leases are as follows:

	June 30, 2022	December 31, 2021
Cash paid for amounts included in measurement of operating lease liabilities	$ 2,434	$ 3,987
Right-of-use assets obtained in exchange for lease obligations	$ 6,641	$ 9,773
Cash paid for amounts included in measurement of finance lease liabilities	$ 67	$ 40

Undiscounted lease obligations are as follows:

	Operating	Finance	Total
2022	$ 2,448	$ 264	$ 2,712
2023	4,975	824	5,799
2024	4,966	757	5,723
2025	4,950	775	5,725
2026	4,672	794	5,466
Thereafter	43,887	4,608	48,495
Total lease payments	65,898	8,022	73,920
Less: interest	(32,824)	(2,844)	(35,668)
Total lease liabilities	$ 33,074	$ 5,178	$ 38,252

Under the terms of these operating sublease agreements, future rental income from such third-party leases is expected to be as follows:

2022	$ 243
2023	435
2024	434
2025	448
2026	263
Thereafter	-
Total rental payments	$ 1,823

A sale-leaseback transaction occurs when an entity sells an asset it owns and then immediately leases the asset back from the buyer. The seller then becomes the lessee and the buyer becomes the lessor. Under ASC 842, both parties must assess whether the buyer-lessor has obtained control of the asset and a sale has occurred. The Company's subsidiary Gage entered into leaseback transactions on five properties of owned real estate. The Company has determined that these transactions do not qualify as a sale because control was not transferred to the buyer-lessor. Therefore, the Company has classified the lease portion of the transaction as a finance lease and continues to depreciate the asset. The Gage Acquisition (refer to Note 4) included financing obligations. The balance at June 30, 2022 was $12,352. Of this amount, $746 is included in other current liabilities and $11,606 is included in financing obligations in the consolidated balance sheets.

10.Shareholders’ equity

(Amounts expressed in thousands of United States dollars, except for per share amounts)

Warrants

The following is a summary of the outstanding warrants for Common Shares:

	Number of Common Share Warrants Outstanding	Number of Common Share Warrants Exercisable	Weighted Average Exercise Price $	Weighted Average Remaining Life (years)
Outstanding, December 31, 2021	**30,995,473**	**8,855,066**	**$ 4.20**	**5.66**
Exercised	(7,989,436)			
Replacement warrants granted on acquisition of Gage	282,023			
Outstanding, June 30, 2022	**23,288,060**	**1,110,168**	**$ 4.71**	**7.06**

Pursuant to the terms of the Gage Acquisition, each holder of a Gage warrant received a 0.3001 equivalent replacement warrant. Each warrant is exercisable into common share purchase warrants. The warrants range in exercise price from $3.83 to $7.00 and expire at various dates from October 6, 2022 to July 2, 2025. Refer to Note 4 for the determination of fair value of warrants acquired.

The Gage Acquisition included warrant liabilities that are exchangeable into Common Shares. Refer to Note 4 for the determination of the fair value of the warrant liability.

	Number of Common Share Warrants Outstanding	Number of Common Share Warrants Exercisable	Weighted Average Exercise Price $	Weighted Average Remaining Life (years)
Outstanding, December 31, 2021	**-**	**-**	**$ -**	**-**
Granted on acquisition of Gage	7,129,517			
Outstanding, June 30, 2022	**7,129,517**	**7,129,517**	**$ 8.66**	**1.49**

The following is a summary of the outstanding warrants for Proportionate Voting Shares at June 30, 2022. These warrants are exercisable for 0.001 of a Proportionate Voting Share. The Proportionate Voting Shares are exchangeable into Common Shares on a basis of 1,000 Common Shares per Proportionate Voting Share.

	Number of Proportionate Share Warrants Outstanding	Number of Proportionate Share Warrants Exercisable	Weighted Average Exercise Price $	Weighted Average Remaining Life (years)
Outstanding, December 31, 2021	**8,590,908**	**8,590,908**	**$ 5.69**	**0.64**
Exercised	—			
Outstanding, June 30, 2022	**8,590,908**	**8,590,908**	**$ 5.60**	**0.15**

The following is a summary of the outstanding Preferred Share warrants at June 30, 2022. Each warrant is exercisable into one preferred share:

	Number of Preferred Share Warrants Outstanding	Number of Preferred Share Warrants Exercisable	Weighted Average Exercise Price $	Weighted Average Remaining Life (years)
Outstanding, December 31, 2021	**16,056**	**16,056**	**$ 3,000**	**1.39**
Exercised	(950)			
Outstanding, June 30, 2022	**15,106**	**15,106**	**$ 3,000**	**0.90**

11.Share-based compensation plans

(Amounts expressed in thousands of United States dollars, except for per share amounts)

Share-based payments expense

Total share-based payments expense was as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Stock options	$ 3,500	$ 4,316	$ 6,090	$ 7,766
Restricted share units	963	332	1,729	449
Total share-based payments	**$ 4,463**	**$ 4,648**	**$ 7,819**	**$ 8,215**

Stock Options

The following table summarizes the stock option activity for the six months ended June 30, 2022:

	Number of Stock Options	Weighted average remaining contractual life (in years)	Weighted Average Exercise Price (per share) $	Aggregate intrinsic value	Weighted average fair value of nonvested options (per share) $
Outstanding, December 31, 2021	**12,854,519**	**4.84**	**$ 4.85**	**$ 27,557**	**$ 4.22**
Granted	4,182,590		5.16		
Replacement options granted on acquisition of Gage	4,940,364		2.99		
Exercised	(88,015)		4.04		
Forfeited (1)	(649,376)		8.65		
Expired	(396,441)		8.08		
Outstanding, June 30, 2022	**20,843,641**	**4.94**	**$ 4.24**	**3,615**	**$ -**
Exercisable, June 30, 2022	**12,396,267**	**3.07**	**$ 3.11**	**3,615**	**N/A**
Nonvested, June 30, 2022	**8,447,374**	**7.69**	**$ 5.89**	**-**	**N/A**

(1)For stock options forfeited, represents one share for each stock option forfeited.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company’s closing stock price on June 30, 2022 and December 31, 2021, respectively, and the exercise price, multiplied by the number of the in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options on June 30, 2022 and December 31, 2021, respectively.

The total pre-tax intrinsic value (the difference between the market price of the Company’s Common Stock on the exercise date and the price paid by the option holder to the exercise the option) related to stock options exercised is presented below:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Exercised	$ 79	$ 1,721	$ 140	$ 4,798

The Gage Acquisition included consideration in the form of 4,940,364 replacement options that had been issued before the acquisition date to employees of Gage. The post-combination options vest over a 1-3 year period. The fair value of the replacement options are estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Amounts expressed in thousands of United States dollars, except for per share amounts)

	March 10, 2022
Volatility	55.0%-80.0%
Risk-free interest rate	1.22%-1.94%
Expected life (years)	1.00-5.00
Dividend yield	0 %

The fair value of the various stock options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	June 30, 2022	December 31, 2021
Volatility	77.55% - 79.04%	79.05% - 81.51%
Risk-free interest rate	1.63% - 3.02%	0.90% - 1.72%
Expected life (years)	9.62 - 10.01	4.57 - 10.05
Dividend yield	0 %	0 %
Forfeiture rate	23.73 %	23.21% - 27.73%

Volatility was estimated by using the historical volatility of the Company's stock price. The expected life in years represents the period of time that the options issued are expected to be outstanding. The risk-free rate is based on US treasury bond issues with a remaining term approximately equal to the expected life of the options. Dividend yield is zero since the Company has never paid cash dividends and does not expect to pay cash dividends in the foreseeable future.

The total estimated fair value of stock options that vested during the six months ended June 30, 2022 and 2021 was $4,921 and $9,140, respectively. As of June 30, 2022, there was $30,806 of total unrecognized compensation cost related to unvested options.

Restricted Share Units

The following table summarizes the activities for the unvested RSUs for the three and six months ended June 30, 2022:

	Number of RSUs	Number of RSUs vested	Weighted average remaining contractual life (in years)
Outstanding, December 31, 2021	**192,171**	**13,294**	**N/A**
Granted	573,716		
Vested	(58,825)		
Forfeited	(23,250)		
Outstanding, June 30, 2022	**683,812**	**13,050**	**N/A**

As of June 30, 2022, there was $3,916 of total unrecognized compensation cost related to unvested RSUs.

12.Non-controlling interest

Non-controlling interest consists mainly of the Company’s ownership minority interest in its New Jersey operations and IHC Real Estate operations and consists of the following amounts:

	June 30, 2022	December 31, 2021
Opening carrying amount	$ 5,367	$ 3,802
Capital distributions	(448)	(53)
Investment in NJ partnership	—	(1,406)
Net income attributable to non-controlling interest	1,296	3,024
Ending carrying amount	**$ 6,215**	**$ 5,367**

13.Related parties

(Amounts expressed in thousands of United States dollars, except for per share amounts)

Parties are related if one party has the ability to control or exercise significant influence over the other party in making financing and operating decisions. At June 30, 2022 amounts due to/from related parties consisted of:

- Loans payable: During the year ended December 31, 2020, a small number of related persons, which consisted of key management of the Company, participated in the Ilera term loan (Note 8), which makes up $3,550 of the total loan principal balance at June 30, 2022 and December 31, 2021, respectively.
- Shareholders' Equity: During the six months ended June 30, 2022, the Company had the following transactions related to shareholders' equity:
    - Pursuant to the Gage Acquisition, Jason Wild and his respective affiliates received 10,467,229 of the Company's Common Shares in exchange for their Gage subordinate voting shares that were owned, held, controlled or directed, directly or indirectly, by Mr. Wild and his respective affiliates and 7,129,517 of the Company's warrants in exchange for their Gage warrants that were owned, held, controlled or directed, directly or indirectly, by Mr. Wild and his respective affiliates. The value of the interests of funds controlled directly or indirectly by Mr. Wild in the transaction in respect of the common shares was $52,335, in addition to the Company warrants issued in replacement of Gage warrants, at the implied consideration of $1.50 per Gage warrant. Richard Mavrinac, a former director of the Company, received 40,213 Common Shares in exchange for his Gage subordinate voting shares that were owned, held, controlled or directed, directly or indirectly, by Mr. Mavrinac and also received 6,683 Common Shares in exchange for his Gage restricted stock units that were owned, held, controlled or directed, directly or indirectly by Mr. Mavrinac. The value of Mr. Mavrinac's interest in the transaction was $234.

14.Income taxes

The effective tax rate was 25% and 128% for the three and six months ended June 30, 2022, respectively and -31% and -60% for the three and six months ended June 30, 2021, respectively.

Unrecognized tax benefits on the Unaudited Interim Condensed Consolidated Balance Sheets of $9,318 were reclassed from corporate income tax payable to other long term liability at December 31, 2021 as the classification better aligns with the recognition of the benefits.

15.General and administrative expenses

The Company's general and administrative expenses were as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Office and general	$ 6,042	$ 3,369	$ 9,608	$ 7,224
Professional fees	3,564	3,070	6,492	5,749
Lease expense	1,105	1,109	2,355	2,109
Facility and maintenance	813	597	1,450	1,315
Salaries and wages	13,629	7,451	22,917	15,102
Share-based compensation	4,463	4,648	7,819	8,215
Sales and marketing	4,365	506	5,892	1,428
Total	**$ 33,981**	**$ 20,750**	**$ 56,533**	**$ 41,142**

16.Revenue, net

The Company's disaggregated net revenue by source, primarily due to the Company's contracts with its external customers were as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Wholesale	$ 16,825	$ 36,330	$ 40,766	$ 74,714
Retail	47,979	22,393	73,697	37,363
Total	**$ 64,804**	**$ 58,723**	**$ 114,463**	**$ 112,077**

(Amounts expressed in thousands of United States dollars, except for per share amounts)

For the three and six months ended June 30, 2022 and 2021, the Company did not have any single customer that accounted for 10% or more of the Company's revenue.

As a result of the vape recall in Pennsylvania (refer to note 5), the Company recorded sales returns of $nil and $1,040 during the three and six months ended June 30, 2022, respectively.

17.Finance and other expenses

The Company's finance and other expenses included the following:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest accretion	$ 8,758	$ 6,464	$ 15,860	$ 12,746
Forgiveness of principal and interest on loans	—	766	—	-
Indemnification asset release	3,998	2,599	3,973	3,796
Loss on disposal of fixed assets	845	37	929	37
Other expense (income)	301	(947)	(4)	(1,270)
Total	**$ 13,902**	**$ 8,919**	**$ 20,758**	**$ 15,309**

The indemnification asset release is the reduction of the indemnification asset related to the expiration of the escrow agreement related to the acquisition of The Apothecarium.

18.Segment information

<u>Operating Segment</u>

The Company determines its operating segments according to how the business activities are managed and evaluated by the Company's chief operating decision maker. The Company operates under one operating segment, being the cultivation, production and sale of cannabis products.

<u>Geography</u>

The Company operates with subsidiaries located in Canada and the US.

The Company had the following net revenue by geography of:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
United States	$ 63,952	$ 52,457	$ 112,545	$ 102,141
Canada	852	6,266	1,918	9,936
Total	**$ 64,804**	**$ 58,723**	**$ 114,463**	**$ 112,077**

The Company had non-current assets by geography of:

	June 30, 2022	December 31, 2021
United States	$ 842,569	$ 409,150
Canada	28,730	29,563
Total	**$ 871,299**	**$ 438,713**

19.Capital management

(Amounts expressed in thousands of United States dollars, except for per share amounts)

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to achieve this objective, the Company prepares a capital budget to manage its capital structure. The Company defines capital as borrowings, equity comprised of issued share capital, share-based payments, accumulated deficit, as well as funds borrowed from related parties.

Since inception, the Company has primarily financed its liquidity needs through the issuance of share capital through borrowings. The equity issuances are outlined in Note 11 and debt issuances are outlined in Note 8.

The Company is subject to covenants as a result of its loans payable with various lenders. The Company is in compliance with its debt covenants as of June 30, 2022. Other than these items related to loans payable as of June 30, 2022 and December 31, 2021, the Company is not subject to externally imposed capital requirements.

On April 28, 2022, the Ilera term loan (refer to Note 8) was amended to provide the Company with greater flexibility, and the optional prepayment date was amended to 30 months (from 18 months) from the closing date, subject to a premium payment due.

On August 10, 2022, the Gage senior secured term loan (refer to Note 8) was amended as a result of the corporate restructure in conjunction with the Gage Acquisition. The amendments to the Gage senior secured term loan include the addition of a borrower and guarantor under the term loan and a right of first offer in favor of the administrative agent for a refinancing of the term loan.

20.Financial instruments and risk management

<u>Assets and liabilities measured at fair value</u>

Cash and cash equivalents, net accounts receivable, accounts payable and accrued liabilities, loans payable, convertible debentures, and other current receivables and payables represent financial instruments for which the carrying amount approximates fair value due to their short-term maturities.

The following table represents the fair value amounts of financial assets and financial liabilities measured at estimated fair value on a recurring basis:

	At June 30, 2022			At December 31, 2021		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Cash and cash equivalents	$ 48,426	$ - —	$ -	$ 79,642	$ - —	$ -
Restricted cash	605	—	—	—	—	—
Purchase option derivative asset	—	—	50	—	—	868
Total Assets	**$ 49,031**	**$ -**	**$ 50**	**$ 79,642**	**$ -**	**$ 868**
Liabilities						
Contingent consideration payable	—	$ -	$ 5,648	$ -	$ -	$ 12,535
Warrant liability	—	6,176	—	—	54,986	—
Total Liabilities	**$ -**	**$ 6,176**	**$ 5,648**	**$ -**	**$ 54,986**	**$ 12,535**

There were no transfers between the levels of fair value hierarchy during the three and six months ended June 30, 2022.

The valuation approaches and key inputs for each category of assets or liabilities that are classified within levels of the fair value hierarchy are presented below:

<u>Level 1</u>

Cash and cash equivalents, net accounts receivable, accounts payable and accrued liabilities, loans payable, convertible debentures, and other current receivables and payables represent financial instruments for which the carrying amount approximates fair value due to their short-term maturities.

<u>Level 2</u>

Warrant liability

The following table summarizes the changes in the warrant liability for the six months ended June 30, 2022:

(Amounts expressed in thousands of United States dollars, except for per share amounts)

Balance at December 31, 2021	**$**	**54,986**
Addition on acquisition		6,756
Included in gain on fair value of warrants		(53,876)
Exercises		(1,690)
Balance at June 30, 2022	**$**	**6,176**

The Company's warrant liability consists of its Series A, B, C, and D convertible preferred stock issued through its 2020 private placements ("private placement warrant liability"), as well as the warrant liability acquired through its Gage Acquisition ("Gage warrant liability") (refer to Note 4).

The private placement warrant liability has been measured at fair value at June 30, 2022. Key inputs and assumptions used in the Black Scholes valuation were as follows:

		June 30, 2022		**December 31, 2021**
Common Stock Price of TerrAscend Corp.	$	2.28	$	6.11
Warrant exercise price	$	3,000	$	3,000
Warrant conversion ratio	$	1,000	$	1,000
Annual volatility		65.7 %		65.5 %
Annual risk-free rate		2.9 %		0.6 %
Expected term (in years)		0.9		1.4

The Gage warrant liability has been remeasured at fair value at June 30, 2022. Key inputs and assumptions used in the Black Scholes valuation were as follows:

		June 30, 2022		**March 10, 2022**
Common Stock Price of TerrAscend Corp.	$	2.28	$	5.70
Warrant exercise price	$	8.66	$	8.66
Annual volatility		62.88% - 63.73%		61.65% - 61.87%
Annual risk-free rate		2.9 %		1.8 %
Expected term (in years)		1.5		1.7

Level 3

Purchase option derivative asset

The following table summarizes the changes in the purchase option derivative asset:

Balance at December 31, 2021	**$**	**868**
Revaluation of purchase option derivative asset		(818)
Balance at June 30, 2022	**$**	**50**

The purchase option derivative asset has been measured at fair value at the transaction date using the Monte Carlo simulation model that relies on assumptions around the Company's EBITDA volatility and risk adjusted discount, among others. Key inputs and assumptions used in the Monte Carlo simulation model are summarized below:

	June 30, 2022	**December 31, 2021**
Term (in years)	0.8	1.3
Risk-free rate	2.5 %	0.4 %
EBITDA discount rate	15.5 %	15.0 %
EBITDA volatility	37.1 %	44.0 %

Contingent Consideration Payable

(Amounts expressed in thousands of United States dollars, except for per share amounts)

The fair value of contingent consideration at June 30, 2022 and December 31, 2021 was determined using a probability weighted model based on the likelihood of achieving certain revenue and EBITDA scenario outcomes. A discount rate of 12.2% (June 30, 2021 – 12.8%) was utilized to determine the present value of the liabilities, resulting in a loss on revaluation of contingent consideration of $34 and $153 for the three and six months ended June 30, 2022, respectively (June 30, 2021 - ($7) and $2,990, respectively).

The illustrative variance of the total contingent consideration at June 30, 2022 based on reasonably possible changes to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Discount rate sensitivity		**KCR**
Increase 100 basis points	$	1,175
Increase 50 basis points	$	1,195
Decrease 50 basis points	$	1,236
Decrease 100 basis points	$	1,258

21.Commitments and contingencies

In the ordinary course of business, the Company is involved in a number of lawsuits incidental to its business, including litigation related to intellectual property, product liability, employment, and commercial matters. Although it is difficult to predict the ultimate outcome of these cases, management believes that any ultimate liability would not have a material adverse effect on the Company's consolidated balance sheets or results of operations. At June 30, 2022, there were no pending lawsuits that could reasonably be expected to have a material effect on the results of the Company’s consolidated financial statements.

22.Subsequent events

i)Subsequent to June 30, 2022, the Company opened The Apothecarium Lodi, its third retail location in New Jersey and 27th dispensary overall. The retail location was opened on July 25, 2022 to medical patients. On July 26, 2022, the Company received approval for Adult Use sales at this location.

ii)On July 27, 2022, the Company's first "Cookies Corner" opened in its Maplewood dispensary in New Jersey.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial information and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the Securities and Exchange Commission, or SEC, on March 17, 2022. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to the Company's plans and strategy for its business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth under "Risk Factors" in the Company's Annual Report on Form 10-K, its actual results could differ materially from the results described in or implied by the "Cautionary Note Regarding Forward-Looking Statements" contained in this Quarterly Report on Form 10-Q and in the following discussion and analysis.

This Management’s Discussion and Analysis (“MD&A”) of the financial condition and results of operations of TerrAscend is for the three and six months ended June 30, 2022 and 2021 and the accompanying notes for each respective period.

Business Overview

TerrAscend is a leading North American cannabis operator with vertically integrated operations in Pennsylvania, New Jersey, and California, licensed cultivation and processing operations in Michigan and Maryland, and licensed processing operations in Canada. TerrAscend operates a chain of Apothecarium dispensary retail locations, as well as scaled cultivation, processing, and manufacturing facilities on both the east and west coasts of the United States. TerrAscend’s cultivation and manufacturing practices yield consistent, high-quality cannabis, providing industry-leading product selection to both the medical and legal adult-use market. Notwithstanding various states in the US which have implemented medical marijuana laws, or which have otherwise legalized the use of cannabis, the use of cannabis remains illegal under US federal law for any purpose, by way of the CSA.

TerrAscend operates under one operating segment which is the cultivation, production and sale of cannabis products.

TerrAscend’s portfolio of operating businesses and brands include:

- Gage Growth Corp. ("Gage"), a cultivator and processor in Michigan
- Ilera Healthcare, a vertically integrated cannabis cultivator, processor and dispensary operator in Pennsylvania;
- TerrAscend NJ LLC, a majority owned subsidiary that holds a permit to operate up to three alternative treatment centers in New Jersey with the ability to cultivate and process;
- The Apothecarium, consisting of retail dispensaries in California, Pennsylvania and New Jersey;
- Valhalla Confections, a provider of premium edible products;
- State Flower, a California-based cannabis producer operating a licensed cultivation facility in San Francisco, California;
- HMS Health, LLC and HMS Processing, LLC, a producer and seller of dried flower and oil products for the wholesale medical cannabis market in Maryland;
- TerrAscend Canada Inc., a Licensed Producer (as such term is defined in the Cannabis Act) of cannabis, with its current principal business activities including processing and sale of cannabis flower and oil products in Canada;
- Cookies Canada, the operator of a minority owned retail cannabis dispensary in Toronto, Canada; and
- Arise Bioscience, a manufacturer and distributor of hemp-derived products, located in Boca Raton, Florida.

Objective

TerrAscend's MD&A is designed to provide information about its financial condition and results of operations from management's perspective. It includes relevant components of TerrAscend's financial condition and current and long-term liquidity. Primary revenue drivers include the manufacture, distribution, and sale of medical and adult-use cannabis products where permitted. TerrAscend's primary obligations are related to compliance with state and federal regulators, as applicable. TerrAscend's primary sources of capital have been through the issuance of equity securities or debt. TerrAscend's objective is to discuss how all these factors have affected our historical results and, where applicable, how it expects these factors to impact its future results and future liquidity.

Results from Operations- Three months ended June 30, 2022 and June 30, 2021

The following tables represent the Company's results from operations for the three months ended June 30, 2022 and 2021.

Revenue, net

	For the Three Months Ended	
	June 30, 2022	June 30, 2021
Revenue	$ 65,367	$ 61,977
Excise and cultivation taxes	(563)	(3,254)
Revenue, net	**$ 64,804**	**$ 58,723**
$ change	$ 6,081	
% change	10 %	

The increase in net revenue at June 30, 2022 as compared to June 30, 2021 was due to an increase in retail revenue of $25,586 from $22,393 for the three months ended June 30, 2021 to $47,979 for the three months ended June 30, 2022. The increase in revenue is mainly due to adult use sales in New Jersey which commenced during the three months ended June 30, 2022, as well as the acquisition of Gage (the "Gage Acquisition") in Michigan in March 2022. Retail dispensaries increased from thirteen at June 30, 2021 to twenty-six at June 30, 2022.

The increase is partially offset by the decrease of $19,505 in wholesale revenue from $36,330 at June 30, 2021 to $16,825 for the three months ended June 30, 2022 which was mainly related to the operational reconfiguration of the Company's cultivation facility in Pennsylvania.

Cost of Sales

	For the Three Months Ended	
	June 30, 2022	June 30, 2021
Cost of sales	$ 34,389	$ 23,773
Impairment and write downs of inventory	7,422	115
Total cost of sales	**$ 41,811**	**$ 23,888**
$ change	$ 17,923	
% change	75 %	
Cost of sales as a % of revenue	65 %	41 %

The increase in cost of sales for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 was driven mainly by the Gage Acquisition, as well as an increase in New Jersey due to the increase in adult use sales which commenced during the three months ended June 30, 2022. The increase in cost of sales as a percentage of revenue was due to lower volumes in Pennsylvania leading to under-absorption, primarily related to lower wholesale flower sales, as well as operational challenges at the Company's cultivation facility in Frederick, Maryland as the Company transitions to its Hagerstown location.

In addition, management wrote down its inventory by $7,422 and $115 for the three months ended June 30, 2022 and 2021, respectively. The inventory write-downs in the current year period were mainly due to the write down of inventory to lower of cost or market which was related to the aforementioned operational reconfiguration of its cultivation facility in Pennsylvania, write downs of inventory related to a recall by the Pennsylvania Department of Health of certain vape products produced by the Company, as well as inventory in Canada that the Company deemed unsaleable. On February 4, 2022, more than 500 vape products were recalled by the Pennsylvania's Department of Health, including several of the Company's SKUs. As a result of the recall, the Company wrote off $1,071 of inventory during the three months ended June 30, 2022. The inventory write-downs in the prior year period were related to inventory that the Company deemed unsaleable.

General and Administrative Expense (G&A)

	For the Three Months Ended	
	June 30, 2022	June 30, 2021
General and administrative expense	$ 33,981	$ 20,750
$ change	$ 13,231	
% change	64 %	
G&A excluding share-based compensation	$ 29,518	$ 16,102
G&A excluding share-based compensation as a % of revenue	46 %	27 %

The increase in G&A expenses was primarily a result of increased salaries and wages of $6,178, sales and marketing expense of $3,859, and office and general expense of $2,673, which is primarily a result of the Gage Acquisition in March 2022.

Amortization and Depreciation Expense

	For the Three Months Ended	
	June 30, 2022	**June 30, 2021**
Amortization and depreciation	$ 3,016	$ 1,844
$ change	$ 1,172	
% change	64 %	

The increase in amortization and depreciation expense for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 is primarily due to the Gage Acquisition during March 2022. The company acquired intangible assets including cultivation and processing licenses, as well as retail licenses, which are amortized over a 15 year period. The fair value of the cultivation and processing and retail licenses at acquisition were $77,198 and $53,321, respectively.

(Gain) loss on fair value of warrants and purchase option derivative asset

	For the Three Months Ended	
	June 30, 2022	**June 30, 2021**
(Gain) loss on fair value of warrants and purchase option derivative asset	$ (47,345)	$ 19,891
$ change	$ (67,236)	
% change	-338 %	

The warrant liability has been remeasured to fair value at June 30, 2022 using the Black Scholes model. The Company recognized a gain during the three months ended June 30, 2022 as a result of the reduction of the Company's share price from March 31, 2021 as compared to June 30, 2022, as well as from warrants exercised during the three months ended June 30, 2022. The combined impact resulted in a gain on fair value of warrants of $47,845.

For the three months ended June 30, 2022, the purchase option derivative asset related to the option to purchase an additional 6.25% ownership of the Company's New Jersey partnership, was remeasured using the Monte Carlo simulation model and resulted in a loss of $500.

During the three months ended June 30, 2021, the Company recognized a loss on fair value of warrants of $19,891 as a result of the increase in the Company's share price from December 31, 2020 to June 30, 2021 as well as warrants exercised during the three months ended June 30, 2021.

Finance and other expenses

	For the Three Months Ended	
	June 30, 2022	**June 30, 2021**
Finance and other expenses	$ 13,902	$ 8,919
$ change	$ 4,983	
% change	56 %	

The increase in finance expense for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 is primarily due to interest expense recognized on the loans acquired as part of the Gage Acquisition, as well as a loss recognized on disposal of fixed assets of $981 related to lights at the Pennsylvania cultivation facility which were discarded during the three months ended June 30, 2022.

Transaction and restructuring costs

	For the Three Months Ended	
	June 30, 2022	**June 30, 2021**
Transaction and restructuring costs	$ 627	$ 432
$ change	$ 195	
% change	45 %	

The increase in transaction and restructuring costs for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 was primarily due to work done for Sarbanes Oxley implementation during the three months ended June 30, 2022.

Impairment of goodwill

	For the Three Months Ended	
	June 30, 2022	June 30, 2021
Impairment of goodwill	$ -	$ 5,007
$ change	$ (5,007)	
% change	-100 %	

The impairment of goodwill for the three months ended June 30, 2021 was related to the Company's Florida reporting unit as the Company determined that the estimated cash flows of its Arise business did not support the carrying value of the intangible assets and goodwill. As a result, the Company recorded impairment to reduce the balance of goodwill at its Florida reporting unit to $nil.

Impairment of intangible assets

	For the Three Months Ended	
	June 30, 2022	June 30, 2021
Impairment of intangible assets	$ -	$ 3,633
$ change	$ (3,633)	
% change	-100 %	

The impairment recorded during the three months ended June 30, 2021 relates to the write-off of intellectual property at the Company's Arise business.

Unrealized and realized foreign exchange loss

	For the Three Months Ended	
	June 30, 2022	June 30, 2021
Unrealized and realized foreign exchange loss	$ (306)	$ 3,055
$ change	$ (3,361)	
% change	-110 %	

The decrease in unrealized foreign exchange loss for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 is a result of the remeasurement of USD denominated cash and other assets recorded in C$ functional currency at the Company's Canadian operations.

Unrealized and realized gain on investments

	For the Three Months Ended	
	June 30, 2022	June 30, 2021
Unrealized and realized loss (gain) on investments	$ 234	$ (5,964)
$ change	$ 6,198	
% change	-104 %	

The loss on investment during the three months ended June 30, 2022 is related to the revaluation of the investments acquired through the Gage Acquisition. The gain on investment during the three months ended June 30, 2021 relates to the acquisition of the remaining 90% investment in Guadco LLC and KCR Holdings LLC on April 30, 2021.

Provision for income taxes

	For the Three Months Ended	
	June 30, 2022	June 30, 2021
Provision for income taxes	$ 4,688	$ 6,937
$ change	$ (2,249)	
% change	-32 %	

The decrease in provision for income taxes for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 was due to the decline in revenue and associated decline in gross profit, mainly related to the operational reconfiguration of the Company's cultivation facility in Pennsylvania.

Results from Operations- Six months ended June 30, 2022 and June 30, 2021

The following tables represent the Company's results from operations for the six months ended June 30, 2022 and 2021.

Revenue, net

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Revenue	$ 115,812	$ 118,473
Excise and cultivation taxes	(1,349)	(6,396)
Revenue, net	**$ 114,463**	**$ 112,077**
$ change	$ 2,386	
% change	2 %	

The increase in net revenue at June 30, 2022 as compared to June 30, 2021 was due to an increase in retail revenue of $36,334 from $37,363 for the six months ended June 30, 2021 to $73,697 for the six months ended June 30, 2022. The increase in revenue is mainly due to adult use sales in New Jersey which commenced during the six months ended June 30, 2022, as well as the Gage Acquisition. Retail dispensaries increased from thirteen at June 30, 2021 to twenty-six at June 30, 2022.

This increase is partially offset by a decrease of $33,948 in wholesale revenue from $74,714 for the six months ended June 30, 2021 to $40,766 for the six months ended June 30, 2022, which was mainly related to a decline in the Canada business, as well as the operational reconfiguration of the Company's cultivation facility in Pennsylvania, as well as the aforementioned vape recall. As a result of the recall, the Company recorded sales returns of $1,040 during the six months ended June 30, 2022.

Cost of Sales

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Cost of sales	$ 67,835	$ 41,601
Impairment and write downs of inventory	8,495	699
Total cost of sales	**$ 76,330**	**$ 42,300**
$ change	$ 34,030	
% change	80 %	
Cost of sales as a % of revenue	67 %	38 %

The increase in cost of sales for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 was driven mainly by the Gage Acquisition, as well as an increase in New Jersey due to adult use sales which commenced during the six months ended June 30, 2022. The increase in cost of sales as a percentage of revenue was primarily due to lower wholesale flower sales volume in Pennsylvania leading to under-absorption, and unfavorable mix, primarily related to lower Gage bulk wholesale sales at the end of the first quarter.

In addition, management wrote down its inventory by $8,495 and $699 for the six months ended June 30, 2022 and 2021, respectively. The inventory write-downs in the current year period were mainly due to the write down of inventory to lower of cost or market which was related to the Company's operational reconfiguration of its cultivation facility in Pennsylvania, write downs of inventory related to the vape recall, as well as inventory in Canada that the Company deemed unsaleable. As a result of the recall, the Company wrote off $1,925 of inventory during the six months ended June 30, 2022. The inventory write-downs in the prior year period were related to inventory that the Company deemed unsaleable.

General and Administrative Expense (G&A)

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
General and administrative expense	$ 56,533	$ 41,142
$ change	$ 15,391	
% change	37 %	
G&A excluding share-based compensation	$ 48,714	$ 32,927
G&A excluding share-based compensation as a % of revenue	43 %	29 %

The increase in G&A expenses was primarily a result of increased salaries and wages of $7,815, sales and marketing expense of $4,464, and office and general expense of $2,384, which is primarily a result of the Gage Acquisition.

Amortization and Depreciation Expense

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Amortization and depreciation	$ 5,634	$ 3,717
$ change	$ 1,917	
% change	52 %	

The increase in amortization and depreciation expense for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 is primarily due to the Gage Acquisition. The Company acquired intangible assets including cultivation and processing licenses, as well as retail licenses, which are amortized over a 15 year period. The fair value of the cultivation and processing licenses and retail licenses at acquisition were $77,198 and $53,321, respectively.

Revaluation of contingent consideration

	For the Six Months Ended	
	June 30, 2022	**June 30, 2021**
Revaluation of contingent consideration	$ 153	$ 2,990
$ change	$ (2,837)	
% change	-95 %	

The decrease in the revaluation of contingent consideration for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 is a result of a reduction in the liability as compared to June 30, 2021 due to payments for the earnout of Ilera of $29,668, and State Flower of $7,040 made subsequent to June 30, 2021, reducing the amount outstanding. This decrease is partially offset by the accretion of the contingent consideration payable for KCR, which are recorded at the present value of future payments upon initial recognition.

(Gain) loss on fair value of warrants and purchase option derivative asset

	For the Six Months Ended	
	June 30, 2022	**June 30, 2021**
(Gain) loss on fair value of warrants and purchase option derivative asset	$ (53,058)	$ 25,301
$ change	$ (78,359)	
% change	-310 %	

The warrant liabilities have been remeasured to fair value at June 30, 2022 using the Black Scholes model. The Company recognized a gain during the six months ended June 30, 2022 as a result of the reduction of the Company's share price from December 31, 2021 as compared to June 30, 2022, as well as from warrants exercised during the six months ended June 30, 2022. The combined impact resulted in a gain on fair value of warrants of $53,876.

For the six months ended June 30, 2022, the purchase option derivative asset related to the option to purchase an additional 6.25% ownership of the Company's New Jersey partnership, was remeasured using the Monte Carlo simulation model and resulted in a loss of $818.

During the six months ended June 30, 2021 the Company recognized a loss on fair value of warrants of $25,301 as a result of the increase in the Company's share price from December 31, 2020 to June 30, 2021 as well as warrants exercised during the six months ended June 30, 2021.

Finance and other expenses

	For the Six Months Ended	
	June 30, 2022	**June 30, 2021**
Finance and other expenses	$ 20,758	$ 15,309
$ change	$ 5,449	
% change	36 %	

The increase in finance expense for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 is primarily due to interest expense recognized on the loans acquired as part of the Gage Acquisition.

Transaction and restructuring costs

	For the Six Months Ended	
	June 30, 2022	**June 30, 2021**
Transaction and restructuring costs	$ 1,242	$ 432
$ change	$ 810	
% change	188 %	

The increase in transaction and restructuring costs for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 was primarily due to the Gage Acquisition, as well as work done for Sarbanes Oxley implementation.

Impairment of goodwill

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Impairment of goodwill	$ -	$ 5,007
$ change	$ (5,007)	
% change	-100 %	

The impairment of goodwill for the six months ended June 30, 2021 was related to the Company's Florida reporting unit as the Company determined that the estimated cash flows of its Arise business did not support the carrying value of the intangible assets and goodwill. As a result, the Company recorded impairment to reduce the balance of goodwill at its Florida reporting unit to $nil.

Impairment of intangible assets

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Impairment of intangible assets	$ -	$ 3,633
$ change	$ (3,633)	
% change	-100 %	

The impairment recorded during the six months ended June 30, 2021 relates to the write-off of intellectual property at the Company's Arise business.

Unrealized and realized foreign exchange loss

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Unrealized and realized foreign exchange loss	$ 50	$ 5,838
$ change	$ (5,788)	
% change	-99 %	

The decrease in unrealized foreign exchange loss for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 is a result of the remeasurement of USD denominated cash and other assets recorded in C$ functional currency at the Company’s Canadian operations.

Unrealized and realized gain on investments

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Unrealized and realized loss (gain) on investments	$ 234	$ (6,192)
$ change	$ 6,426	
% change	-104 %	

The loss on investment during the six months ended June 30, 2022 is related to the revaluation of the investments acquired through the Gage Acquisition. The gain on investment during the six months ended June 30, 2021 relates to the acquisition of the remaining 90% investment in Guadco LLC and KCR Holdings LLC on April 30, 2021.

Provision for income taxes

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Provision for income taxes	$ 8,431	$ 16,373
$ change	$ (7,942)	
% change	-49 %	

The decrease in provision for income taxes for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 was due to the decline in revenue and associated decline in gross profit, mainly related to the operational reconfiguration of the Company's cultivation facility in Pennsylvania, as well as the vape recall by the Pennsylvania Department of Health.

Liquidity and Capital Resources

	June 30, 2022	December 31, 2021
	$	$
Cash and cash equivalents	48,426	79,642
Current assets	137,318	143,221
Non-current assets	871,299	438,713
Current liabilities	140,403	61,044
Non-current liabilities	323,246	291,936
Working capital	(3,085)	82,177
Total shareholders' equity	544,968	228,954

The calculation of working capital provides additional information and is not defined under GAAP. The Company defines working capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under GAAP.

At June 30, 2022, TerrAscend had cash and cash equivalents of $48,426, which is sufficient to fund the Company's ongoing operations. Any additional future requirements will be funded through the following sources of capital:

- Cash from ongoing operations.
- Market offerings.
- Debt - the Company may seek to obtain additional debt from additional creditors.
- Sale leaseback - the Company may seek to sell and lease back its capital properties.
- Exercise of options and warrants - the Company would receive funds from exercise of options and warrants from the holders of such securities in the event they are exercised.

The Company's objective with respect to its capital management is to ensure it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures. Since inception, the Company has primarily financed its liquidity needs through the issuance of shares and utilization of borrowings.

The Company has $280,136 in principal amounts of loans payable at June 30, 2022. Of this amount, $68,955 are due within the next twelve months. The Company has entered into operating leases for certain premises and offices for which it owes monthly lease payments.

In addition, the Company's undiscounted contingent consideration payable is $10,734 at June 30, 2022. The contingent consideration payable relates to the Company's business acquisitions of The Apothecarium, State Flower, and KCR. Contingent consideration is based upon the potential earnout of the underlying business unit and is measured at fair value using a projection model for the business and the formulaic structure for determining the consideration under the agreement. The contingent consideration is revalued at the end of each reporting period.

The Company expects that its cash on hand and cash flows from operations, along with financing transactions, will be adequate to meet its capital requirements and operational needs for at least the next 12 months.

Cash Flows

Cash flows from operating activities

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Net cash used in operating activities	$ (34,976)	$ (10,076)

The increase in cash used in operating activities for the six months ended June 30, 2022 is primarily due to an increase in loss from operations to $24,034 from a profit of $24,918 in the prior year period, as well as changes in working capital items of $16,081.

Cash flows from investing activities

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Net cash provided used in investing activities	$ (39)	$ (63,387)

The net cash used in investing activities for the six months ended June 30, 2022 primarily relates to investments in property and equipment of $12,500 and deposits for property and equipment of $10,036, primarily related to the buildout of a cultivation site in Maryland, continuing renovations at the Company's Pennsylvania cultivation site, as well as the continued buildout of the Company's Lodi alternative treatment center in New Jersey. Additionally, the Company had investments in intangible assets of $1,330, primarily related to adult use licenses in New Jersey. The cash used in investing activities is offset by cash inflows of $24,716 related to the cash acquired through the Gage Acquisition.

In comparison, the net cash used in investing activities for the six months ended June 30, 2021 primarily relates to cash consideration paid for the acquisitions of KCR and HMS totaling $42,736. Additionally, the Company had investments in property and equipment of $10,856 primarily related to the buildout of the New Jersey operations and expansions in Pennsylvania cultivation and $10,583 related to deposits paid for expansion of the cultivation premises in Pennsylvania.

Cash flows from financing activities

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Net cash provided by financing activities	$ 8,781	$ 168,507

During the six months ended June 30, 2022, 7,989,436 Common Share warrants were exercised for total proceeds of $23,797 and 88,015 stock options were exercised for total gross proceeds of $361. The cash provided by financing activities was offset by payments of contingent consideration related to the acquisition of State Flower of $6,630, loan principal payments of $5,203, loan amendment fee paid on the modification of the Ilera term loan of $1,200, and tax distributions paid on behalf of the partners of the New Jersey operations of $1,436.

Net cash provided by financing activities for the six months ended June 30, 2021, was mainly the result of the private placement on January 28, 2021, in which the Company issued 18,115,656 Common Shares at a price of $9.64 (C$12.35) per Common Share for total proceeds of $173,477, net of share issuance costs of $1,643. Additionally, during the six months ended June 30, 2021, 2,590,178 Common Share warrants were exercised for total proceeds of $6,777 and 699,009 stock options were exercised at $0.67-$6.93 (C$0.85-$8.52) per unit for total gross proceeds of $2,385. In addition, 1,900 preferred share warrants were exercised at $3,000 per unit for total gross proceeds of $3,759. The cash provided by financing activities was offset by payments of contingent consideration related to the acquisition of Ilera of $18,274.

Reconciliation of Non-GAAP Measures

In addition to reporting the financial results in accordance with GAAP, the Company reports certain financial results that differ from what is reported under GAAP. Non-GAAP measures used by management do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company believes that certain investors and analysts use these measures to measure a company's ability to meet other payment obligations or as a common measurement to value companies in the cannabis industry, and the Company calculates Adjusted gross profit as gross profit adjusted for certain material non-cash items and Adjusted EBITDA as EBITDA adjusted for material non-cash items and certain other adjustments management believes are not reflective of the ongoing operations and performance. Such information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The Company believes this definition is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of the Company's underlying business performance and other one-time non-recurring expenses.

The table below reconciles net loss to EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2022 and 2021.

	Notes	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Net income (loss)		$ 14,162	$ (29,662)	$ (1,844)	$ (43,773)
Add (deduct) the impact of:					
Provision for income taxes		4,688	6,937	8,431	16,373
Finance expenses		9,427	6,424	16,125	11,783
Amortization and depreciation		7,046	3,529	12,131	7,050
EBITDA	(a)	**35,323**	**(12,772)**	**34,843**	**(8,567)**
Add (deduct) the impact of:					
Relief of fair value upon acquisition	(b)	549	567	2,355	567
Non-cash write downs of inventory	(c)	5,894	449	5,894	449
Vape recall	(d)	1,071	-	2,965	—
Share-based compensation	(e)	4,463	4,648	7,819	8,215
Impairment of goodwill and intangible assets	(f)	-	8,640	-	8,640
Loss on disposal of fixed assets	(g)	929	36	929	36
Revaluation of contingent consideration	(h)	34	(7)	153	2,990
Restructuring costs and executive severance	(i)	-	467	-	467
Legal settlements	(j)	-	740	—	2,121
Other one-time items	(k)	924	860	2,898	1,122
(Gain) loss on fair value of warrants and purchase option derivative asset	(l)	(47,345)	19,891	(53,058)	25,301
Indemnification asset release	(m)	3,998	2,599	3,973	3,796
Unrealized and realized loss (gain) on investments	(n)	234	(5,964)	234	(6,192)
Unrealized and realized foreign exchange loss	(o)	(306)	3,055	50	5,838
Adjusted EBITDA		**$ 5,768**	**$ 23,209**	**$ 9,055**	**$ 44,783**

The table below reconciles gross profit to adjusted gross profit for the three and six months ended June 30, 2022 and 2021.

	Notes	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Gross profit		$ 22,993	$ 34,835	$ 38,133	$ 69,777
Add (deduct) the impact of:					
Relief of fair value upon acquisition	(b)	549	567	2,355	567
Non-cash write downs of inventory	(c)	5,894	449	5,894	449
Vape recall	(d)	1,071	-	2,965	-
Accelerated depreciation	(p)	-	-	238	-
		$ 30,507	**$ 35,851**	**$ 49,585**	**$ 70,793**

(a)EBITDA is a non-GAAP measure and is calculated as earnings before interest, tax, depreciation and amortization.
(b)In connection with the Company's acquisitions, inventory was acquired at fair value, which included a markup or markdown for profit. Recording inventory at fair value in purchase accounting has the effect of increasing or decreasing inventory and thereby increasing or decreasing cost of sales as compared to the amounts the Company would have recognized if the inventory was sold through at cost. The write-up or down of acquired inventory represents the incremental cost of sales that were recorded during purchase accounting.
(c)Represents inventory write downs outside of the normal course of operations. These inventory write-downs were related to the the write down of aged inventory to lower of cost or market which was related to the Company's operational reconfiguration of its cultivation facility in Pennsylvania.
(d)On February 4, 2022, more than 500 vape products were recalled by the Pennsylvania's Department of Health, including several of the Company's SKUs. As a result of the recall the Company recorded sales returns of $nil and $1,040 and write-downs of inventory of $1,071 and $1,925 for the three and six months ended June 30, 2022, respectively.
(e)Represents non-cash share-based compensation expense.
(f)Represents impairment charges taken on the Company's intangible assets and goodwill.
(g)Represents loss taken on write-down of property and equipment.
(h)Represents the revaluation of the Company's contingent consideration liabilities.
(i)Represents costs associated with executive severance and restructuring of business units.
(j)Represents one-time legal settlement charges.
(k)Includes one-time fees incurred in connection with the Company's acquisitions, such as expenses related to professional fees, consulting, legal and accounting, that would otherwise not have been incurred. In addition, includes one-time charges for Sarbanes Oxley implementation, as well as work completed in preparation of becoming a US filer. These fees are not indicative of the Company's ongoing costs.

(l)Represents the (gain) loss on fair value of warrants, including effects of the foreign exchange of the US denominated preferred share warrants, as well as the revaluation of the fair value of the purchase option derivative asset.
(m)Represents the reduction to the indemnification asset related to the Apothecarium tax audit settlement and statute expirations for tax years ended September 30, 2014 and September 30, 2015.
(n)Represents unrealized and realized loss (gain) on fair value changes on strategic investments.
(o)Represents the remeasurement of USD denominated cash and other assets recorded in C$ functional currency.
(p)Represents accelerated depreciation taken in Maryland due to the move of the cultivation facility from Frederick and Hagerstown.

The decrease in Adjusted EBITDA for the three and six months ended June 30, 2022 compared to the three and six months ended June 30, 2021 was primarily due to lower volume and resulting gross margin compression in Pennsylvania related to the Company's operational reconfiguration of its cultivation facility in Pennsylvania.

Pending and Subsequent Transactions

On April 8, 2022, the Company entered into a definitive agreement to acquire Allegany Medical Marijuana Dispensary ("AMMD"), a medical dispensary in Maryland from Moose Curve Holdings, LLC. Under the terms of the agreement, the Company will acquire 100% equity interest in AMMD for total consideration of $10,000 in cash, in addition to acquiring the real estate for $1,700. The transaction is subject to customary closing conditions and regulatory approvals. The Company intends to rebrand the 8,000 square foot dispensary as The Apothecarium.

On April 14, 2022, the Company entered into a definitive agreement to acquire KISA Enterprises MI, LLC and KISA Holdings, LLC ("Pinnacle"), a dispensary operator in Michigan, and related real estate, for total consideration of $28,500, payable in cash, two promissory notes in an aggregate amount of $10,000, and stock. The transaction includes six retail dispensary licenses, five of which are currently operational and located in the cities of Addison, Buchanana, Camden, Edmore, and Morenci, Michigan. The Company intends to rebrand each of the dispensaries under either the Gage or Cookies retail brand. This transaction is pending approval.

Changes in or Adoption of Accounting Principles

Information regarding the Company's adoption of new accounting and reporting standards is discussed in Note 2 to the accompanying condensed consolidated financial statements.

Descriptions of the recently issued and adopted accounting principles are included in Item 1. "Financial Statements" in Note 1, Summary of Significant Accounting Policies, to the Condensed Consolidated Financial Statements.

Critical Accounting Policies and Estimates

The condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements require us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. The Company bases its estimates on historical experience and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and actual results, the Company's future financial statements will be affected. There have been no significant changes to the critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation," included in the Annual Report on Form 10-K for the year ended December 31, 2021, which was filed on March 17, 2022.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that the Company (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, the condensed consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

The Company will remain an emerging growth company until the earlier to occur of: (i) the last day of the fiscal year (a) following the fifth anniversary of the completion of the IPO, (b) in which we have total annual gross revenue of $1.07 billion or more, or (c) in which the Company is deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the prior June 30th; and (ii) the date on which the Company has issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in the Company's primary risk exposures or management of market risks for the quarter ended June 30, 2022 from those disclosed in its Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of its President and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the President and Chief Financial Officer concluded that, as of June 30, 2022 the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including its President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the six months ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is from time to time involved in various legal proceedings, including litigation related to intellectual property, product liability, employment, and commercial matters. TerrAscend believes that none of the litigation in which it is currently involved in individually or in the aggregate, is material to the Company's consolidated financial condition or results of operations. There have been no material changes to the Company's legal proceedings as previously disclosed in its Quarterly Report on Form 10-Q for the period ended March 31, 2022.

Item 1A. Risk Factors.

Investing in the Company's common stock involves a high degree of risk. For a detailed discussion of the risks that affect the Company's business, please refer to the section titled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the SEC on March 17, 2022. There have been no material changes to the Company's risk factors as previously disclosed in its Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following information describes securities sold by the Company during the fiscal quarter ending June 30, 2022, which were not registered under the Securities Act. Included are securities issued in exchange other securities. The Company sold all of the securities listed below pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act, or Regulation D or Regulation S promulgated thereunder.

Recent Sales of Unregistered Securities

During the year ended December 31, 2021, the Company did not issue or sell any unregistered securities as previously disclosed in its Current Report on Form 8-K, as originally filed with the SEC on March 14, 2022.

Item 6. Exhibits.

Exhibit Number	Description	Description of Exhibit Incorporated Herein by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1*	Arrangement Agreement, dated October 8, 2018, by and among TerrAscend Corp., Canopy Growth Corporation, Canopy Rivers Corporation, JW Opportunities Master Fund, Ltd., JW Partners, LP and Pharmaceutical Opportunities Fund, LP.	10-12G	000-56363	2.1	11/2/2021	
2.2*	Securities Purchase Agreement, dated February 10, 2019 by and among BTHHM Berkeley, LLC, PNB Noriega, LLC, V Products, LLC, certain limited liability company interest holders of each of the forgoing entities, Michael Thomsen and TerrAscend Corp. and WDB Holding CA, Inc.	10-12G	000-56363	2.2	11/2/2021	
2.3*	Securities Purchase Agreement, dated February 10, 2019, by and among RHMT, LLC, Deep Thought, LLC, Howard Street Partners, LLC, certain limited liability company interest holders of each of the forgoing entities, Michael Thomsen, and TerrAscend Corp. and WDB Holding CA, Inc.	10-12G	000-56363	2.3	11/2/2021	
2.4*	Securities Purchase and Exchange Agreement, dated August 1, 2019, by and among Ilera Holdings LLC, Mera I LLC, Mera II LLC, TerrAscend Corp., WDB Holding PA, Inc. and Osagie Imasogie.	10-12G	000-56363	2.4	11/2/2021	
2.5*	Securities Purchase Agreement, dated February 10, 2019, by and among Gravitas Nevada Ltd, Verdant Nevada LLC, Green Achers Consulting Limited, TerrAscend Corp. and WDB Holding, NV, Inc.	10-12G	000-56363	2.5	11/2/2021	
2.6*	Arrangement Agreement, dated August 31, 2021, by and between TerrAscend Corp. and Gage Growth Corp.	10-12G	000-56363	2.6	11/2/2021	
2.7*	Membership Interest Purchase Agreement, dated August 31, 2021, by and between WDB Holdings MI, Inc. and 3 State Park, LLC, AEY Holdings, LLC, AEY Capital, LLC, AEY Thrive, LLC and Seller.	10-12G	000-56363	2.7	11/2/2021	
2.8*	First Amendment to Membership Purchase Agreement, dated November 9, 2021, by and between WDB Holdings MI, Inc. and 3 State Park, LLC, AEY Holdings, LLC, AEY Capital, LLC, AEY Thrive, LLC and Seller.	10-12G/A	000-56363	2.8	12/22/2021	
2.9	Amending Agreement, dated October 4, 2021, by and between TerrAscend Corp. and Gage Growth Corp.	10-12G	000-56363	2.9	11/2/2021	
3.1	Articles of TerrAscend Corp., dated March 7, 2017	10-12G	000-56363	3.1	11/2/2021	
3.2	Articles of Amendment to the Articles of TerrAscend Corp., dated November 30, 2018	10-12G/A	000-56363	3.2	12/22/2021	

3.3	Articles of Amendment to the Articles of TerrAscend Corp., dated May 22, 2020.	10-12G/A	000-56363	3.3	12/22/2021	
3.4	By-Laws of TerrAscend Corp., dated March 7, 2017	10-12G	000-56363	3.4	11/2/2021	
10.1	Second Amendment to Membership Interest Purchase Agreement, dated March 8, 2022, by and between WDB Holdings MI, Inc. and 3 State Park, LLC, AEY Holdings, LLC, AEY Capital, LLC, AEY Thrive, LLC, Seller* and Gage Growth Corp.	8-K	000-56363	10.1	3/14/2022	
10.2	Second Amendment to Arrangement Agreement, dated March 8, 2022, by and between TerrAscend Corp. and Gage Growth Corp.	8-K	000-56363	10.2	3/14/2022	
10.3*	Debenture Agreement, dated March 10, 2020 by and between Canopy Growth and TerrAscend Canada, Inc.	10-K	000-56363	10.2	3/17/2022	
10.4	Credit Agreement, dated December 18, 2020, by and among WDB Holding PA, Inc., the lenders party thereto and Acquiom Agency Services LLC, as Administrative Agent.	10-K	000-56363	10.3	3/17/2022	
10.5	Credit Agreement, dated November 2, 2021, by and among Gage Growth Corp. and its subsidiaries, as Borrowers, and Chicago Atlantic Admin, LLC, as Administrative Agent and Collateral Agent	10-K	000-56363	10.21	3/17/2022	
10.6*	Employment Agreement, dated May 23, 2022, by and between TerrAscend Corp. and Lynn Gefen					X
10.7	First Amendment to Credit Agreement, dated December 18, 2020, by and among WDB Holding PA, Inc., the lenders party thereto and Acquiom Agency Services LLC, as Administrative Agent					X
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					

101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Certain confidential information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

SIGNATURES

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

	Company Name	
Date: August 11, 2022	By:	/s/ Ziad Ghanem **Ziad Ghanem** **President and Chief Operating Officer**

CERTAIN CONFIDENTIAL INFORMATION (MARKED BY BRACKETS AS "[***]" HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.

TERRASCEND EXECUTIVE EMPLOYMENT AGREEMENT

This Employment Agreement ("**Agreement**") is hereby made and effective as of May 16, 2022 ("**Effective Date**") by and between TerrAscend USA, Inc., a Delaware corporation ("**TerrAscend**" or the "**Company**") and Lynn Gefen ("**Employee**"), residing at [***]. The Company and Employee are sometimes individually referred to as a "**Party**" and collectively as the "**Parties**."

EXPLANATORY STATEMENT

WHEREAS, the Company desires to employ the Employee, and the Employee is willing to be employed by the Company, upon and subject to the terms and conditions provided below; and

WHEREAS, the Company desires to be assured that Employee will maintain the Company's proprietary and confidential information and will not share or disclose any trade secrets, confidential and/or proprietary information of the Company in violation of this Agreement.

NOW, THEREFORE, the Parties wishing to memorialize the terms and conditions of their agreement and in consideration of the foregoing and of the mutual promises contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

ARTICLE I

EMPLOYMENT

1.1 **At-Will Employment.** Commencing on Effective Date, the Company shall employ Employee on an at-will basis and Employee hereby accepts such at-will employment upon the terms and conditions set forth in this Agreement. As an at-will employee, Employee's employment will have no specified period and may be terminated by Employee or the Company at any time, and for any reason, with or without notice.

ARTICLE II

DUTIES, RESPONSIBILITIES, LOCATION AND HOURS

2.1**Duties and Scope of Employment.** Employee shall be employed by the Company in the exempt position of Chief Legal Officer and Employee shall perform such duties as are consistent with this position as may be assigned by Employee's manager or his or her designee. During Employee's employment with the Company, Employee shall diligently, to the best of Employee's ability, and with all highest degree of good faith and loyalty, perform all such duties incident to the position and use best efforts to promote the interests of the Company.

2.2 **Reporting Relationship**. Employee will report to the President and Chief Operating Officer or to such other officer or employee as determined in the sole discretion of the Company.

2.3 **Location of Employment**. The Company's corporate and operating headquarters are in King of Prussia, PA and the Company currently has work sites in Pennsylvania, New Jersey, Maryland, Michigan, California, Florida, and Canada**.** It is anticipated that Employee will be working primarily from a home office located in [***] (or such other location agreed to by the Company) but will be expected to travel temporarily to other TerrAscend facilities throughout the United States and potentially in Canada in order to perform duties.

2.4 **Obligations to the Company**. While employed by the Company, Employee shall devote Employee's normal and regular business time and attention to the business of the Company. Employee shall not engage in any other business activities that is reasonably likely (a) to materially interfere with the reasonable performance of Employee's duties and responsibilities under this Agreement, or (b) are competitive with the Business (as defined in Section 4.3) of the Company without the express written consent of the Company. Subject to any applicable restrictions concerning related party transactions and/or conflicts of interest, Employee is precluded from using Employee's position with the Company or the Company's relationship with its investors, partners, customers, vendors, suppliers and/or contractors (or that of its affiliates and/or related entities) for private gain or to obtain benefits for Employee or members of Employee's family, or anyone else. Employee shall comply with the Company's policies and rules, including the Company's employee handbook, as they may be in effect from time to time during Employee's employment with the Company.

2.5 **No Conflicting Obligations**. Employee has completely and fully disclosed to the Company any obligations, restriction, covenants, commitments, or agreements to which Employee may be bound, or the rights of any other person or entity, whether contractual or otherwise, that may be inconsistent with Employee's obligations under this Agreement. Employee represents and warrants to the Company that (a) the Company has not made any representations, warranty or otherwise provided any advice, legal or otherwise, that Employee's employment with the Company as contemplated by this Agreement will neither infringe on or violate any such obligations, restriction, covenants, commitments, agreements or rights, and (b) Employee has consulted with an attorney of Employee's choice regarding the foregoing and has not relied on any inducements, promises, or representations regarding the foregoing from the Company, any of its affiliates or any of their respective representatives. Without limiting the foregoing, Employee shall not use or disclose any trade secrets or confidential information, or property belonging to any of Employee's former employers or any other person or entity, without proper authorization from them. Additionally, the Company agrees that the existence of, or its receipt of, any notice, litigation or cause of action against or involving the Employee by any former employer of Employee relating to any such obligations, restriction, covenants, commitments, or agreements to which Employee may be bound, or the rights of any other person or entity, whether contractual or otherwise, that may be inconsistent with Employee's obligations under this Agreement shall not be Cause for termination, as defined in Section 5.1(a), and shall not give rise to termination of Employee for Cause unless otherwise ordered by a court of competent jurisdiction.

ARTICLE III

COMPENSATION AND BENEFITS

3.1 **Compensation**. In consideration of Employee's employment with the Company, execution of this Agreement, and compliance with all terms and conditions set forth herein, the Company agrees to provide Employee the compensation and benefits set forth in this Article III of the Agreement.

(a) **Salary**. Employee shall earn an annual base salary of US$ 325,000.00, less all applicable taxes and withholdings as required by law, and such other payroll deductions as are determined by Company policy or as Employee may approve from time-to-time ("**Salary**"), which shall be paid consistent with the Company's ordinary and regular payroll practices and in accordance with applicable law. This position is classified as exempt under federal and state wage and hour laws, meaning that Employee will not be eligible for overtime pay. The Company reserves the right to modify Employee's Salary in its sole discretion any time and in accordance with applicable law.

(b) **Annual Bonus**. Employee will be eligible to participate in the Company's annual performance bonus program, as may be in effect from time to time and shall be eligible for a bonus in the amount of 40% of Employee's Salary on an annual basis. The objectives, terms, and conditions of Employee's Bonus program shall be determined in the sole discretion of the Company. The amount and frequency of any bonus payments shall be reviewed at least annually and determined in the sole discretion of the Company. The Company reserves the right, in its sole discretion, to suspend, revoke, or rescind the Bonus program in part or in whole at any time. In order to receive payment of any bonus (or any portion thereof), Employee must be an employee of the Company on the date such bonuses are generally paid, and Employee must not have given or received notice of the termination of Employee's employment. The Company shall guarantee a pro-rata bonus for the 2022 calendar year which will be calculated based on time worked.

(c) **Long Term Incentive (LTI).** Employee shall be eligible to receive LTI in the form of Restricted Stock Units (RSUs) pursuant to the Company's Share Unit Plan and as determined by the Board of Directors from time to time. In light of Employee's role within the Company, Employee will be eligible for an award with a value of up to 40% of Employee's Salary in RSUs. The Company shall guarantee a pro-rata RSU grant as LTI for the 2022 calendar year which will be calculated based on time worked. RSUs granted as LTI vest equally over a four-year period and will be granted in the first available open trading window in the year in which they are granted; provided, that in the event of Employee's employment is terminated without Cause, due to a Disability, or Employee's death, the unvested RSUs shall vest pro rata on a monthly basis through the date of such termination.

(d) **Stock Option Plan**. The CEO (or designee) will recommend to the Company's Board of Directors that Employee be granted 275,000 options for shares of common stock of the Company (the "**Option**"), in accordance with the TerrAscend Stock Option Plan ("**Stock Option Plan**"), which shall be determined in the sole discretion of the Board of Directors. Pursuant to the terms of the Company's then existing Stock Option Plan and upon approval by the Company's Board of Directors, the Option will have the following terms and conditions, which shall be evidenced in an option grant agreement: (i) the exercise price (per share) for each share of common stock of the Company associated with the Option will be equal to the fair market value of the underlying shares of common stock of the Company on the Effective Date; (ii) unless otherwise described in Employee's option grant agreement, the Option will vest in equal increments on the 12-month, 24-month, 36 and 48-month anniversary dates of the grant; provided that Employee is employed by the Company on each of the corresponding dates; provided, further, that in the event of Employee's employment is terminated without Cause, due to a Disability, or Employee's death, the unvested Options shall vest pro rata through the date of such termination; (iii) unless otherwise described in Employee's option grant agreement, the Option will be handled as defined in the Stock Option Plan and (iv) the Option will expire ten (10) years from the date of issuance. By signing this Agreement, Employee agrees to only purchase or sell Company stock in compliance with the Company's then existing policies, procedures, and black-out periods, and other terms and conditions as established by the Stock Option Plan and Employee's option grant agreement. If there is any discrepancy between the description of the Stock Option Plan in this Section and the Stock Option Plan document, the Stock Option Plan document will control.

3.2 **Benefits**. During Employee's employment with the Company, Employee shall be entitled to participate in all employee benefit plans, practices, and programs maintained by the Company, as in effect from time to time (collectively, "**Employee Benefit Plans**"), on a basis which is no less favorable than is provided to other similarly situated employees of the Company, to the extent consistent with applicable law and the terms of the applicable Employee Benefit Plans. The Company reserves the right to amend or terminate any Employee Benefit Plans, at any time in its sole discretion, subject to the terms of such Employee Benefit Plan and applicable law.

3.3 **Paid Time Off**. Employee will receive 25 days of paid time off ("**PTO**") (including vacation, sick, personal time off and company holidays) per calendar year, which shall be taken in accordance with Company policies as in effect from time to time, which may be modified in the sole discretion of the Company, and applicable law. The Company will additionally provide Employee with any paid or unpaid leave and any other benefits to which Employee is entitled and eligible to receive under applicable federal, state, and or local law.

3.4 **General Business Expenses**. Employee shall be reimbursed for reasonable, necessary, and authorized travel and other business expenses in connection with Employee's duties for the Company, pursuant to and consistent with the Company's policies and procedures, as may be modified from time to-time in the sole discretion of the Company. The Company shall reimburse Employee for such expenses upon presentation of an itemized account and appropriate supporting documentation in accordance with the Company's policy and procedure.

ARTICLE IV

CONFIDENTIALITY; RESTRICTIVE COVENANTS; AND ASSIGNMENT OF INVENTIONS

4.1 **Confidentiality**. The Employee understands and acknowledges that during Employee's employment with the Company, Employee will be exposed to Confidential Information (defined below) concerning the business or affairs of the Company that is proprietary and which rightfully belongs to the Company. Employee further understands and acknowledges that this Confidential Information and the Company's ability to reserve it for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure of the Confidential Information by Employee might cause the Company to incur financial costs, loss of business advantage, liability under confidentiality agreements with third parties, civil damages and criminal penalties. Employee will not use for Employee's own benefit, either directly or indirectly, or disclose any such Confidential information, at any time, either during or after Employee's employment with the Company, to any other person, other than the Company or its employees, without the prior written consent or authorization of the

Company. Employee shall take all reasonable steps to safeguard such Confidential Information and to protect such information against disclosure, misuse, loss and theft. Employee's obligations under this Section 4.1 with respect to any specific Confidential Information shall cease when that specific portion of the Confidential Information becomes generally known to the public or the relevant trade or industry other than as a result of the Employee's actions or omissions. In the event Employee is required by law to make any disclosure of Confidential Information, Employee shall promptly notify the Company, in writing, of the basis for the extent of the required disclosure and shall cooperate with the Company to preserve in full confidentiality of all Confidential Information and other proprietary rights.

The term "**Confidential information**" means any confidential or proprietary information of the Company, its affiliates, and/or its related entities, that is not generally known to the public or in the relevant trade or industry, which was obtained from the Company, its affiliates, and/or its related entities, or which was learned, discovered, developed, conceived, originated or prepared during or in the course of the performance of any services by Employee on behalf of the Company, its affiliates, and/or or any of its related entities, whether in physical or electronic form or any other medium, and which falls within the following categories: (i) trade secrets of the Company, any affiliate, and/or any related entity; (ii) trade secrets of any investor, partner, or customer of the Company, any affiliate, and/or related entity, which was obtained pursuant to a confidentiality agreement; (iii) information that relates to existing or contemplated products, services, distribution, agreements, proposals, manuals, technology, designs, processes, formulae, algorithms and research or product developments of the Company, any affiliate, and/or any related entity or of any customer, investor, or partner of the Company, any affiliate, and/or related entity; (iv) information relating to business plans, pricing, sales and marketing methods and data, methods of doing business, financial or personnel information, customer lists, customer usages and/or requirements, supplier information of the Company, any affiliate, and/or related entity or of any customer, investor, or partner of the Company, any affiliate, and/or related entity; (v) information relating to proposals, contracts, content strategies, content performance analytics, of the Company, any affiliate, or any related entity, or of any customer, investor, or partner of the Company, any affiliate, and/or related entity; and (vi) any other confidential information which the Company, any affiliate, and/or related entity, or of any customer, investor, or partner of the Company, any affiliate, and/or related entity have protected by patent, patent applications, copyright or by keeping it secret and confidential.

Nothing in this Agreement shall be construed to prevent disclosure of Confidential Information as may be required or permitted by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. Nothing in this section is intended to waive, restrict, or limit Employee's rights, communications, or actions that cannot be waived by agreement, including, but not limited to any nonwaivable rights that Employee may have under the National Labor Relations Act or concerning communications with fair employment practices agencies.

4.2 **DTSA Notice**. Pursuant to the Federal Defend Trade Secrets Act of 2016 ("**DTSA**"), an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

4.3 **Restrictive Covenants**.

(a) **Non-Competition**. During Employee's employment with the Company and for a period of twelve (12) months after the cessation of Employee's employment with the Company, for whatever reason, Employee shall not, directly or indirectly, participate in any Restricted Activity (defined below) within the Restricted Territory (defined below).

(i) For purposes of this Agreement, **"Restricted Territory"** means the Territories in which TerrAscend operates.

(ii) For purposes of this Agreement, "**Business of the Company**" means the business of the cultivation, extraction, processing or formulation of cannabinoid-containing products, and/or the development or commercialization of any technologies for use in the same or services, businesses, or products currently in competition with the Company.

(iii) For purposes of this Agreement, **"Restricted Activity"** means, either directly or indirectly, owning, managing, engaging in, operating, controlling, working for, consulting with, rendering services to, doing business with, maintaining any interest in or participating in the ownership, management, operations or control of, any business, in whatever form, which competes with the Business of the Company (a **"Competing Business"**), where (A) Employee is acting in the same or similar capacity that he/she acted with the Company for a Competing Business; (B) Employee is performing the same or similar duties and responsibilities as Employee performed with the Company for a Competing Business; (C) Employee is sharing Confidential Information with a Competing Business or utilizing Confidential Information for the benefit of a Competing Business; or (D) Employee is soliciting the Company's customers or other protected business relationships for purposes of seeking to induce such customers to alter or end their relationship with the Company. For the avoidance of doubt, it is understood by the Parties that a Competing Business is a person, business entity or organization that is in the business of or is engaged, in whole or in part, either alone or together with its affiliates or related entities, in the business of the cultivation, extraction, processing or formulation of cannabinoid-containing products, and/or the development or commercialization of any technologies for use in the same. Notwithstanding the foregoing, Employee may make passive investments in publicly traded entities not to exceed one percent (1%) of the outstanding voting securities of such public entity.

(iv) As used herein, **"competes with"** means selling, soliciting, marketing or otherwise making available any product, program, process, system or service for any person or entity other than for the Company, which is the same as or similar to or is in competition with, or has a use allied to, or may be substituted for or supplied by, any product, program, process, system or service of the Company, whether in existence or under development during Employee's employment with the Company, or about which Employee acquired Confidential Information (defined below) during Employee's employment with the Company.

(b) **Non-Solicitation of Customers and Employees**. During Employee's employment with the Company and for a period of twelve (12) months after the cessation of Employee's employment with the Company, for whatever reason, Employee agrees not to, directly or indirectly, call upon, accept business from, or deal with any of the customers of Company with whom Employee had contact or about whom Employee obtained Confidential Information during Employee's employment with the Company for the purpose of inducing said customer to alter or end its relationship with the Company or to do business with a person or entity that is a Competing Business or preparing to compete against the Company. In addition, for the same period of time, Employee agrees not to, directly or indirectly, solicit, recruit, or attempt to solicit any employee, agent, consultant or independent contractor, member, officer or agent of the Company to alter or terminate his/her/its employment or other relationship with the Company or breach any agreement with or obligation owed to the Company.

(c) **Extension of Restraints**. If Employee violates any restraints specified in this Agreement, whether or not there is litigation relating to such violation, Employee agrees that the period of the restraint shall automatically be extended for the period of the violation. Employee understands that the purpose of this Section 4.3(c) is to give the Company the protection of the restraint for the full agreed upon duration.

(d) **Adjustment of Restraints**. In the event that any one (1) or more of the provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remainder hereof shall not, in any way, be affected or impaired thereby, and any such provision or provisions shall be enforced to the fullest extent permitted by law. Moreover, if any one (1) or more of the provisions contained in this Agreement is held to be excessively broad as to duration, scope, activity or subject (including, but not limited to, the restrictive covenants contained in this Agreement), such provisions will be construed by excising, limiting, and/or reducing them so that this Agreement is enforceable to the maximum extent compatible with applicable law.

(e) **Employee Acknowledgments, Representations, and Warranties**. For purposes of Article IV, Employee warrants, acknowledges, and agrees that (i) the Company has expended substantial resources in the development of near permanent relationships with its customers and that Employee would not have contact with those customers but for Employee's employment at the Company, (ii) the Company has a protectable interest in its customers and other Confidential Information, (iii) the post-employment restrictions contained in this Agreement are necessary to protect the Company, they are reasonable and narrowly tailored, and they do not restrict Employee's ability to obtain employment or earn a living following Employee's employment with the Company, (iv) Employee willing, voluntarily, and knowingly is entering into this Agreement subject to the reasonable, post-employment restrictions contained in this Agreement, (v) entering into this Agreement does not constitute a breach of any contract or legal obligation with or to any third party, and (vi) Employee has disclosed to the Company any existing restrictions or other legal restrictions that may impact Employee's ability to provide services to the Company.

(f) **Remedies**. Employee agrees that if Employee violates any provision of this Agreement, the Company will suffer immediate and irreparable injury for which it has no adequate remedy at law. If Employee violates any of such provisions, Employee agrees that in addition to any other remedies that may apply, Employee's strict compliance with this Agreement should be ordered by a court of competent jurisdiction, and the Company is therefore entitled to emergency, preliminary, and final injunctive relief to enforce this Agreement. The Company's remedies for breach of this Agreement are cumulative and pursuit of one (1) remedy shall not exclude any other remedy.

(g) **No Reliance**. Employee acknowledges that Employee has read this Agreement carefully and understands its meaning and consequences, and that Employee has not relied on any oral or written statement or representation made by anyone relating to the terms of Employee's employment, other than as set forth in this Agreement. Employee further declares that Employee has had the opportunity to have the contents of this Agreement fully explained to Employee by the legal counsel of Employee's own selection and has acted voluntarily and of Employee's own free will in executing this Agreement.

(h) **Employee Acknowledges Sufficient Consideration**. Employee acknowledges and agrees that employment with the Company constitutes sufficient consideration for Employee's promises, duties, obligations and responsibilities hereunder and, further, that the compensation, Option, benefits, severance and other consideration described in this Agreement constitutes consideration to which Employee is not otherwise entitled to receive if Employee did not enter into the Agreement.

(i) **Notice to Subsequent Employers**. Before Employee is hired or engaged by any other person or entity that performs services that are the same as or are similar to the Company's services ("**Similar Services**"), Employee shall provide a complete copy of this Agreement to the person or entity to or for which or whom Employee intends to provide services. Employee hereby authorizes the Company to provide a copy of this Agreement to any person or entity providing Similar Services that the Company believes may hire or engage Employee.

4.4 **Assignment of Inventions**. All inventions, modifications, alterations, enhancements, betterments, ideas, designs, techniques, know-how or discoveries which are the result, directly or indirectly, from Employee's employment and/or affiliation with the Company and/or the Employee's access to Confidential Information (collectively "**Inventions**") shall be the sole and exclusive property of the Company and are considered a "work made for hire" for the purposes of the Company's rights under copyright and other laws. All copyrights, patents, trade secrets, or other intellectual property rights associated with any Inventions, processes, or works of authorship developed or created by Employee during the course of performing Company work (collectively, "**Work Product**") shall belong exclusively to the Company and shall, to the extent possible, be considered a "work made for hire." Employee automatically assigns to the Company, at the time of creation of the Work Product, without any requirement of further consideration, any right, title, or interest Employee may have in such Work Product, including any copyrights or other intellectual property rights pertaining thereto. Upon request of the Company, and at its sole expense, Employee shall take such further actions, including execution and delivery of instruments of conveyance, as may be appropriate to give full and proper effect to such assignment.

4.5 **Personal Electronic Equipment**. Employee acknowledges that, in the performance of services for the Company, Employee may use electronic equipment such as a laptop computer, cell phone, or other electronic device that is owned by Employee (collectively, "**Personal Electronic Equipment**"). Employee acknowledges that all Company information that may become contained on the Personal Electronic Equipment is the sole and exclusive property of the Company. Employee agrees that the Company has the right to access such Company information, at any time, to inspect and/or recover any Company information stored thereon. Employee acknowledges and agrees that Company is not liable for any damage caused to the Personal Electronic Equipment while in its possession or for damaging or deleting any personal Employee information contained thereon.

Employee shall abide by all Company policies and procedures concerning device usage, maintenance, and protection, including, but not limited to preservation of Confidential Information on such devices. Employee agrees to use Company-owned equipment, records, and materials for purposes of Company business only, and to protect them against unauthorized or accidental access, use, modification, destruction, loss, theft or disclosure. Employee agrees to continue to protect the privacy of sensitive, proprietary, and/or Confidential Information. Employee will not leave such sensitive documents in common areas and will take reasonable steps to ensure confidentiality when discussing sensitive information on phone calls or in virtual meetings. Employee agrees and understands that Company equipment and devices are being provided to Employee for business purposes only. Any incidental personal use of Company-owned equipment should not interfere with the use of the equipment for Company business. Employee agrees to immediately report to their supervisor any instances of loss, damage, or unauthorized access.

4.6 **Return of Company Property**. Immediately on the effective date of Employee's termination of employment with the Company, for any reason, or at any time upon request of the Company, Employee shall return all property in Employee's possession belonging to the Company, whether tangible or intangible, including, but not limited to, all physical and electronically stored data, emails, keys, credit cards, equipment, computers, Confidential Information, tablets, cell phones, vehicles, books, records, customer information, programs and data compilation, contracts, communications and other materials belonging to the Company, including any Company information stored on Employee's Personal Electronic Equipment.

4.7 **Non-Disparagement**. During Employee's employment with the Company and at all times thereafter, Employee shall not divulge, disclose, or communicate to others, in any manner whatsoever, information or statements that disparage or are intended to disparage the Company, including its officers, directors, shareholders, employees, and agents, and its/his/her/their business reputation. Notwithstanding the foregoing, nothing in this Agreement is intended to waive, restrict, or limit Employee's rights, communications, or actions that cannot be waived by agreement, including, but not limited to, Employee's rights under the National Labor Relations Act, the right to disclose information about unlawful acts in the workplace, including, but not limited to, sexual harassment, the right to testify in an administrative, legislative, or judicial proceeding about alleged sexual harassment, or alleged criminal conduct by another party, including the Company, its agents, or employees, if and when Employee has been required or requested to attend the proceeding pursuant to a court order, subpoena, or written request from an administrative agency or the legislature, and the right to make disclosures to or comply with proceedings before the Equal Employment Opportunity Commission, or any other federal, state, or local fair employment practices agency, or pursuant to a valid order of a court of competent jurisdiction; provided that, such compliance does not exceed that required by the law, regulation, or order. Nothing in this Agreement prohibits or restricts Employee from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission (SEC), or any other self-regulatory organization, or any other federal or state regulatory authority.

ARTICLE V

TERMINATION AND SEVERANCE

5.1 **Termination of Employment**.

(a) **Termination for Cause**. The Company shall have the right to terminate Employee's employment, at any time, for Cause (as defined below) by giving Employee written notice of the effective date of such termination. In the event of such termination for Cause, Employee shall be entitled to receive Employee's Salary accrued and unpaid through the date of termination, together with all accrued and unpaid PTO, and expenses reimbursable pursuant to this Agreement (herein, "**Earned Pay**"). For purposes of this Agreement only, the term "**Cause**" means any of the following: (a) Employee materially breaches any fiduciary duty owed to the Company or its affiliates, including the duty of loyalty; (b) Employee fails to comply with any valid and legal directive of the Company that is material and is consistent with Employee's obligations under this Agreement, which has not been complied with within ten (10) calendar days of written notice to Employee of such noncompliance; (c) Employee is convicted of or pleads guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude or that results in material, reputational, or financial harm to the Company, its agents, representatives, or its affiliates; (d) Employee engages in any act or omission that constitutes a material breach by Employee of any of Employee's duties, responsibilities, and obligations under this Agreement, or any material written policy (as they may be in effect from time to time during Employee's employment) of the Company or any of its affiliates, assuming such obligations are lawful, which has not been cured within ten (10) calendar days of written notice to the Employee; (e) Employee commits an act which negatively impacts, in a material way, the Company or its employees including, but not limited to, engaging in competition with the Company, disclosing confidential information or engaging in sexual harassment or discrimination in violation of Company policies; or (f) Employee engages in the unauthorized disclosure of Confidential Information of the Company. For purposes of this definition of "**Cause**," an act or failure to act shall not be deemed willful or intentional unless Employee acted (or failed to act) in bad faith or without a reasonable belief that Employee's action or omission was in the best interest of the Company. For avoidance of doubt, Employee's failure to meet performance goals or objectives, by itself, shall not constitute Cause. In all instances, the Company's CEO, in consultation with Legal and the Board of Directors as appropriate, shall determine, in good faith, whether Cause exists for purposes of this Agreement and whether Employee's employment shall be terminated for Cause. The Company's CEO shall have the authority to waive the consequences under this Agreement of the existence or occurrence of any events, acts, or omissions that constitute Cause.

(b) **Termination without Cause**. Notwithstanding anything to the contrary in this Agreement, the Company may, at any time, terminate Employee's employment without "**Cause**" (as defined above) by giving Employee at least thirty (30) days prior written notice of the effective date of Employee's termination. In the event of such termination of employment without Cause, Employee shall be entitled to receive (i) Earned Pay, (ii) severance benefits, which shall consist of an after-tax, lump sum payment equal to the Company's share of Employee's medical coverage under the Company's group health plan, measured as if Employee properly and timely elected continuation coverage as prescribed by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") for the Severance Period (defined in Section 5.2 below) (the "**COBRA Cash Stipend**"), (iii) severance pay, which shall be equal to Employee's Salary for the Severance Period (as defined in Section 5.2), payable in regular installments in accordance with the Company's standard payroll practices ("**Severance Pay**"), (iv) Employee shall also be entitled to receive the pro-rata bonuses (cash or equivalent) guaranteed in Section 3.1(b) should termination occur during the 2022 calendar year. The Company shall commence payment of Severance Pay and other applicable payments hereunder within sixty (60) days of Employee's termination of employment; provided, that Employee has executed, delivered, and not revoked the Waiver and General Release described in

Section 5.3 of this Agreement. Employee must satisfy, at all times, the conditions described in Section 5.3, Section 5.4, Article IV and Article VI to receive the COBRA Cash Stipend and continue to receive Severance Pay under this Section 5.1(b) following Employee's termination of employment. In the event such a sixty-day time period spans two calendar years, payment will be made in the second calendar year. If, during the Severance Period, Employee engages in any Restricted Activity with any Competing Business, Employee shall notify the Company in writing no later than 5 business days from the date Employee has commenced such Restricted Activity ("**Commencement Date**"). Further, upon determination by a court of competent jurisdiction that Employee has violated the restrictive covenants set forth in Article IV, Employee shall repay all Severance Pay paid to Employee following the cessation of Employee's employment with the Company.

(c) **Termination on Account of Resignation**. Employee may, at any time, terminate Employee's employment by voluntary resignation by giving the Company at least thirty (30) days prior written notice of the effective date of such termination. In the event of Employee's termination of employment due to voluntary resignation not covered by Section 5.1(d), neither the COBRA Cash Stipend nor the Severance Pay shall be provided under this Agreement and all rights, duties, and obligations of the Parties under this Agreement, other than those obligations expressed in Article IV and Article VI, and Employee's right to receive Earned Pay, shall cease as of the employment termination date.

(d) **Termination on Account of Resignation with Good Reason**. Employee shall have the right to terminate Employee's employment by voluntary resignation with Good Reason. The term "**Good Reason**" means any one (1) or more of the following events that occurs without the prior written consent of Employee: (i) a material diminution in Employee's Salary; (ii) a change in reporting relationship of Employee to someone other than the Executive Chairman, Chief Executive Officer or other officer pursuant to Section 2.2; or (iii) any other action or inaction that constitutes a material breach by the Company of the terms of this Agreement. To qualify as a voluntary resignation with "**Good Reason**," Employee shall provide the Company with notice of the existence of the event described above within ninety (90) days of the initial existence of such event, and the Company shall have thirty (30) days to remedy the event measured from the date it received Employee's notice. If the event that qualifies as Good Reason is not cured and the Employee resigns within six (6) months of the initial existence of such Good Reason event, then Employee's voluntary resignation shall be treated in all respects as an involuntary termination of employment without Cause by the Company of Employee's employment under Section 5.1(b), and the COBRA Cash Stipend and Severance Pay provided in connection with an involuntary termination without Cause (together with the conditions described in Section 5.3, Section 5.4, Article IV and Article VI) shall apply.

(e) **Termination on Account of Disability**. If Employee is determined to have a "**Disability**" (defined herein), Employee shall be entitled to receive Employee's Salary and to continue to participate in the employee benefit plans and programs described in Section 3.2, as in effect with respect to Employee immediately prior to such determination, for six (6) months (or, if less, until Employee is able to return to active employment with the Company). If Employee is unable to return to work with the Company at the completion of that six (6) month period, the Company may elect to terminate Employee's employment by sending written notice of such election to Employee. In such event, the Company shall provide Employee Earned Pay and the COBRA Cash Stipend for the same period, as described in Section 5.1(b) (as if employment had been terminated involuntarily by the Company without Cause at the completion of such initial six (6) month period), but not the Severance Pay. The term “**Disability**” shall mean Employee is unable to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. Any determination of whether Employee has a Disability shall be based upon sufficient medical evidence from a physician selected by Employee (or Employee’s personal representative or guardian) for that purpose. If any question arises as to whether during any period Employee has a Disability, Employee shall, at the request of the Company, submit to the Company a certification, in reasonable detail by a physician selected by the Company to whom Employee (or Employee’s personal representative or guardian) has no reasonable objection, as to whether Employee has a Disability or how long the Disability will continue. Employee shall cooperate with any reasonable request of the physician in connection with such certification. If a question arises and Employee fails to submit such certification, the Company’s determination of such issue shall be binding on Employee. Nothing in this Section 5.1(e) shall be construed to waive Employee’s rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. §2601 et seq. and the Americans with Disabilities Act, 42 U.S.C. §12101 et seq.

(f) **Termination on Account of Death**. In the event of Employee’s death while in the employ of the Company, the personal representative of Employee’s estate shall be entitled to receive Employee’s Earned Pay, pro-rated bonus and any vested but unexercised options. All other rights of Executive hereunder shall terminate as of such date of death.

5.2 **Severance Period**. The term “**Severance Period**” means 12 months.

5.3 **Waiver and Release**. A condition precedent to (a) the payment of COBRA Cash Stipend and (b) the commencement and continued receipt of Severance Pay, which shall be payable pursuant to Section 5.1(b) or Section 5.1(d), as applicable, shall be the execution by Employee of a waiver and general release of all claims, which is not revoked during the revocation period. Such waiver and general release of all claims shall be in a form and substance as reasonably required by Company. The failure of Employee to execute the Waiver and General Release (or any revocation during the revocation period) shall relieve the Company of all obligations under Section 5.1(b) or Section 5.1(d) but shall not relieve Employee of Employee’s obligations under Article IV and Article VI herein.

5.4 **Other Conditions on Severance Benefits and Pay**.

(a) **Welfare Benefits**. Notwithstanding any other provision of this Agreement to the contrary, Employee shall not continue to be eligible for health and welfare benefit plan coverage (other than the right to elect continuation coverage under COBRA or similar state continuation coverage laws) after Employee’s termination of employment. In the event Employee properly and timely elects continuation coverage under COBRA, Employee shall be required to pay such portion of the cost of such continuation coverage, as is paid by other similarly situated active executives.

(b) **Limitations and Conditions**. Any employee health and welfare benefits provided under Sections 3.2 shall be discontinued effective as of the date Employee becomes eligible for substantially equivalent benefits (determined without regard to Employee’s election to waive coverage or access).

(c) **Code Section 409A Compliance**. For purposes of this Agreement, phrases similar to “terminate employment” mean the date Employee ceases to be an employee of the Company and all members of the Company’s “controlled group of corporations” as described in Treasury Regulation §1.409A-1(h)(3). Notwithstanding the preceding sentence, Employee must incur a “separation from service” as that term is defined in Code Section 409A(a)(2)(A)(i) and in Treasury Regulation §1.409A 1(h), to terminate employment under this Agreement and receive Severance Pay. Any payment or benefit that Employee receives shall be treated as “separate payments” for the application of Code Section 409A.

ARTICLE VI

COOPERATION

6.1 **Cooperation**. The Parties agree that certain matters in which Employee will be involved during Employee’s employment with Company may necessitate Employee’s cooperation in the future. Accordingly, following Employee’s termination of employment for any reason, to the extent reasonably requested by the Company and provided that advanced notice is given and is coordinated to the extent possible with Employee, Employee shall cooperate with the Company in connection with internal investigations, third party investigations, investigations by governmental agencies, claims made by third parties, litigation, arbitration, meditation and all other matters related to the Company, in which Employee has personal knowledge; provided that, Company shall make reasonable efforts to minimize disruption of Employee’s personal and professional activities. Company shall reimburse Employee for reasonable expenses incurred in connection with such cooperation (e.g., airfare, lodging, rental car, mileage, meals, etc.).

ARTICLE VII

GENERAL PROVISIONS

7.1 **Severability and Modification by Court**. If any term or provision of this Agreement shall, for any reason, be adjudged by any court of competent jurisdiction to be invalid or unenforceable, such judgement shall not affect, impair, or invalidate the remainder of this Agreement, but shall be confined in its operation to the provisions of this Agreement directly involved in the controversy in which such judgment shall have been rendered. Notwithstanding the above, in the event any provision as presently set forth is determined to be invalid by a court of competent jurisdiction, the Parties agree that this Agreement shall be appropriately modified by the court so that each and every provision of this Agreement is enforceable to the maximum extent permitted by law.

7.2 **Waiver**. No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

7.3 **Survival and Assignability**. The provisions of this Agreement that would naturally survive the termination of Employee’s employment with the Company shall survive such termination and shall continue in full force and effect. This Agreement is personal to Employee and may not be assigned by Employee.

The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business or assets of the Company.

7.4 **Notices**. Any notices required under this Agreement shall be sent by personal delivery, registered or certified mail, electronic mail or overnight carrier to: (i) the Company, at TerrAscend, 357 South Gulph Road, Suite 330, King of Prussia, PA 19406 and to legal@terrascend.com; (ii) the Employee, to their home mailing address and email address on file.

7.5 **Entire Agreement.** Employee hereby ratifies, accepts, and agrees to the terms of this Agreement, and acknowledges receipt of a copy hereof. The Parties to this Agreement mutually agree that it shall be binding upon them, their heirs, executors, administrators, personal representatives, successors and assigns; that the provisions hereof shall survive this Agreement and shall not be merged into its performance. This Agreement constitutes the final, complete, and exclusive agreement of the Parties with respect to the subject matter hereof and supersedes and merges all prior agreements or discussions with the Company on this subject matter. Any modification, amendment, or addenda to this Agreement shall be null, void, and unenforceable unless made in a writing that makes specific reference to the section of this Agreement being amended and executed by both Parties.

7.6 **Governing Law**. This Agreement, for all purposes, shall be construed in accordance with the laws of Pennsylvania without regard to conflicts of law principles.

7.7 **Controversies Arising Out of Agreement.** The Parties agree that any judicially cognizable controversy or claim arising out of or relating to this Agreement, or its breach shall be resolved through a confidential and binding arbitration before a single neutral arbitrator in Pennsylvania in accordance with the Employment Arbitration Rules & Procedures of the Judicial Arbitration and Mediation Services ("**JAMS**"), except as otherwise set forth below. The JAMS rules and procedures may be found online at https://www.jamsadr.com/rules-employment-arbitration/. The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable under the law, including, but not limited to, any remedy or relief that would have been available to the Parties had the matter been heard in court. **Both Employee and the Company expressly waive their right to a jury trial.** This Section 7.7 is intended to be the exclusive method for resolving any and all claims by the Parties against each other for payment of damages under this Agreement or relating to Employee's employment. Nothing in this Agreement shall restrict or limit Employee's rights that cannot be waived by agreement, including any nonwaivable right to file or participate in a complaint or investigation by a law enforcement or government agency. This Agreement shall not limit either Party's right to obtain a provisional remedy from any court of competent jurisdiction as may be necessary to protect their rights and interests pending the outcome of arbitration, including without limitation injunctive relief, in any court of competent jurisdiction. Seeking any such relief shall not be deemed to be a waiver of such Party's right to compel arbitration. The prevailing party shall be entitled to recover all fees and costs from the other party arising from any arbitration brought pursuant to this Section. All costs of the arbitration, including the JAMS' administrative fees and the fee of the arbitrator, shall be borne by the Company.

7.8 **Advice of Counsel**. Each of the Parties to this Agreement warrants and represents that in executing this Agreement such Party was encouraged to, and provided ample time to, consult with an attorney of the Party's choice. The Parties acknowledge and represent that, in executing this Agreement, they have not relied on any inducements, promises, or representations other than those matters expressly set forth in this Agreement.

7.9 **Acknowledgement of Full Understanding**. EMPLOYEE ACKNOWLEDGES AND AGREES THAT EMPLOYEE HAS FULLY READ, UNDERSTANDS, AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EMPLOYEE ACKNOWLEDGES AND AGREES THAT EMPLOYEE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF EMPLOYEE'S CHOICE BEFORE SIGNING THIS AGREEMENT.

7.10 **Code Section 409A**.

(a) The Parties agree that this Agreement shall be interpreted to comply with Code Section 409A, and all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. In no event whatsoever will the Company be liable for any additional tax, interest, or penalties that may be imposed on Employee under Code Section 409A or any damages for failing to comply with Code Section 409A.

(b) To the extent any reimbursement of costs and expenses provided for under this Agreement constitutes taxable income to Employee for Federal income tax purposes, all such reimbursements shall be made no later than December 31 of the calendar year in which the expenses to be reimbursed are incurred.

[*Signature page follows*]

IN WITNESS WHEREOF, the Company and the Employee have duly executed this Agreement as of the Effective Date above.

TERRASCEND	**EMPLOYEE**
/s/ Ziad Ghanem	/s/ Lynn Gefen
Ziad Ghanem	Lynn Gefen, Esq.
Title: President and Chief Operating Officer	
Date: 5/1/2022	Date: 4/29/2022

Exhibit 10.7

Execution Version

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT NO. 1 TO CREDIT AGREEMENT, dated as of April 28, 2022 (this "Amendment"), is made by and among WDB Holding PA, Inc., a Pennsylvania corporation (the "Borrower"), the Loan Parties party hereto and Acquiom Agency Services LLC, as administrative agent (in such capacity, the "Administrative Agent") and as collateral agent (in such capacity, the "Collateral Agent").

RECITALS:

WHEREAS, reference is hereby made to the Credit Agreement, dated as of December 18, 2020 (as amended, amended and restated, supplemented or otherwise modified from time to time prior to the Effective Date, the "Credit Agreement", and as amended by this Amendment, the "Amended Credit Agreement"), by and among the Borrower, the Lenders from time to time party thereto, the Administrative Agent and the Collateral Agent (capitalized terms used but not defined herein having the meaning provided in the Amended Credit Agreement);

WHEREAS, the Borrower has requested that the Lenders consent to certain amendments to the Credit Agreement on the terms set forth herein, which amendments are permitted with the consent of the Required Lenders;

WHEREAS, the Administrative Agent has received consent to the amendments contemplated hereby from Lenders constituting at least the Required Lenders and, accordingly, on behalf of the Lenders, consents, on the terms and subject to the conditions set forth below, to this Amendment; and

NOW, THEREFORE, in consideration of the premises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. Credit Agreement Amendments.

(a) No Call Expiration Date. With effect from the Effective Date (as defined below), each of the parties hereto agrees that the definition of "No Call Expiration Date" in Section 1.01 of the Credit Agreement is deleted and replaced with the following:

""No Call Expiration Date" means the date that is the 30 month anniversary of the Closing Date."

(b) Prepayment Premium. With effect from the Effective Date (as defined below), each of the parties hereto agrees that (i) the reference in the first line of Section 2.05(d)(i)(B) of the Credit Agreement to "18 month anniversary" is deleted and replaced with "30 month anniversary" and (ii) the table set forth in Section 2.05(d)(i)(B) of the Credit Agreement is deleted and replaced with the following:

Prepayment Date	Prepayment Premium
After the date that is the thirty (30) month anniversary of the Closing Date but on or prior to the date that is the forty-second (42) month anniversary of the Closing Date	3.22%
Thereafter	0%

(c) Budget. With effect from the Effective Date (as defined below), the time period to provide the 2021 fiscal year management budget pursuant to Section 5.01(c) of the Credit Agreement is extended from 60 days after the end of such fiscal year to 120 days after the end of the 2021 fiscal year, and Section 5.01(c) of the Credit Agreement is amended such that, after the words “60 days” is inserted “(120 days in respect of the annual management budget for the 2022 fiscal year)”.

(d) Consolidated Interest Coverage Ratio. With effect from the Effective Date (as defined below), each of the parties hereto agrees that the table set forth in Section 6.12(b) of the Credit Agreement is deleted and replaced with the following:

Fiscal Quarters Ending	Minimum Consolidated Interest Coverage Ratio
June 30, 2021 through December 31, 2021	2.50:1.00
March 31, 2022 through June 30, 2022	1.50:1.00
October 31, 2022	2.00:1.00
December 31, 2022 through Maturity Date	2.50:1.00

Section 2. Amendment Fee. In consideration of the Lenders consenting to the foregoing amendments to the Credit Agreement on the terms set forth herein (each Lender which consents to the same, a “Consenting Lender”), the Borrower agrees to pay to each Consenting Lender a fee of 100 bps of such Consenting Lender’s aggregate Commitment under the Credit Agreement in United States Dollars and in immediately available funds, to be paid to each Consenting Lender within three (3) Business Days following the date of this Amendment.

Section 3. Effective Date. This Amendment shall become effective as of March 31, 2022 (the “Effective Date”).

Section 4. Representations and Warranties. The Borrower and each other Loan Party represents and warrants to the Administrative Agent, the Collateral Agent and the Lenders on the date hereof that:

(a) the execution, delivery and performance of this Amendment is within its corporate or other organizational powers and has been duly authorized by all necessary corporate or other organizational action of it;

(b) this Amendment has been duly executed and delivered by it and is a legal, valid and binding obligation of it, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity and principles of good faith and dealing; and

(c) the representations and warranties of the Borrower contained in Article III of the Credit Agreement are true and correct in all material respects on and as of the date hereof (except in those cases where such representation or warranty expressly relates to an earlier date, in which case such representations and warranties were true and correct in all material respects as of such date).

Section 5. Reaffirmation. Each Loan Party consents to the amendment of the Credit Agreement effected hereby and confirms and agrees that, notwithstanding the effectiveness of this Amendment, each Loan Document to which such Loan Party is a party is, and the obligations of such Loan Party contained in the Credit Agreement, this Amendment or in any other Loan Document to which it is a party are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects, in each case, as amended by this Amendment. For greater certainty and without limiting the foregoing, each Loan Party hereby confirms (i) the existing security interests granted in favor of the Collateral Agent for the benefit of, among others, the Lenders pursuant to the Loan Documents in the Collateral described therein, which security interests shall continue in full force and effect after giving effect to this Amendment to secure the Obligations as and to the extent provided in the Loan Documents and (ii) its obligations under the Guaranty Agreement shall remain in full force and effect after giving effect to this Amendment and the obligations under this Amendment constitute "Obligations" included within the Guarantee in accordance with the terms therein.

Section 6. Amendment, Modification and Waiver. This Amendment may not be amended, modified or waived except as permitted by Section 9.02 of the Credit Agreement.

Section 7. Entire Agreement. This Amendment and the other Loan Documents constitute the entire agreement among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. On and after the Effective Date, each reference in the Credit Agreement to "this Amendment," "hereunder," "hereof" or words of like import referring the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement," "thereunder," "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Amended Credit Agreement.

Section 8. Governing Law and Waiver of Right to Trial by Jury.

(a) THIS AMENDMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF, OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) The jurisdiction, waiver of venue, waiver of defense of illegality, service of process and waiver of right to trial by jury provisions in Section 9.09(b) through (e) and Section 9.10 of the Credit Agreement are incorporated herein by reference, *mutatis mutandis*.

Section 9. Severability. To the extent permitted by law, any provision of this Amendment held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 10. Counterparts; Electronic Signature. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Counterparts may be delivered via facsimile, electronic mail (including any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act or other applicable law, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or by email as a ".pdf" or ".tif" attachment shall be effective as delivery of an original executed counterpart of this Amendment.

Section 11. Loan Document; No Novation. On and after the Effective Date, this Amendment shall constitute a "Loan Document" for all purposes of the Amended Credit Agreement and the other Loan Documents (it being understood that for the avoidance of doubt this Amendment may be amended or waived solely by the parties hereto as set forth in Section 5 above). This Amendment shall not constitute a novation of the Credit Agreement or any of the Loan Documents.

Section 12. Costs and Expenses. The Borrower shall reimburse the Administrative Agent, the Collateral Agent and the Lenders for all reasonable and documented legal fees and other reasonable out-of-pocket expenses incurred in connection with the amendment to the Credit Agreement described herein.

[*signature pages to follow*]

IN WITNESS WHEREOF, each of the undersigned has caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

WDB HOLDING PA, INC., as Borrower
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

TERRASCEND CORP., as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

TERRASCEND USA, INC., as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

IHC MANAGEMENT LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

ILERA HEALTHCARE LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

ILERA DISPENSING LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

IHC REAL ESTATE GP, LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

IHC REAL ESTATE LP, as a Loan Party
By: IHC Real Estate GP, LLC, its General Partner
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

ILERA SECURITY LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

235 MAIN STATE MERCERSBURG LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

ILERA INVESTCO I, LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

ILERA DISPENSING 2 LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

ILERA DISPENSING 3 LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

GUADCO LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

KCR HOLDINGS LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

PA STORE 299 LLC, as a Loan Party
By: /s/ Keith Stauffer
Name: Keith Stauffer
Title: Chief Financial Officer

ACQUIOM AGENCY SERVICES LLC, as
Administrative Agent and as Collateral Agent
By: /s/ Jennifer Anderson
Name: Jennifer Anderson
Title: Senior Director

Exhibit 31.1

**Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Ziad Ghanem, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2022 of TerrAscend Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2022

/s/ Ziad Ghanem

Ziad Ghanem
President and Chief Operating Officer
(Principal Executive Officer)

Exhibit 31.2

**Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Keith Stauffer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2022 of TerrAscend Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 11, 2022

/s/ Keith Stauffer

Keith Stauffer
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Ziad Ghanem, Executive Chairman of TerrAscend Corp. (the "Company"), hereby certify, that, to my knowledge:

1. the Quarterly Report on Form 10-Q for the three and six months ended June 30, 2022 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2022

/s/ Ziad Ghanem
Ziad Ghanem
President and Chief Operating Officer
(Principal Executive Officer)

Exhibit 32.2

Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Keith Stauffer, Chief Financial Officer of TerrAscend Corp. (the "Company"), hereby certify, that, to my knowledge:

1. the Quarterly Report on Form 10-Q for the three and six months ended June 30, 2022 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2022

/s/ Keith Stauffer
Keith Stauffer
Chief Financial Officer
(Principal Financial Officer)