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

FORM 10-Q

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

For the quarterly period ended March 31, 2023

or

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

For the transition period from to

Commission file number 001-39288

AppHarvest, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**84-5042965**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

500 Appalachian Way
Morehead, KY 40351
(606) 653-6100

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.0001 par value per share	APPH	The Nasdaq Stock Market LLC
Warrants, each whole warrant exercisable for one share of Common Stock at an exercise price of $11.50 per share	APPHW	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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 7(a)(2)(B) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-2 of the Exchange Act)

☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Total shares of common stock, par value $0.0001, outstanding at May 5, 2023, were 155,108,773.

APPHARVEST, INC

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	1
Condensed Consolidated Balance Sheets	1
Condensed Consolidated Statements of Operations and Comprehensive Loss	2
Condensed Consolidated Statements of Stockholders’ Equity	3
Condensed Consolidated Statements of Cash Flows	4
Notes to Condensed Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures About Market Risk	23
Item 4. Controls and Procedures	23
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	24
Item 1A. Risk Factors	24
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	52
Item 3. Defaults Upon Senior Securities	52
Item 4. Mine Safety Disclosures	52
Item 5. Other Information	52
Item 6. Exhibits	53

Part I - Financial Information

Item 1. Financial Statements

APPHARVEST, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands except per share amounts)

	March 31, 2023	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	$ 50,017	$ 54,334
Restricted cash	23,450	24,198
Accounts receivable, net	3,669	2,786
Inventories, net	16,105	18,078
Prepaid expenses and other current assets	17,341	14,716
Total current assets	110,582	114,112
Operating lease right-of-use assets, net	2,503	2,626
Property and equipment, net	476,334	456,178
Other assets, net	20,385	22,412
Total non-current assets	499,222	481,216
Total assets	$ 609,804	$ 595,328
Liabilities and stockholders' equity		
Current Liabilities		
Accounts payable	$ 30,445	$ 16,571
Accrued expenses	14,517	21,996
Current portion of lease liabilities	505	514
Current portion of long-term debt	3,685	3,685
Other current liabilities	45	202
Total current liabilities	49,197	42,968
Long-term debt, net of current portion	178,819	180,537
Lease liabilities, net of current portion	2,509	2,628
Financing obligation	105,680	103,787
Deferred income tax liabilities	4,682	4,925
Private Warrant liabilities	110	119
Other liabilities	63	73
Total non-current liabilities	291,863	292,069
Total liabilities	341,060	335,037
Commitments and contingencies (Note 11)		
Stockholders' equity		
Preferred stock, par value $0.0001, 10,000 shares authorized, 0 issued and outstanding, as of March 31, 2023 and December 31, 2022	—	—
Common stock, par value $0.0001, 750,000 shares authorized, 155,084 and 108,511 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	16	11
Additional paid-in capital	658,972	615,452
Accumulated deficit	(397,590)	(363,960)
Accumulated other comprehensive income	7,346	8,788
Total stockholders' equity	268,744	260,291
Total liabilities and stockholders' equity	$ 609,804	$ 595,328

See accompanying notes to the unaudited condensed consolidated financial statements.

APPHARVEST, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)
(In thousands except per share amounts)

	Three Months Ended March 31,	
	2023	**2022**
Net sales	$ 13,011	$ 5,164
Cost of goods sold	34,345	13,554
Gross loss	(21,334)	(8,390)
Operating expenses:		
Selling, general and administrative expenses	10,016	21,039
Total operating expenses	10,016	21,039
Loss from operations	(31,350)	(29,429)
Other income (expense):		
Interest expense	(2,698)	—
Change in fair value of Private Warrants	9	(1,329)
Other	166	14
Loss before income taxes	(33,873)	(30,744)
Income tax benefit	243	109
Net loss	(33,630)	(30,635)
Other comprehensive (loss) income :		
Net unrealized (losses) gains on derivatives contracts, net of tax	(1,442)	4,360
Comprehensive loss	$ (35,072)	$ (26,275)
Net loss per common share:		
Basic and diluted	$ (0.26)	$ (0.30)
Weighted average common shares outstanding:		
Basic and diluted	131,124	101,321

See accompanying notes to the unaudited condensed consolidated financial statements.

APPHARVEST, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
December 31, 2021	101,136	$ 10	$ 576,895	$ (187,314)	$ (1,951)	$ 387,640
Conversion of Private Warrants	—	—	1,104	—	—	1,104
Stock options exercised	—	—	36	—	—	36
Vesting of restricted stock units	414	—	(953)	—	—	(953)
Stock-based compensation	—	—	6,035	—	—	6,035
Net loss	—	—	—	(30,635)	—	(30,635)
Other comprehensive income	—	—	—	—	4,360	4,360
March 31, 2022	101,550	$ 10	$ 583,117	$ (217,949)	$ 2,409	$ 367,587

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
December 31, 2022	108,511	$ 11	$ 615,452	$ (363,960)	$ 8,788	$ 260,291
Issuance of common stock, net	46,000	5	43,033	—	—	43,038
Stock options exercised	391	—	63	—	—	63
Vesting of restricted stock units	182		(79)	—	—	(79)
Stock-based compensation	—	—	503	—	—	503
Net loss	—	—	—	(33,630)	—	(33,630)
Other comprehensive loss	—	—	—	—	(1,442)	(1,442)
March 31, 2023	155,084	$ 16	$ 658,972	$ (397,590)	$ 7,346	$ 268,744

See accompanying notes to the unaudited condensed consolidated financial statements.

APPHARVEST, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2023	**2022**
Operating Activities		
Net loss	$ (33,630)	$ (30,635)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of Private Warrants	(9)	1,329
Deferred income tax benefit	(243)	(109)
Depreciation and amortization	7,641	3,112
Interest expense from financing obligation	1,974	—
Stock-based compensation expense	503	6,035
Rent expense (less than) in excess of payments	(5)	26
Changes in operating assets and liabilities:		
Accounts receivable, net	(883)	(307)
Inventories, net	1,973	(78)
Prepaid expenses and other current assets	(2,625)	1,613
Other assets, net	51	(9,230)
Accounts payable	2,804	301
Accrued expenses	(2,386)	(2,124)
Other current liabilities	(157)	—
Other non-current liabilities	(10)	2,564
Net cash used in operating activities	(25,002)	(27,503)
Investing Activities		
Purchases of property and equipment	(21,171)	(39,018)
Net cash used in investing activities	(21,171)	(39,018)
Financing Activities		
Proceeds from debt	—	25,902
Repayments of debt	(937)	—
Debt issuance costs	(895)	—
Payments on financing obligation	(82)	—
Proceeds from stock options exercised	63	36
Payments of withholding taxes on restricted stock units	(79)	(953)
Proceeds from issuance of common stock	46,000	—
Payments for common stock issuance	(2,962)	—
Net cash provided by financing activities	41,108	24,985
Change in cash and cash equivalents	(5,065)	(41,536)
Cash, cash equivalents and restricted cash at the beginning of period	78,532	176,311
Cash, cash equivalents and restricted cash at the end of period	73,467	134,775
Less restricted cash at the end of the period	23,450	37,130
Cash and cash equivalents at the end of the period	$ 50,017	$ 97,645
Non-cash Activities:		
Fixed assets purchases in accounts payable	$ 24,056	$ 5,272
Fixed assets purchases in accrued liabilities	$ 4,108	$ 2,207
Termination of operating leases which decrease operating lease liabilities	$ —	$ 237

See accompanying notes to the unaudited condensed consolidated financial statements.

APPHARVEST, INC.

Notes to Condensed Consolidated Financial Statements (unaudited)
(amounts in thousands except per share amounts)

1. Description of Business

AppHarvest, Inc. (the "Company", or "AppHarvest") was founded on January 19, 2018. Together with its subsidiaries, AppHarvest is a sustainable food company in Appalachia developing and operating some of the world's largest high-tech indoor farms with robotics and artificial intelligence to build a reliable, climate-resilient food system. AppHarvest's farms are designed to grow produce using sunshine, rainwater and up to 90% less water than open-field growing, all while producing yields up to 30 times that of traditional agriculture and preventing pollution from agricultural runoff. AppHarvest currently operates its 60-acre flagship farm in Morehead, Kentucky ("AppHarvest Morehead"), producing tomatoes, a 15-acre indoor farm for salad greens in Berea, Kentucky ("AppHarvest Berea"), a 30-acre farm for strawberries and cucumbers in Somerset, Kentucky ("AppHarvest Somerset"), and a 60-acre farm in Richmond, Kentucky ("AppHarvest Richmond"), for tomatoes. The four-farm network consists of 165 acres under glass.

AppHarvest is organized as a single operating segment. Substantially all of the assets and operations of AppHarvest are located in the United States ("U.S.").

Nature of Operations

The high-tech greenhouse agriculture business is extremely capital-intensive and the Company expects to expend significant resources to complete the build-out of facilities under construction, continue harvesting existing crops and plant and harvest new crops in the existing and future controlled environment agriculture ("CEA") facilities. These expenditures are expected to include working capital, costs of acquiring and building out new facilities, costs associated with planting and harvesting, such as the purchase of seeds and growing supplies, and the cost of attracting, developing and retaining a skilled labor force, including local labor. In addition, other unanticipated costs may arise due to the unique nature of these CEA facilities and increased production in the Company's new operating facilities at full capacity.

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and payments of liabilities in the ordinary course of business. Accordingly, the condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of and classification of liabilities that may result should the Company be unable to continue as a going concern. The Company has incurred losses from operations and generated negative cash flows from operating activities since inception. During the three-months ended March 31, 2023, the Company incurred net losses of $33,630 and generated negative cash flows from operations of $25,002. The Company's current operating plan, which includes its planting and harvesting activities, indicates that it will continue to incur losses from operations and generate negative cash flows from operating activities. In addition, debt service requirements and the Company's plans to continue to invest in the build-out and start-up of its new and future CEA facilities, including AppHarvest Berea, AppHarvest Richmond and AppHarvest Somerset, will have an adverse impact on its liquidity. As of March 31, 2023, the Company had $50,017 cash on hand, and an accumulated deficit of $397,590. Management believes there is substantial doubt about the Company's ability to continue as a going concern.

The Company will need to raise additional funds in order to operate its business, meet obligations as they become due and continue the ongoing operation, construction, and build-out and start-up of its CEA facilities. In December 2022, the Company completed a sale-leaseback of its salad greens facility and property in Berea, Kentucky. The Company raised additional capital in February 2023 through an underwritten public offering, as further discussed in Note 15 – *Shareholders' Equity*. The Company is exploring additional financing alternatives, including, but not limited to additional sale-leaseback transactions related to other CEA facilities, third-party equity or debt financing, or other sources, such as strategic relationships or other transactions with third parties, that may or may not include business combination transactions. However, financing may not be available to the Company in the necessary time frame, in amounts that the Company requires, on terms that are acceptable to the Company, or at all. If the Company is unable to raise the necessary funds when needed, it may materially and adversely impact the Company's ability to execute on its operating plans, the operation of the Company's current CEA facilities and the construction, build-out and start-up of the CEA facilities could be delayed, scaled back, or abandoned. If the Company becomes unable to continue as a going concern, it may have to dispose of assets and might realize significantly less than the values at which they are carried on its condensed consolidated financial statements. These actions may cause the Company's

stockholders to lose all or part of their investment in the Company's common stock. The condensed consolidated financial statements do not include any adjustments that might result from this uncertainty.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reporting and Securities and Exchange Commission ("SEC") regulations. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2023. These unaudited condensed consolidated financial statement should be used in conjunction with the Company's audited consolidated financial statements, as of and for the year ended December 31, 2022, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 15, 2023.

The unaudited condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated.

All dollar and share amounts are in thousands, except per share amounts, unless otherwise noted.

2. Summary of Significant Accounting Policies

Use of Estimates in Condensed Consolidated Financial Statements

In preparing the condensed consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Although these estimates are based on the Company's knowledge of current events and actions the Company may undertake in the future, actual results could differ from those estimates and assumptions. Significant items subject to such estimates and assumptions primarily include the valuation of inventory.

The Company's results can also be affected by economic, political, legislative, regulatory, legal actions, and the global volatility and general market disruption and geopolitical tensions. Economic conditions, such as recessionary trends, inflation, supply chain disruptions, interest and monetary exchange rates, and government fiscal policies, can have a significant effect on operations. While the Company maintains reserves for anticipated liabilities and carries various levels of insurance, the Company could be affected by civil, criminal, environmental, regulatory or administrative actions, claims, or proceedings.

Restricted Cash

At March 31, 2023, restricted cash includes $14,386 related to a master credit agreement with Rabo AgriFinance LLC ("Rabo") for a real estate term loan (the "Rabo Loan"), $6,656 in contributions to a project and interest reserve account for AppHarvest Somerset for the loan agreement with Greater Nevada Credit Union (the "GNCU Loan"), and $2,408 for construction related to AppHarvest Berea. At December 31, 2022, restricted cash included $12,007 related to the Rabo Loan, $9,791 in contributions to the aforementioned project and interest reserve account, and $2,400 for construction related to AppHarvest Berea.

Capitalization of Interest

During the three months ended March 31, 2023 and March 31, 2022, $2,226 and $1,648 of interest expense has been capitalized, respectively.

Warrants

At March 31, 2023, there were 13,242 warrants to purchase Common Stock outstanding, consisting of 12,191 public warrants ("Public Warrants") and 1,051 private warrants ("Private Warrants" and together with Public Warrants, "Warrants"). The Private Warrants are held by the initial stockholders of the special purpose acquisition company. Each warrant entitles the registered holder to purchase one share of Common Stock at a price of $11.50 per share. The warrants expire on January 29, 2026, or earlier upon redemption or liquidation.

The fair value of the Private Warrants is estimated at each measurement date using a Black-Scholes option pricing model. See Note 5 - *Fair Value Measurements* for inputs used in calculating the estimated fair value.

Accounts Receivable

The Company's trade accounts receivable are non-interest bearing and are recorded at the net realizable value. The allowance for doubtful accounts represents the Company's best estimate of the amount of expected credit losses in existing accounts receivable. As of March 31, 2023 and December 31, 2022, the Company had no allowance for doubtful accounts.

New Accounting Pronouncements

No new accounting pronouncement recently issued or newly effective had or is expected to have a material impact on the condensed consolidated financial statements**.**

3. Restructuring

In an effort to continue to reduce operating expenses, during the three months ended March 31, 2023, the Company incurred restructuring costs of $355 for severance. As of March 31, 2023, there is no remaining liability associated with these restructuring charges.

During the first quarter of 2022, the Company initiated and completed a restructuring plan to reduce operating costs. During the three months ended March 31, 2022, the Company incurred total costs of $1,990 related to the restructuring initiative, of which $1,185 was for severance and other benefits, and $805 was for legal and other costs.

All of the costs discussed above are included in selling, general and administrative ("SG&A") in the consolidated statements of operations and comprehensive loss in their respective periods.

4. Revenue Recognition

Substantially all of the Company's revenues are generated from the sale of tomatoes under an agreement with one customer, Mastronardi Produce Limited ("Mastronardi"). The Company recognizes revenue at a point in time and at the amount it expects to be entitled to be paid when its performance obligation is complete, which is generally when control of the products is transferred to its customers upon pick-up by the customer or the customer's agent from the Company's facilities. Prices for the Company's products are based on agreed upon rates with customers and do not include financing components or noncash consideration. Revenue is recorded net of variable consideration, such as commissions and other shipping, handling and marketing costs incurred as defined in the customer agreements. Revenue is also recorded net of rejections for products that do not meet quality specifications and net of sales and other taxes collected on behalf of governmental authorities. Payment terms are generally 30 days.

Disaggregation of Revenue

Net sales consists of revenue from the sale of tomatoes, cucumbers, strawberries and salad greens produced at the Company's CEA facilities (collectively, the "Products") and primarily sold to Mastronardi Produce Limited ("Mastronardi") under the Purchase and Marketing Agreement (the "Mastronardi Agreement"). The following table presents the Company's total revenue disaggregated by product type:

	Three Months Ended	
	March 31, 2023	March 31, 2022
Tomatoes	$ 10,966	$ 5,164
Strawberries	1,008	—
Salad greens	846	—
Cucumbers	191	—
	$ 13,011	$ 5,164

5. Fair Value Measurements

The company categorizes its assets and liabilities into one of three levels based on the assumptions (inputs) used in determining their values, as defined below:

- **Level 1**: Unadjusted quoted prices in active markets for identical assets or liabilities.
- **Level 2**: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3**: Unobservable inputs reflecting management's assumptions about the inputs used in pricing the asset or liability.

The table below presents the Company's financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used for each measurement:

		Fair Value as of:							
		March 31, 2023				December 31, 2022			
	Balance Sheet Account	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:									
Interest rate swap	Other assets, net	$ —	$ 7,346	$ —	$ 7,346	$ —	$ 8,788	$ —	$ 8,788
Total assets		$ —	$ 7,346	$ —	$ 7,346	$ —	$ 8,788	$ —	$ 8,788
Liabilities:									
Private Warrants	Private Warrant liabilities	—	110	—	110	—	119	—	119
Total liabilities		$ —	$ 110	$ —	$ 110	$ —	$ 119	$ —	$ 119

The Company's derivative contracts are measured at fair value using valuations based upon quoted prices for similar assets and liabilities in active markets (Level 2) and are valued by reference to similar financial instruments, adjusted for terms specific to the contracts.

As of March 31, 2023, the carrying value of the Company's debt, other than the GNCU Loan, approximated fair value due to the short term nature of the debt or that such borrowings bear variable interest rates that correspond to current market rates. The fair value of the GNCU Loan was estimated using discounted cash flow analyses based on current estimated incremental borrowing rates for similar types of borrowing arrangements (Level 2). If our GNCU Loan was measured at fair value, it would have been $42,490 as of March 31, 2023.

See Note 12 - *Derivative Financial Instruments* and Note 10 - *Debt* for more information on the Company's use of financial instruments.

The Private Warrant liabilities are determined using a Black-Scholes option pricing model, a Level 2 valuation. The significant inputs to the Private Warrant valuation are as follows:

	March 31, 2023	December 31, 2022
Exercise price	$ 11.50	$ 11.50
Stock price	$ 0.61	$ 0.57
Volatility	113.0 %	114.0 %
Remaining term in years	2.83	3.08
Risk-free rate	3.81 %	4.22 %
Dividend yield	—	—

The following table summarizes the private warrant activity for the three months ended March 31, 2023:

Fair value of Private Warrants on December 31, 2022	$ 119
Fair value of Private Warrants converted to Public Warrants	—
Change in fair value of Private Warrants	(9)
Fair value of Private Warrants outstanding as of March 31, 2023	$ 110

The Warrants are deemed equity instruments for income tax purposes, and accordingly, there is no tax impact relating to changes in the fair value of the Private Warrants. The changes in the fair value of the Private Warrants may be material to our future operating results.

Carrying values of cash and cash equivalents, restricted cash, accounts receivable, inventories, prepaid expenses and other current assets, accounts payable, accrued expenses, and other current liabilities approximate fair values because of their short-term nature.

6. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value and are comprised of the purchase and transportation cost plus production labor and overhead. Raw materials primarily represent growing and packaging supplies. Growing crop inventories primarily represent the costs associated with growing produce within the Company’s CEA facilities. Finished goods inventories represent costs associated with boxed produce not yet sold.

	March 31, 2023	December 31, 2022
Raw materials	$ 6,307	$ 6,191
Growing crops	9,220	11,546
Finished goods	578	341
Total inventories, net	$ 16,105	$ 18,078

7. Property and Equipment

	March 31, 2023	December 31, 2022
Land	$ 30,639	$ 29,877
Buildings	244,194	215,420
Machinery and equipment	116,934	114,407
Construction in progress	112,254	116,544
Leasehold improvements	4,688	4,688
Less: accumulated depreciation	(32,375)	(24,758)
Total property and equipment, net	$ 476,334	$ 456,178

Depreciation expense was $7,641 for the three months ended March 31, 2023, compared to $3,039 for the three months ended March 31, 2022.

8. Other Assets

	March 31, 2023	December 31, 2022
Utility deposits	$ 6,253	$ 6,246
Investment in unconsolidated entity	5,000	5,000
Prepayments for fixed assets	750	1,284
Interest rate swap	7,346	8,788
Other assets	1,036	1,094
Total other assets	$ 20,385	$ 22,412

9. Accrued Expenses

	March 31, 2023	December 31, 2022
Construction costs	$ 4,108	$ 9,201
Payroll and related	3,042	5,314
Inventory	3,019	2,273
Professional service fees	2,161	983
Utilities	1,149	2,746
Other accrued liabilities	1,038	1,479
Total accrued expenses	$ 14,517	$ 21,996

10. Debt

	March 31, 2023	December 31, 2022
Rabo Loan	$ 70,313	$ 71,250
Equilibrium Loan	66,252	66,252
GNCU Loan	50,000	50,000
Unamortized debt issuance costs	(4,061)	(3,280)
Debt, net of issuance costs	182,504	184,222
Less current portion	(3,685)	(3,685)
Long term, net	$ 178,819	$ 180,537

On February 2, 2023, the Company amended the Rabo Loan to grant the lender a first priority security interest in the reserve deposit account with JPMorgan Chase Bank. In return, the lender waived one technical event of default existing with the Rabo Loan related to the Company's failure to report the Company's separation from certain of its former executive officers within the timeframe required by the Rabo Loan.

On March 31, 2023, the Company further amended the Rabo Loan. The amendment modified the first day upon which the Company must comply with the leverage ratio covenant under the Rabo Loan from March 31, 2023, to June 30, 2023. The amendment also required that the Company deposit $2,000 into a designated reserve account on March 31, 2023 and make two additional deposits, each of $500 on April 30, 2023 and May 31, 2023, to secure the Company's obligations under the Rabo Loan. The amendment also added covenants restricting the Company's ability to incur certain debts and allows the lender to terminate the Company's existing interest rate swap in the lender's discretion, and requires that the Company reimburse the lender for certain third-party financial advisory expenses.

11. Commitments and Contingencies

(a) Leases

For the three months ended March 31, 2023 the Company recognized $158 of operating lease expense in SG&A within the unaudited condensed consolidated statement of operations and comprehensive loss compared to $239 for the three months ended March 31, 2022.

The future minimum rental payments required under the leases for each year of the next five years and in the aggregate thereafter are as follows:

		Operating leases
Remainder of 2023	$	494
2024		613
2025		701
2026		707
2027		591
2026 and thereafter		621
Total minimum payments required		3,727
Less: imputed interest costs[(1)]		(713)
Present value of net minimum lease payments[(2)]	$	3,014
Weighted-average imputed interest rate		7.21 %
Weighted-average remaining lease term (in years)		5.5

____

(1) Represents the amount necessary to reduce net minimum lease payments to present value using actual rate in the lease agreement or the Company's incremental borrowing rate at lease inception.

(2) Included in the unaudited condensed consolidated balance sheet as of March 31, 2023 as current and non-current lease liability of $505 and $2,509, respectively.

Supplemental cash flow information related to leases is as follows:

	Period Ended March 31,			
	2023		2022	
Cash paid for amounts included in the measurement of operating lease liabilities	$	183	$	231
Operating lease right-of-use assets surrendered with the early termination of operating lease liabilities	$	—	$	(237)

(b) Litigation

The Company is involved in various lawsuits, claims and other legal matters from time to time that arise in the ordinary course of business. The Company records a liability when a particular contingency is probable and estimable.

On September 24, 2021, the first of two federal securities class action lawsuits (captioned Ragan v. AppHarvest, Inc.) was filed by a purported stockholder of the Company in the United States District Court for the Southern District of New York on behalf of a proposed class consisting of those who acquired the Company's securities between May 17, 2021 and August 10, 2021. On December 13, 2021, the court consolidated the two cases, and appointed a lead plaintiff. An amended complaint was filed on March 2, 2022. The amended complaint was brought as a purported class action on behalf of purchasers of the Common Stock between February 1, 2021 to August 10, 2021. The amended complaint named the Company and certain of its current officers as defendants, and alleged that the Company violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, by making materially false and misleading statements regarding the Company's operations at AppHarvest Morehead in the first half of 2021. In particular, the lead plaintiff alleged that the Company's public statements during the class period were false and misleading because the Company failed to disclose issues related to its tomato harvest and employee training and retention. The amended complaint sought unspecified monetary damages on behalf of the punitive class and an award of costs and expense, including reasonable attorneys' fees. On May 2, 2022, the Company filed a motion to dismiss the amended complaint. On July 25, 2022, the lead plaintiff filed a second amended complaint with substantially similar allegations. On September 23, 2022, the Company filed a motion to dismiss the second amended complaint. The lead plaintiff filed his opposition to the Company's motion to dismiss the second amended complaint on November 22, 2022, and the Company filed its reply in support of its motion to dismiss the second amended complaint on January 13, 2023.

Additionally, on March 11, 2022, a derivative complaint (captioned Michael Ross v. Kiran Bhatraju, et al.) was filed in the U.S. District Court for the Southern District of New York against certain of AppHarvest's officers and directors. The derivative complaint restyles the federal securities class action allegations as a purported derivative claim on behalf of the Company

against its officers and Board members for their alleged breaches of fiduciary duties in allowing the purported disclosure violations to occur. The derivative complaint seeks unspecified monetary restitution and disgorgement of profits, benefits, or compensation obtained by the defendants, an award of costs and expenses, including reasonable attorneys' fees, and that the Court direct the Company to reform its corporate governance procedures. On June 15, 2022, another derivative complaint (captioned Zach Wester v. Kiran Bhatraju, et al.) was filed in the U.S. District Court for the Southern District of New York against certain of AppHarvest's officers and directors. The Wester derivative complaint is substantially similar to the Ross derivative complaint. On July 22, 2022, the Ross and Wester derivative cases were consolidated, and are stayed until (1) the securities class action is dismissed with prejudice and all appeals related thereto are exhausted; (2) defendants file an answer in the securities class action; or (3) any party in the derivative cases no longer consents to the stay. On August 31, 2022, a third derivative complaint (captioned Kennedy v. AppHarvest, Inc., et al) was filed in the U.S. District Court for the District of Delaware against certain of AppHarvest's officers and directors. The Kennedy derivative complaint is substantially similar to the Ross and Wester derivative complaints. On November 22, 2022, the Kennedy derivative case was stayed until (1) the securities class action is dismissed with prejudice and all appeals related thereto are exhausted; (2) defendants file an answer in the securities class action; or (3) any party in the derivative case no longer consents to the stay.

We intend to defend these cases vigorously, and have not recorded a liability related to these lawsuits because, at this time, we are unable to estimate reasonably possible losses or determine whether an unfavorable outcome is probable.

(c) Purchase commitments

There were no material changes to the Company's purchase commitments, outside the ordinary course of business, from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

12. Derivative Financial Instruments

The following table summarizes the before and after tax amounts for the various components of other comprehensive (loss) income for the periods presented:

	Three Months Ended					
	March 31, 2023			March 31, 2022		
	Before Tax	Tax Benefit	After Tax	Before Tax	Tax Expense	After Tax
Foreign currency	$ —	$ —	$ —	$ 125	$ —	$ 125
Interest rate swap	(1,442)	—	(1,442)	4,235	—	4,235
Total other comprehensive (loss) income	$ (1,442)	$ —	$ (1,442)	$ 4,360	$ —	$ 4,360

During the three months ended March 31, 2023 and March 31, 2022, an income tax benefit (expense) of $378 and $(1,165) was recognized within other comprehensive income (loss), respectively.

The income tax expense of $1,933 and $2,822 related to the balance in accumulated other comprehensive income ("AOCI") at March 31, 2023 and December 31, 2022, respectively, is fully offset by a valuation allowance. The Company will release the AOCI amounts, net of any tax impact, from the interest rate swap in the periods that the underlying transactions impact earnings as described above.

13. Stock-based Compensation

Total stock-based compensation expense was $503 and $6,035 for the three months ended March 31, 2023, and March 31, 2022, respectively, of which $346, and $5,894, were included in SG&A and $157 and $141 were included in cost of goods sold for the three months ended March 31, 2023 and March 31, 2022, respectively.

14. Income Taxes

The Company's effective income tax rate was 0.7% and 0.4% for the three months ended March 31, 2023, and March 31, 2022, respectively. The variance from the U.S. federal statutory rate of 21% for the three months ended March 31, 2023 and

March 31, 2022, was primarily attributable to increases in the Company's valuation allowance largely driven by increases in the Company's net operating loss carryforwards.

The Company's income tax provision is impacted by a valuation allowance on the Company's net deferred tax assets, net of reversing taxable temporary differences and considering future annual limitations on net operating loss carryforward utilization enacted by U.S. tax reform legislation. The Company maintains a valuation allowance on its net deferred tax assets for all periods presented as the Company cannot be certain that future taxable income will be sufficient to realize its deferred tax assets. Valuation allowances are provided against deferred tax assets when, based on all available evidence, it is considered more likely than not that some portion or all the recorded deferred tax assets will not be realized in future periods.

15. Shareholders' Equity

Net Loss per Common Share

Diluted net loss per common share is the same as basic net loss per common share for all periods presented because the effects of potentially dilutive items were anti-dilutive given the Company's net loss. The following common share equivalent securities have been excluded from the calculation of weighted-average common shares outstanding because the effect is anti-dilutive:

	Three Months Ended March 31,	
	2023	**2022**
Anti-dilutive common share equivalents		
Stock options	1,279	2,727
Restricted stock units	2,576	5,683
Vested/Exercised, not issued	—	—
Warrants	13,242	13,242
Total anti-dilutive common share equivalents	17,097	21,652

	Three Months Ended March 31,	
	2023	**2022**
Numerator:		
Net loss	$ (33,630)	$ (30,635)
Denominator:		
Weighted-average common shares outstanding, basic and diluted	131,124	101,321
Net loss per common share, basic and diluted	$ (0.26)	$ (0.30)

Public Offering

In February 2023, in order to raise capital to fund the Company's planned expenditures and meet its obligations, the Company complete an underwritten public offering (the "Public Offering") of 46,000 shares of Common Stock at a public offering price of $1.00 per share and received approximately $43,038 in net proceeds, after deducting underwriting discounts and commissions of $2,400, and offering costs of $562.

16. Subsequent Events

On May 5, 2023, the Company received a notice of default and reservation of rights (the "Notice of Default") from CEFF II AppHarvest Holdings, LLC ("CEFF"), an affiliate of Equilibrium Controlled Foods Fund, LLC ("Equilibrium") related to a credit agreement for the development of the Richmond CEA facility initially entered into on July 23, 2021, and subsequently amended (the "Equilibrium Loan"). The Notice of Default alleges certain defaults relating to increases in the construction budget and delays in construction made without Equilibrium approval, the existence of a mechanic's lien, and alleged construction deficiencies. The Company intends to assert several defenses to the claims in the Notice of Default. The Company

believes that certain of the alleged defaults have no basis and are without merit, and that there were no events of default, as defined within the Equilibrium Loan, as of and during the three-months ended March 31, 2023.

In the event of default under the Equilibrium Loan, the Equilibrium Loan would entitle CEFF to exercise any of its rights and remedies under the Equilibrium Loan, including, inter alia, a demand for payment from the Company in its capacity of guarantor of the Equilibrium Loan, acceleration of the Equilibrium Loan and commencement for foreclosure proceedings on AppHarvest Richmond. If the Equilibrium Loan were to be accelerated, the Company would be required to repay the entire principal balance of the Equilibrium Loan on demand, plus other costs such as attorney’s fees, lender costs, and a prepayment premium. In addition, an event of default beyond applicable notice and cure periods under the Equilibrium Loan would trigger a cross-default under the Rabo Loan, which would entitle Rabo to exercise any of its rights and remedies under the Rabo Loan, including, inter alia, acceleration of the Rabo Loan and commencement for foreclosure proceedings on AppHarvest Morehead. If the outstanding debt under the Rabo Loan were to be accelerated, the Company would be required to repay the entire principal balance of the loan on demand, plus other costs such as attorney’s fees and lender costs. As of May 10, 2023, the Company has not received notice from Rabo alleging a cross-default under the Rabo Loan.

APPHARVEST MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q ("Quarterly Report") contains statements that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. All statements contained in this Quarterly Report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believes," "expects," "intends," "estimates," "projects," "anticipates," "will," "plan," "design," "may," "should," or similar language are intended to identify forward-looking statements.

It is routine for our internal projections and expectations to change throughout the year, and any forward-looking statements based upon these projections or expectations may change prior to the end of the next quarter or year. Readers of this Quarterly Report are cautioned not to place undue reliance on any such forward-looking statements. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Risks and uncertainties are identified under "Risk Factors" in Item 1A herein and in our other filings with the Securities and Exchange Commission (the "SEC"). Our ability to continue as a going concern, the impact of COVID-19 and its variants, as well as geopolitical tensions, such as Russia's incursion into Ukraine, including related decades-high inflation and rising interest rates, may also exacerbate these risks, any of which could have a material effect on us. All forward-looking statements included herein are made only as of the date hereof. Unless otherwise required by law, we do not undertake, and specifically disclaim, any obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise after the date of such statement.

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q, and our audited consolidated financial statements and related notes for the year ended December 31, 2022, included in our Annual Report on Form 10-K filed with the SEC on March 15, 2023 ("Form 10-K"). As used in this section, unless the context suggests otherwise, "we," "us," "our," "Company," and "AppHarvest" refer to AppHarvest, Inc. and its consolidated subsidiaries.

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

Overview

We were founded on January 19, 2018. Together with our subsidiaries, we are a sustainable food company in Appalachia developing and operating some of the world's largest high-tech indoor farms with robotics and artificial intelligence to build a reliable, climate-resilient food system. Our farms are designed to grow produce using sunshine, rainwater and up to 90% less water than open-field growing, all while producing yields up to 30 times that of traditional agriculture and preventing pollution from agricultural runoff. We work to improve access to nutritious food, while farming more sustainably, building a domestic food supply, and increasing investment in Appalachia.

On May 5, 2023, we received a notice of default and reservation of rights (the "Notice of Default") from CEFF II AppHarvest Holdings, LLC ("CEFF"), an affiliate of Equilibrium Controlled Foods Fund, LLC ("Equilibrium") related to our borrowings under the credit agreement dated July 23, 2021, as subsequently amended (the "Equilibrium Loan"). See *"—Debt Facilities - Notice of Default"* for more information regarding the Notice of Default.

Going Concern

We have incurred losses from operations and generated negative cash flows from operating activities since inception. During the three months ended March 31, 2023, and the year ended December 31, 2022, we incurred net losses of $33.6 million and $176.6 million, respectively, and generated negative cash flows from operations of $25.0 million and $86.1 million, respectively. There is no guarantee when, if ever, we will become profitable. In addition, our debt service requirements and our plans to continue investing in the development of our CEA facilities, including AppHarvest Berea, AppHarvest Richmond, and AppHarvest Somerset, will have an adverse impact on our liquidity. We continue to take actions to maintain appropriate levels of liquidity. In December 2022, we completed a sale-leaseback transaction on our AppHarvest Berea property (the "Berea Sale-Leaseback"), which provided us with net proceeds of $57.5 million (of which $22.5 million was required to be set aside for construction costs for AppHarvest Richmond). In February 2023, we raised approximately $43.0 million in net proceeds in the Public Offering. As of March 31, 2023, we had $50.0 million of cash on hand, and an accumulated deficit of $397.6 million. Despite these actions, management believes there is substantial doubt about our ability to continue as a going concern. In light of higher expenses experienced in the first quarter of 2023 related to deposits into the designated reserve account as required by

the March 31, 2023, amendment to the Rabo Loan, increased professional fees, and lower revenue from strawberries and higher expenses expected in the second quarter of 2023 related to additional deposits into the Rabo reserve account, increased capital expenditures and to lost revenues as a result of the mitigation and replanting efforts we are undertaking at AppHarvest Berea, we currently estimate that absent additional sources of financing, our existing cash and cash equivalents will only allow us to continue our planned operations into the third quarter of 2023. Investors should read the section below titled *Liquidity and Capital Resources* for additional information regarding our financial condition and ability to continue operations.

Nasdaq Notice

On April 18, 2023, we received an additional letter from Nasdaq, notifying us that, for the previous 30 consecutive business day periods prior to the date of the letter, the closing bid price for our Common Stock was below $1.00. In accordance with Nasdaq Listing Rule 5810(c)(3)(A) we were provided an initial period of 180 calendar days, or until October 16, 2023, to regain compliance with Nasdaq's bid price requirement. If, at any time before October 16, 2023, the bid price for our Common Stock closed at $1.00 or more for a minimum of 10 consecutive business days, we would regain compliance with the bid price requirement, unless Nasdaq staff exercised its discretion to extend this 10-day period pursuant to Nasdaq rules.

Factors Affecting Our Financial Condition and Results of Operations

We have expended, and expect to continue to expend, substantial resources as we:

- build-out and ramp-up the second half of AppHarvest Richmond and invest in additional CEA facilities in the future;
- finalize construction of AppHarvest Berea and AppHarvest Somerset;
- continue our third growing season at AppHarvest Morehead, which began during the third quarter of 2022, and plant and harvest new crops in AppHarvest Berea salad greens facility, and AppHarvest Somerset, including future growing seasons;
- fulfill our obligations under the Purchase and Marketing Agreement with Mastronardi;
- identify and invest in future growth opportunities, including new or expanded facilities and new product lines;
- invest in sales and marketing efforts to increase brand awareness, engage customers and drive sales of our products;
- invest in product innovation and development; and
- incur additional general and administrative expenses, including increased finance, legal and accounting expenses, associated with being a public company and expanding operations.

Key Components of Statement of Operations

Net Sales

Substantially all of our net sales for the three months ended March 31, 2023, and 2022, were generated from the sale of tomatoes, and for the three months ended March 31, 2023, to a lesser extent salad greens, strawberries, and cucumbers, under an agreement with one customer, Mastronardi. Net sales include revenues earned from the sale of our products, less commissions, shipping, distribution and other costs incurred as defined in our customer agreements.

Cost of Goods Sold

Cost of goods sold for the three months ended March 31, 2023, and 2022, consisted of expenses incurred related to the production of inventory sold to customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for the three months ended March 31, 2023, and 2022, consisted of payroll and payroll related expenses, stock-based compensation, professional services and legal fees, licenses and registration fees, insurance, depreciation, rent and various other personnel and office related costs. SG&A also includes start-up expenses related to new CEA facilities which were under construction and ramping up operations in 2022.

Interest Expense

Interest expense for the three months ended March 31, 2023, and March 31, 2022, primarily relates to long-term debt to help finance the construction of our CEA facilities. Interest expense for the three months ended March 31, 2023, also includes interest related to our Berea financing obligation. All of the interest expense for the three months ended March 31, 2022, has been capitalized as a component of the cost of those facilities.

Results of Operations

Comparison of the Three Months Ended March 31, 2023 and March 31, 2022

The following table sets forth our historical operating results for the periods indicated:

	Three Months Ended	
(Dollars in thousands)	**March 31, 2023**	**March 31, 2022**
Net sales	$ 13,011	$ 5,164
Cost of goods sold	34,345	13,554
Gross loss	(21,334)	(8,390)
Operating expenses:		
Selling, general and administrative expenses	10,016	21,039
Total operating expenses	10,016	21,039
Loss from operations	(31,350)	(29,429)
Other income (expense):		
Interest expense	(2,698)	—
Change in fair value of Private Warrants	9	(1,329)
Other	166	14
Loss before income taxes	(33,873)	(30,744)
Income tax benefit	243	109
Net loss	$ (33,630)	$ (30,635)

The following sections discuss and analyze the changes in the significant line items in our unaudited condensed consolidated statements of operations for the comparison periods identified.

Net Sales

Net sales for the three months ended March 31, 2023, were $13.0 million compared to $5.2 million for the comparable prior year period. The increase of $7.8 million for the three months ended March 31, 2023, was primarily due to the start-up of operations at AppHarvest Richmond, AppHarvest Somerset and AppHarvest Berea as we increased our tomato production capacity and began to sell strawberries, salad greens and cucumbers. The mitigation efforts at the Berea facility that we began to undertake in April 2023, as more fully described in "*Risk Factors – We face risks inherent in the agriculture business, including the risks of diseases and pests*", is expected to negatively impact net sales for the quarter ended June 30, 2023, by approximately $3.0 million. We anticipate that we will make up these sales in the second half of the year and do not expect a material negative impact for the full year ended December 31, 2023.

Cost of Goods Sold

Cost of goods sold for the three months ended March 31, 2023, was $34.3 million compared to $13.6 million for the comparable prior year period. The increase of $20.8 million for the three months ended March 31, 2023, was due costs related to the start-up of operations at AppHarvest Richmond, AppHarvest Berea, and AppHarvest Somerset, which was slightly offset by a decrease in cost of goods sold at AppHarvest Morehead of approximately $0.8 million during the three months ended March 31, 2023 compared to the comparable prior year period.

Selling, General, and Administrative Expenses

SG&A for the three months ended March 31, 2023 was $10.0 million compared to $21.0 million for the comparable prior year period. The $11.0 million decrease during the three months ended March 31, 2023 was primarily driven by a $5.5 million decrease in stock-based compensation expense and lower salaries largely due to reduced headcount as a result of restructuring initiatives in the prior year, and a decrease in new facility start-up costs of approximately $0.4 million compared to the comparable prior year period.

Interest Expense

Interest expense for the three months ended March 31, 2023, and March 31, 2022, was incurred on long-term debt used to help finance the construction of our CEA facilities. For the three months ended March 31, 2023, interest expense also includes interest associated with the Berea financing obligation. For the three months ended March 31, 2023, $2,226 of interest has been capitalized as a component of the cost of those facilities compared to all, or $1,648, of the interest expense for the three months ended March 31, 2022.

Income Taxes

We recorded an income tax benefit of $243 during the three months ended March 31, 2023, resulting in an effective income tax rate of 0.7% for the three months ended March 31, 2023, compared to an income tax benefit of $109 during the three months ended March 31, 2022. The variance from the U.S. federal statutory rate of 21% for the three months ended March 31, 2023 was primarily attributable to increases in our valuation allowance largely driven by increases in our net operating loss carryforwards.

Liquidity and Capital Resources

Liquidity and Going Concern

At March 31, 2023, we had an accumulated deficit of $397.6 million. We have incurred losses and generated negative cash flows from operations since our inception in 2018. We expect to continue to incur losses and negative cash flows from operating expenses for the foreseeable future as we continue construction, build-out and start-up of our CEA facilities and ramp up operations and production at our new CEA facilities. In addition, our material cash requirements, as described below, will have an adverse impact on our liquidity.

Cash and cash equivalents totaled $50.0 million and $54.3 million as of March 31, 2023, and December 31, 2022, respectively. We expect that we will need additional capital to continue to fund our operations. Currently, our primary sources of liquidity are cash flows generated from the Public Offering that was completed in February 2023, and revenues from the sale of our tomatoes, salad greens, strawberries and cucumbers. Based on our current operating plan, we plan to rely on the net proceeds from the Public Offering for working capital and general corporate purposes as we ramp up production and sales from the four farms. The current volatility in the equity markets, coupled with the trading price of our common stock, create additional challenges to raising a sufficient amount of capital through equity financing in the near term.

We will need to raise additional funds in order to operate our business, meet obligations as they become due and continue the ongoing construction, build-out and start-up of our CEA facilities. We are pursuing additional financing alternatives, which include third-party equity or debt financing, or other sources, such as strategic relationships and other transactions with third parties, that may or may not include business combination transactions. However, financing may not be available to us in the necessary time frame, in amounts that we require, on terms that are acceptable to us, or at all. If we are unable to raise the necessary funds when needed, it may materially and adversely impact our ability to execute on our operating plans, and the construction, build-out and start-up of our future CEA facilities could be delayed, scaled back, or abandoned. These factors raise substantial doubt about our ability to continue as a going concern. In light of higher expenses experienced in the first quarter of 2023 related to deposits into the designated reserve account as required by the March 31, 2023, amendment to the Rabo Loan, increased professional fees, and lower revenue from strawberries and higher expenses expected in the second quarter of 2023 related to additional deposits into the Rabo reserve account, increased capital expenditures and to lost revenues as a result of the mitigation and replanting efforts we are undertaking at AppHarvest Berea, we currently estimate that in the absence of additional sources of financing, our existing cash and cash equivalents will only allow us to continue our planned operations into the third quarter of 2023.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders will be diluted, and the terms of those securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants that will further limit or restrict our ability to take specific actions, such as incurring additional debt or making capital expenditures. If we raise additional funds through collaborations with third parties, we may be required to relinquish valuable rights to our technologies, or future revenue streams.

Our failure to raise capital as and when needed could have significant negative consequences for our business, financial condition and results of consolidated operations. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section titled “Risk Factors”.

Material Cash Requirements

Cash requirements for the next twelve months are expected to consist primarily of our current payroll, working capital requirements, planned capital expenditures, and debt service requirements. During the three months ended March 31, 2023, and the year ended December 31, 2022, we spent $18.5 million and $156.8 million, respectively on capital expenditures. We expect to incur approximately $40 million to $45 million more in capital expenditures during the next twelve months dependent on the continued availability of financing on acceptable terms. Principal payments on our outstanding debt are approximately $3.8 million over the next twelve months. In addition, under the terms of the master credit agreement with Rabo AgriFinance LLC dated June 15, 2021, as subsequently amended (the "Rabo Loan"), we were required to make a deposit of $0.5 million on April 30, 2023 and must make an additional deposit of $0.5 million by May 31, 2023, to secure our obligations under the Rabo Loan.

In the long-term, our cash requirements are expected to be associated with planting and harvesting our crops, acquiring and building out new facilities, investment and development in CEA technology, attracting, developing and retaining a skilled labor force, and working capital.

For a discussion of our future funding requirements, please refer to Part II, Item 1A. Risk Factors, *"There is substantial doubt about our ability to continue as a going concern and we will require significant additional financing to achieve our goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, may force us to delay, limit, reduce or terminate our operations and future growth."*

Debt Facilities

Equilibrium Loan Agreement

On July 23, 2021, we entered into a credit agreement with CEFF, an affiliate of Equilibrium, for a construction loan in the original principal amount of $91.0 million (the "Equilibrium Loan") for the development of a CEA facility at our property in Richmond, Kentucky (the "Project"). The Equilibrium Loan provides monthly disbursements to fund capital costs of the Project in excess of our required equity contribution of 34.5% of the capital costs of the Project. The Equilibrium Loan requires monthly interest payments based on drawn capital at an initial interest rate of 8.000% per annum, which will increase by 0.2% per annum, beginning two years after closing of the Equilibrium Loan through maturity, which is expected to be July 23, 2024, with no required principal payments until maturity. On July 29, 2022, we amended the Equilibrium Loan to require that we decrease the balance of the Equilibrium Loan to $81.0 million on or prior to December 31, 2022 and further decrease the balance to $76.0 million on our prior to March 31, 2023. On December 21, 2022, we further amended the Equilibrium Loan to decrease the balance to $66.3 million, amend certain covenants and waive alleged defaults. In exchange, we agreed to deposit $22.5 million of the proceeds associated with the Berea Sale Leaseback into a segregated deposit account to be used for certain on-going construction work at AppHarvest Richmond. As of March 31, 2023, we had $66.3 million outstanding on the Equilibrium Loan.

As further described in "— *Notice of Defaul*t", on May 5, 2023, we received a Notice of Default from CEFF related to our borrowings under the Equilibrium Loan.

GNCU Loan Agreement

On July 29, 2022, we entered into a loan agreement with Greater Nevada Credit Union (the "GNCU Loan Agreement") for an original principal amount of $50.0 million. The GNCU Loan has a maturity of 23 years with interest-only monthly payments on the aggregate unpaid principal balance of the GNCU Loan for the first 36 months. Thereafter, we will make 239 monthly installments of principal and interest based on a 20-year amortization, with the remaining balance of principal and interest due upon maturity. The initial interest rate is fixed at 6.45% per annum for the first five years of the GNCU Loan term. Thereafter, the interest rate is subject to change every five years during the term of the GNCU Loan, based on the Federal Home Loan Bank of Des Moines 5-Year Advance Rate as of such dates, plus a 3.40% spread, with an interest rate floor of 4.75%. The proceeds of the GNCU Loan were used at closing to, in part, pay off a then-existing loan and accrued interest thereon, of approximately $45.7 million, and to pay the closing costs, loan fees, and other costs of entering into the GNCU Loan. The GNCU Loan is recorded at cost, net of debt issuance costs of $2.6 million. The GNCU Loan required us to contribute $3.3 million to be held in an interest reserve account and $19.1 million in a project account, to be used to pay interest and the balance of project cost for AppHarvest Somerset in excess of the loan, respectively. The balance of these amounts are reflected

in restricted cash in the consolidated balance sheet as of March 31, 2023. As of March 31, 2023, we had $50,0 million outstanding under the GNCU Loan.

Rabo Loan Agreement

On June 15, 2021, we entered into a master credit agreement with Rabo AgriFinance LLC ("Rabo") for a real estate term loan in an original principal amount of $75.0 million (the "Rabo Loan"). The Rabo Loan matures on April 1, 2031, with quarterly interest payments that commenced on July 1, 2021 and quarterly principal payments that commenced on January 1, 2022, with the remaining balance of principal and interest due upon maturity. Payments are based on one month LIBOR plus 2.500% per annum. The Rabo Loan is collateralized by the business assets of the AppHarvest Morehead CEA facility and requires compliance with certain financial covenants. In July 2022, in exchange for a waiver from ratio covenant compliance and reporting for the June 30, 2022 period, we agreed to fund an additional $2.0 million to a reserve account.

On February 2, 2023, we amended the Rabo Loan to grant the lender a first priority security interest in the reserve deposit account with JPMorgan Chase Bank. In return, the Rabo waived one technical event of default existing with the Rabo Loan related to our failure to report separation from certain of our former executive officers within the timeframe required by the Rabo Loan.

On March 31, 2023, we further amended the Rabo Loan. The amendment modified the first day upon which we must comply with the leverage ratio covenant from March 31, 2023, to June 30, 2023. The amendment also required that the we deposit $2.0 million into a designated reserve account on March 31, 2023 and make two additional deposits, each of $0.5 million on April 30, 2023 and May 31, 2023, to secure our obligations under the Rabo Loan. The amendment also added covenants restricting our ability to incur certain debts and allows Rabo to terminate our existing interest rate swap at the their discretion, and requires that we reimburse Rabo for certain third-party financial advisory expenses. As of March 31, 2023, we had $70.3 million outstanding under the Rabo Loan.

As further described in "— *Notice of Default*", on May 5, 2023, we received a Notice of Default from CEFF related to our borrowings under the Equilibrium Loan. An event of default under the Equilibrium Loan would trigger a cross-default under the Rabo Loan.

Notice of Default

On May 5, 2023, we received a Notice of Default from CEFF, an affiliate of Equilibrium, related to our borrowings under the Equilibrium Loan. The Notice of Default alleges certain defaults relating to increases in the construction budget and delays in construction made without CEFF's approval, the existence of a mechanic's lien, and alleged construction deficiencies. We plan on asserting several defenses to the claims in the Notice of Default. We believe that certain of the alleged defaults have no basis in the loan documents and/or rely on a mischaracterization of facts. Certain other alleged defaults are subject to cure periods and we plan on sending additional materials to CEFF to satisfy certain demands within the timeframe of such cure periods. An event of default under the Equilibrium Loan would entitle CEFF to exercise any of its rights and remedies in the Equilibrium Loan documents, including, inter alia, a demand for payment from the Company in its capacity as guarantor of the Equilibrium Loan, acceleration of the Equilibrium Loan and commencement for foreclosure proceedings on AppHarvest Richmond. The Notice of Default also contains a demand that we deposit an additional $15 million into a previously-established construction cost escrow account. Concurrent with the Notice of Default, CEFF also sent notice to the bank where such account is held asserting its right under a deposit account control agreement to block such account. As a result, further withdrawals from such account will require CEFF's approval. The balance of the account as of March 31, 2023 was $5.3 million and is reflected in cash and cash equivalents on the condensed consolidated balance sheet. As of the date of the filing of this report, the balance in the account was $1.9 million. If the outstanding debt under the Equilibrium Loan were to be accelerated, we would be required to repay the entire principal balance of the loan on demand, plus other costs such as attorney's fees, lender costs, and a prepayment premium. In addition, an event of default beyond the applicable notice and cure periods under the Equilibrium Loan would trigger a cross-default under the Rabo Loan which would entitle Rabo to exercise any of its rights and remedies under the Rabo Loan, including, inter alia, acceleration of the Rabo Loan and commencement for foreclosure proceedings on AppHarvest Morehead. If the outstanding debt under the Rabo Loan were to be accelerated, we would be required to repay the entire principal balance of the loan on demand, plus other costs such as attorney's fees and lender costs. As of the date of this filing, we have not received notice from Rabo alleging a cross-default under the Rabo Loan. We are working with Equilibrium to come to a resolution, but we cannot guarantee a resolution on a timely basis, on favorable terms, or at all. If the amounts outstanding under the Equilibrium Loan or the Rabo Loan were to become immediately due and payable, we would need to take immediate further action to raise additional funds in the capital markets or otherwise to fund our obligations, and there is no guarantee that we would be able to successfully do so.

Summary of Cash Flows

A summary of our cash flows from operating, investing and financing activities is presented in the following table:

	Three Months Ended March 31,	
(Dollars in thousands)	**2023**	**2022**
Net cash used in operating activities	$ (25,002)	$ (27,503)
Net cash used in investing activities	(21,171)	(39,018)
Net cash provided by financing activities	41,108	24,985
Cash and cash equivalents (including restricted cash) beginning of year	78,532	176,311
Cash and cash equivalents (including restricted cash) end of period	$ 73,467	$ 134,775

Net Cash Used In Operating Activities

Net cash used in operating activities was $25.0 million for the three months ended March 31, 2023, compared to $27.5 million for the three months ended March 31, 2022. The change of $2.5 million was primarily due to an increase in working capital for increased operations offset by a decrease in prepayments for fixed assets.

Net Cash Used In Investing Activities

Net cash used in investing activities was $21.2 million for the three months ended March 31, 2023, compared to $39.0 million for the three months ended March 31, 2022. The change of $17.8 million was primarily due to a decrease in purchases of property and equipment during three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

Net Cash Provided By Financing Activities

Net cash provided by financing activities was $41.1 million for the three months ended March 31, 2023, compared to $25.0 million for the three months ended March 31, 2022. The change of $16.1 million was primarily due to net proceeds of approximately $43.0 million from the Public Offering, and repayments of debt of approximately $0.9 million during the three months ended March 31, 2023, compared to debt proceeds of approximately $25.9 million during the three months ended March 31, 2022.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with United States generally accepted accounting principals ("U.S. GAAP" or "GAAP"), we use certain non-GAAP measures, such as Adjusted EBITDA and Adjusted gross loss, to understand and evaluate our core operating performance. We define and calculate Adjusted EBITDA as net loss before the impact of interest income or expense, income tax expense or benefit, depreciation and amortization, adjusted to exclude: stock-based compensation expense, Business Combination transaction-related costs, restructuring and impairment costs, remeasurement of warrant liabilities, start-up costs for new CEA facilities, and certain other non-core items. We define and calculate Adjusted gross profit/(loss) as gross profit/(loss) adjusted to exclude the impact of depreciation and amortization and stock-based compensation expense related to cost of goods sold. We believe these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Our management uses these non-GAAP measures for trend analyses and for budgeting and planning purposes.

We believe that the use of these non-GAAP financial measures provide additional tools for investors to use in evaluating operating results and trends. Other similar companies may present different non-GAAP measures or calculate similar non-GAAP measures differently. Management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses that are required to be presented in our GAAP financial statements. Because of this limitation, you should consider Adjusted EBITDA and Adjusted gross loss alongside other financial performance measures, including net loss, gross loss, and our other financial results presented in accordance with GAAP.

Reconciliation of GAAP to Non-GAAP

The following table presents a reconciliation of net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted EBITDA:

(Dollars in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net loss	$ (33,630)	$ (30,635)
Interest expense	2,698	—
Interest income	(512)	(101)
Income tax benefit	(243)	(109)
Depreciation and amortization expense	7,641	3,112
EBITDA	(24,046)	(27,733)
Change in fair value of Private Warrants	(9)	1,329
Stock-based compensation expense	503	6,035
Restructuring costs[1]	355	1,990
Start-up costs for new CEA facilities[2]	—	355
Adjusted EBITDA	$ (23,197)	$ (18,024)

(1) See FN 3 - *Restructuring*
(2) Start-up costs are related to the pre-commencement commercial activities for tomatoes, salad greens and strawberries at the Richmond, Berea and Somerset CEA facilities

The following table presents a reconciliation of gross loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted gross loss:

(Dollars in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	$ Change
Net sales	$ 13,011	$ 5,164	$ 7,847
Cost of goods sold	34,345	13,554	20,791
Gross loss	(21,334)	(8,390)	(12,944)
Depreciation and amortization	6,508	2,272	4,236
Stock-based compensation expense	157	141	16
Adjusted gross loss	$ (14,669)	$ (5,977)	$ (8,692)

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, actual results could differ from those estimates and assumptions.

Certain accounting estimates involve significant judgments and assumptions by management, which have a material impact on the carrying value of assets and liabilities and the recognition of income and expenses. Management considers these accounting policies to be critical accounting estimates. The estimates and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. The significant accounting estimates which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described in the critical accounting estimates section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K.

There have been no material changes to the critical accounting estimates disclosed in the Form 10-K.

Recent Accounting Guidance

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board or other standard setting bodies that we adopt as of the specified effective date.

See Note 2 - *Summary of Significant Accounting Policies* to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report for a discussion of recent accounting pronouncements and their effect on us.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

As a smaller reporting company, this information is not required.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the fiscal quarter ended March 31, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer and accounting officer have concluded that as of March 31, 2023, our disclosure controls and procedures were effective at a reasonable assurance level and, accordingly, provided reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Limitations on Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we may be subject to litigation and claims arising in the ordinary course of business. We do not currently; however, expect such claims to have a material adverse effect on our business, operating results, cash flows or financial condition. However, depending on the nature and timing of a given dispute, an unfavorable resolution could materially affect our current or future results of operations or cash flows. For a description of our legal proceedings, see Part I, Item 1, Note 11**.** *Commitments and Contingencies* for more information.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. Before you make a decision to buy our securities, you should carefully consider the risks and uncertainties described below together with all of the other information contained in this Quarterly Report. If any of the events or developments described below were to occur, our business, prospects, operating results and financial condition could suffer materially, the trading price of our securities could decline, and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Summary of Risks Affecting Our Business

Our business is subject to a number of risks of which you should be aware before making a decision to invest in our securities. These risks include, among others, the following:

- There is substantial doubt about our ability to continue as a going concern and we will require significant additional financing to achieve our goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, may force us to delay, limit, reduce or terminate our operations and future growth.
- We have a history of losses and expect to incur significant expenses and continuing losses for the foreseeable future. Our business could be adversely affected if we fail to effectively manage our future growth and liquidity.
- Any acceleration of debt under the Equilibrium Loan or the Rabo Loan in connection with the Notice of Default we received could significantly and adversely affect our results of operations and financial condition.
- We have an evolving business model, which increases the complexity of our business and makes it difficult to evaluate our future business prospects.
- We face risks inherent in the greenhouse agriculture business, including the risks of diseases and pests.
- We currently rely primarily on a single facility for the majority of our operations.
- Any damage to or problems with our CEA facilities, or delays in land acquisition or construction, could severely impact our operations and financial condition.
- Mastronardi is currently our sole, exclusive marketing and distribution partner. We are highly dependent on this relationship, and impairment to or termination of this relationship could adversely affect our results of operations and financial condition.
- We depend on employing a skilled local labor force, and failure to attract, develop, and retain qualified employees could negatively impact our business, results of operations and financial condition.
- We could be adversely affected by a change in consumer preferences, perception and spending habits in the food industry, and failure to develop and expand our product offerings or gain market acceptance of our products could have a negative effect on our business.
- We may be unable to successfully execute on our growth strategy. Failure to adequately manage our planned growth strategy may harm our business or increase our risk of failure.
- We have agreed not to compete with Mastronardi outside of Kentucky and West Virginia, which may limit our business opportunities.
- We build CEA facilities which may be subject to unexpected costs and delays due to reliance on third parties for construction, material delivery, supply-chains and fluctuating material prices.
- We may not be able to compete successfully in the highly competitive natural food market.
- We have only recently commenced our third harvest, which makes it difficult to forecast future results of operations.
- Demand for our current and expected future products, which include tomatoes, salad greens, strawberries, cucumbers and other produce, is subject to seasonal fluctuations and may adversely impact our results of operations in certain quarters.
- Food safety and foodborne illness incidents or advertising or product mislabeling may materially adversely affect our business by exposing us to lawsuits, product recalls, regulatory enforcement actions, or changes in consumer demand increasing our operating costs and reducing demand for our product offerings.

- As a public benefit corporation, our duty to balance a variety of interests may result in actions that do not maximize stockholder value.
- If we are unable to apply technology effectively in driving value for our clients through our technology-based platforms, our results of operations, client relationships and growth could be adversely affected.

Risks Related to Our Business and Industry

There is substantial doubt about our ability to continue as a going concern and we will require significant additional financing to achieve our goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, may force us to delay, limit, reduce or terminate our operations and future growth.

We have incurred losses from operations and generated negative cash flows from operating activities since inception. Our current operating plan, which includes our planting and harvesting activities, indicates that we will continue to incur losses from operations and generate negative cash flows from operating activities. In addition, debt service requirements and our plans to continue investing in the build-out and start-up of future CEA facilities, including AppHarvest Berea, AppHarvest Richmond and AppHarvest Somerset, will have an adverse impact on liquidity. The impact of these events and conditions on our liquidity raise substantial doubt about our ability to continue as a going concern.

The high-tech CEA agriculture business is extremely capital-intensive and we expect to expend significant resources to complete the build-out of facilities under construction, including the development of related technology, continue harvesting existing crops and plant and harvest new crops in our existing and future CEA facilities. These expenditures are expected to include working capital, costs of acquiring and building out new facilities, costs associated with planting and harvesting, such as the purchase of seeds and growing supplies, and the cost of attracting, developing and retaining a skilled labor force, including local labor. In addition, other unanticipated costs may arise due to the unique nature of these CEA facilities and increased production in our single operating facility at full capacity. We currently import many of the supplies and materials for greenhouse production and operations from abroad, including the construction materials for our CEA facilities and seeds for plants. Accordingly, we are subject to risk of fluctuation in exchange rates, which could cause unexpected increases in our costs and harm our financial position. In addition, our ability to execute on our growth strategy and CEA technology require significant additional financing.

We will need to raise additional funds in order to operate our business, meet obligations as they become due and continue the ongoing construction, build-out and start-up of our CEA facilities. In December 2022, we entered into the Sale-Leaseback Transaction with Mastronardi Berea LLC, pursuant to which we sold 40 acres of land located in Berea, Kentucky and AppHarvest Berea situated thereon. In February 2023, we raised $43.0 million in the Public Offering.

We are currently exploring additional financing alternatives, including but not limited to additional sale-leaseback transactions related to our other CEA facilities, third-party equity or debt financing, or other sources, such as strategic relationships or other transactions with third parties, that may or may not include business combination transactions. However, financing may not be available to us in the necessary time frame, in amounts that we require, on terms that are acceptable to us, or at all. If we are unable to raise the necessary funds when needed, it may materially and adversely impact our ability to execute on our operating plans, the operation of our current CEA facilities and the construction, build-out and start-up of our CEA facilities could be delayed, scaled back, or abandoned. If we become unable to continue as a going concern, we may have to dispose of assets and might realize significantly less than the values at which they are carried on our consolidated financial statements. These actions may cause our stockholders to lose all or part of their investment in our Common Stock. In light of higher expenses experienced in the first quarter of 2023 related to deposits into the designated reserve account as required by the March 31, 2023, amendment to the Rabo Loan, increased professional fees, and lower revenue from strawberries and higher expenses expected in the second quarter of 2023 related to additional deposits into the Rabo reserve account, increased capital expenditures and to lost revenues as a result of the mitigation and replanting efforts we are undertaking at AppHarvest Berea, we currently estimate that in the absence of additional sources of financing, our existing cash and cash equivalents will only allow us to continue our planned operations into the third quarter of 2023.

We have a history of losses, and expect to incur significant expenses and continuing losses for the foreseeable future. Our business could be adversely affected if we fail to effectively manage our future growth.

We incurred net losses of $176.6 million and $166.2 million during the years ended December 31, 2022 and 2021, respectively. We believe we will continue to incur net losses for the foreseeable future as we continue to invest in world-class technology to increase production and commercial sales of our products. There is no guarantee when, if ever, we will become profitable. We expect to expend substantial resources as we:

- complete the build-out of facilities for which building has commenced and begin construction on additional facilities;
- continue harvesting existing crops and plant and harvest new crops in our existing and future facilities;
- fulfill our obligations under our marketing and distribution agreement with Mastronardi;
- identify and invest in future growth opportunities, including the purchase or lease of land and new or expanded facilities;
- invest in sales and marketing efforts to increase brand awareness, engage customers and drive sales of our products;
- invest in product innovation and development; and
- incur additional general administration expenses, including increased finance, legal and accounting expenses, associated with being a public company and growing operations.

These investments may not result in the growth of our business. Even if these investments do result in the growth of our business, if we do not effectively manage our growth, we may not be able to execute on our business plan and vision, respond to competitive pressures, take advantage of market opportunities, satisfy customer requirements or maintain high-quality product offerings, any of which could adversely affect our business, financial condition and results of operations.

We face risks inherent in the agriculture business, including the risks of diseases and pests.

We are focused on providing quality domestic supplies of fresh fruits and vegetables by building large-scale CEA facilities in Appalachia, where we are within a day's drive to nearly 70% of the U.S. population. We primarily grow three varieties of tomatoes at AppHarvest Morehead — beefsteak tomatoes, tomatoes on the vine and snacking tomatoes. We grow salad greens at AppHarvest Berea and strawberries, alternating with cucumbers, at AppHarvest Somerset. We expect to expand to other tomato varieties and other fruits and vegetables such as peppers, in the future at other facilities. As such, we are subject to the risks inherent in an agricultural business, such as insects, plant and seed diseases and similar agricultural risks, which may include crop losses, for which we are not insured; production of non-saleable products; and rejection of products for quality or other reasons, all of which may materially affect our operational and financial performance. Although our produce is grown in climate-controlled indoor farms s, there can be no assurance that natural elements will not impact the production of these products. In particular, plant diseases, such as root rot or tomato brown rugose fruit virus ("ToBRFV"), or pest infestations, such as whiteflies, aphids, thrips, or mites, can destroy all or a significant portion of our produce and could eliminate or significantly reduce production until we are able to disinfect the farm and grow replacement tomatoes or other vegetables and fruits. ToBRFV is a virus affecting tomatoes, peppers and possibly other plants. Seed and transplant production are the most critical areas to identify the virus as contamination creates the risk of spreading to hundreds, if not thousands, of plants. ToBRFV can be transmitted mechanically and spread between plants or on contaminated tools, clothes or hands and mitigation efforts could require a complete facility clean out, including multiple sanitations with disinfectants known to be effective on ToBRFV. Although ToBRFV does not have any human health implications, it may lead to reduced crop quality, ending a crop cycle early or clearing out a portion of a CEA facility or its entirety. In addition, shipments of tomato crops across the U.S.-Canada border may encounter additional inspections due to ToBRFV, and potentially infected crops may be denied entry.

Although we have taken, and continue to take, proactive precautions to guard against crop diseases, pests, and contamination (including Salmonella, E. coli and Listeria monocytogenes), including robust food safety protocols and comprehensive testing, these extensive efforts may not be sufficient. For example, in June 2021, and during the course of the fourth quarter of 2021, we experienced outbreaks of various pests and disease on certain of our plants and during the second quarter of 2022, we observed pest-damaged tomatoes on the vine and active pests. Also, during the fourth quarter of 2022 we observed pest-damaged strawberries and active pests. In response, we undertook several mitigation efforts, including the removal of plants, a shortening of the growing period of plants that were or may have been affected, and modifications to operational practices to eliminate or greatly reduce potential transmission vectors. These efforts adversely affected yields for the 2021-2022 growing season at AppHarvest Morehead and the 2022-2023 growing season at our Somerset facility, including shorter-than -expected growing seasons. In April 2023, in the course of conducting our routine food safety testing, we discovered during a preharvest inspection the presence of Listeria monocytogenes, an organism which can cause serious health issues, in a production area at AppHarvest Berea. We voluntarily suspended operations at AppHarvest Berea beginning April 17, 2023, and undertook, and are continuing to undertake, several mitigation efforts including removal of the plants from AppHarvest Berea, a thorough cleaning and disinfection of the farm, thorough testing to validate the cleaning and sanitation process, and replacement of plants. As a result of our proactive testing, effective protocols, and decisive actions, no implicated product was shipped. We expect these mitigation efforts to affect yields for the second quarter 2023. Diseases and pests can also enter CEA facilities from outside sources over which we have limited or no control. Diseases and pests can be inadvertently brought in by employees and/or independent contractors, from seed and propagation vendors and from the trucks that transport supplies to the farm. Once a disease or pest is introduced, it is necessary to quickly identify the problem and take remedial action to preserve the growing season. Failure to identify and remediate any diseases or pests in a timely manner could cause the loss of all or a portion of our crop and result in substantial time and resources to resume operations, as well as have a negative impact on our reputation. Crop losses caused by these agricultural risks have and could continue to negatively and materially impact our business, prospects, financial condition, results of operations and cash flows.

We have an evolving business model, which increases the complexity of our business and makes it difficult to evaluate our future business prospects.

Our business model is continuing to evolve. We are a sustainable food company in Appalachia developing and operating some of the world's largest high-tech indoor farms with robotics and artificial intelligence to build a reliable, climate-resilient food system. We may in the future also pursue additional CEA opportunities through partnerships with third parties, including opportunities outside of the U.S. From time to time, we may continue to modify aspects of our business model relating to our products and services. For example, while we were previously engaged in building an applied technology company, through our AppHarvest Technology, Inc. subsidiary, we recently temporarily paused development of CEA technology solutions with resumption of development contingent upon financing. We do not know whether these or any other modifications will be successful. The evolution of and modifications to our business model will continue to increase the complexity of our business and place significant strain on our management, personnel, operations, systems, technical performance and financial resources. Future additions to or modifications of our business model are likely to have similar effects. Further, any new products or services we offer that are not favorably received by the market could damage our reputation or our brand. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We currently rely primarily on a single facility for the majority of our operations.

Our first CEA facility is a 2.76 million square foot CEA facility in Morehead, Kentucky, which partially opened in October 2020 and became fully operational in March 2021. For the immediate future, we will rely primarily on the operations at AppHarvest Morehead while we continue to build up our operations at AppHarvest Berea, AppHarvest Somerset and AppHarvest Richmond. Adverse changes or developments affecting AppHarvest Morehead could impair our ability to produce our products and our business, prospects, financial condition and results of operations. Any shutdown or period of reduced production at AppHarvest Morehead, which may be caused by regulatory noncompliance or other issues, as well as other factors beyond our control, such as severe weather conditions, natural disaster, fire, power interruption, work stoppage, disease outbreaks or pandemics (such as COVID-19), equipment failure or delay in supply delivery, would significantly disrupt our ability to grow and deliver our produce in a timely manner, meet our contractual obligations and operate our business. Our farm equipment is costly to replace or repair, and our equipment supply chains may be disrupted in connection with pandemics, such as COVID-19, decades-high inflation, trade wars, labor shortages, or other factors. If any material amount of our machinery were damaged, we would be unable to predict when, if at all, we could replace or repair such machinery or find co-manufacturers with suitable alternative machinery, which could adversely affect our business, financial condition and operating results. Any insurance coverage we have may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

Any damage to or problems with our CEA facilities, or delays in land acquisition or construction, could severely impact our operations and financial condition.

Any damage to or problems with AppHarvest Morehead, AppHarvest Berea, AppHarvest Somerset, AppHarvest Richmond, or any other CEA facilities we build or use in the future, including defective construction, repairs, or maintenance, could have an adverse impact on our operations and business. We face risks including, but not limited to:

- **Weather.** Our operations may be adversely affected by severe weather including tornados, lightning strikes, wind, snow, hail and rain. A tornado, lightning strike, severe hailstorm or unusually large amount of precipitation could cause damage or destruction to all or part of our CEA facility or affect the ability of our workforce to get to or remain at the facility. We may be required to expend significant resources and time in mitigating damage to our crops, and such damage may not be covered by insurance. The impact of a severe weather event or natural disaster could result in significant losses and seriously disrupt our entire business.

- **Water Supply.** Our facilities are designed to irrigate our plants with rainwater, collected in each site's retention pond, which eliminates the need for city water or well water. The pond is designed to be constantly aerated with nanobubble technology, which combats harmful algae blooms and cyanotoxins. Once rainwater is pumped into the facility from the pond, it enters a closed-loop irrigation system. The water is processed through a sand filter and then sanitized with UV light. This destroys viruses, bacteria and protozoa without the use of chemicals and with no unwanted disinfection by-products. Despite these precautions, there remains risk of contamination to our water supply from outside sources. Any contamination of the water in the retention pond could require significant resources to correct and could result in damage or interruption to our growing season.

- **Energy Costs or Interruption.** Although we first turn to sunlight to grow our plants, which requires less energy per plant than indoor warehouse farms, we do supplement the light our plants receive with LED lighting and high-pressure sodium lighting, which makes us vulnerable to rising energy costs. We have generators to maintain energy supply in the case of an outage, but these generators would not be able to power the facility for any prolonged period of time and therefore outages could result in reduced crop yield. Rising or volatile energy costs may adversely impact our business, and our operations could be significantly affected by a prolonged power outage.

In addition, we have experienced and may continue to experience unexpected delays in building our CEA facilities for a variety of reasons, including limited financing, limited labor due to COVID-19 or other factors, unexpected construction problems, decades-high inflation or severe weather. If we experience significant unexpected delays in construction, we may have to limit or miss out on an entire growing season depending on the timing and extent of the delays, which could harm our business, financial condition and results of operations. For example, we experienced construction delays at AppHarvest Richmond which required us to facilitate other solutions to commence operations, thereby increasing our expense incurred.

We depend on employing a skilled local labor force, and failure to attract, develop and retain qualified employees and/or independent contractors could negatively impact our business, results of operations and financial condition.

Agricultural operations are labor intensive, and the growing season for greenhouses is year-round. In general, each year, we plan to begin planting vine crops in August or September, grow and harvest the produce into June, July, or August and then remove plants and clean the greenhouse in July or August. Our salad greens are grown year round. These year-round operations depend on the skills and regular availability of labor in Appalachia.

We have rapidly hired in the region as we prepared to open our CEA facilities and benefited from a strong network of employer assistance programs ready to help companies interested in locating in the region to provide jobs for its ready workforce. However, there is competition for skilled agricultural labor in the region, particularly from the cannabis, food, and distribution industries, and even if we are able to identify, hire and develop our labor force, there is no guarantee that we will be able to retain these employees and/or independent contractors. For example, we continue to observe an overall tightening and increasingly competitive local labor market. To help forestall any potential labor shortfall, we have hired experienced agricultural workers while we strive to develop a local labor force. If we are unable to hire, develop and retain a labor force capable of performing at a high-level, or if mitigation measures we take to respond to a deficit of adequate local labor, such as overtime and contract laborers, have unintended negative effects, our business results of operations and financial condition could be adversely affected. Further, the operation of CEA facilities requires unique skills, which may not be widely available in the regions where we operate. Any additional shortages of labor, lack of training or skills, or lack of regular availability could restrict our ability to operate our greenhouses profitably, or at all.

In addition, efforts by labor unions to organize our employees and/or independent contractors could divert management attention away from regular day-to-day operations and increase our operating expenses. Labor unions may make attempts to organize our non-unionized employees and/or independent contractors. We are not aware of any activities relating to union organizations at any of our facilities, but we cannot predict which, if any, groups of employees and/or independent contractors may seek union representation in the future or the outcome of any collective bargaining. If we are unable to negotiate acceptable collective bargaining agreements, we may have to wait through “cooling off” periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the type and duration of our any work stoppage, our operating expenses could increase significantly, which could negatively impact our financial condition, results of operations and cash flows.

Our results of operations can be adversely affected by labor shortages, turnover and labor cost increases.

Labor is a primary component of operating our business. A number of factors may adversely affect the labor force available to us or increase labor costs, including high employment levels, and other government regulations. We continue to observe an overall tightening and increasingly competitive local labor market. A sustained labor shortage or increased turnover rates within our employee base, including those caused by COVID-19, or measures taken to address COVID-19, or as a result of general macroeconomic factors, could lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees and/or independent contractors, and could negatively affect our ability to efficiently operate our greenhouse equipment and overall business.

If we are unable to hire, develop and retain employees and/or independent contractors capable of performing at a high-level, or if mitigation measures we may take to respond to a decrease in labor availability, such as overtime and contract laborers, have unintended negative effects, our business could be adversely affected. An overall labor shortage, lack of skilled

labor, increased turnover or labor inflation, including those caused by COVID-19 or as a result of general macroeconomic factors, could have a material adverse impact on our operations, results of operations, liquidity or cash flows.

Our management has limited experience in operating a public company.

Our executive officers have limited experience in the management of a publicly traded company. Our management team may not successfully or effectively manage our regulatory oversight and reporting obligations as a public company under the federal securities laws of the U.S. Our management's limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities, which will result in less time being devoted to the management and growth of our company. We may not have adequate personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal controls over financial reporting required of public companies in the U.S. The development and implementation of the standards and controls necessary for us to achieve the level of accounting standards required of a public company in the U.S. may require costs greater than expected. It is possible that we will be required to expand our employee base and hire additional employees to support our operations as a public company, which will increase our operating costs in future periods.

Mastronardi is currently our exclusive marketing and distribution partner. We are highly dependent on our relationship with Mastronardi, and impairment to or termination of this relationship could adversely affect our results of operations and financial condition.

Mastronardi is our exclusive marketing and distribution partner for all products pursuant to the Mastronardi Agreement. Under the terms of the Mastronardi Agreement, we are responsible for growing, producing, packing and delivering all products to Mastronardi, and Mastronardi is responsible for marketing, branding and distributing the products to its customers. Mastronardi will sell the products at market prices that are consistent with the best and highest prices available during the duration of the applicable growing season for like kind USDA Grade No. 1 products. Mastronardi will set the market price for the products and will pay over to us the gross sale price of our products sold by Mastronardi, less a marketing fee and Mastronardi's costs incurred in the sale and distribution of the products, which can fluctuate.

Mastronardi is only obligated to purchase our products that are at or above USDA Grade No. 1 standards and export quality standards within North America and of a quality required by Mastronardi's customers, in Mastronardi's sole determination. The Mastronardi Agreement provides for an inspection period during which Mastronardi will inspect our products to determine whether it meets the required quality standards, and Mastronardi may reject and return any of our products that do not meet these standards. Any significant or unexpected rejection of our products could negatively impact our results of operations, and we may be unable to sell the rejected products to other third parties. Further, because Mastronardi acts as an intermediary between us and the retail grocers or food service providers, we do not have short-term or long-term commitments or minimum purchase volumes with them that ensure future sales of our products.

If we expand our growing acreage or operations in Kentucky or West Virginia, Mastronardi has a right of first refusal to be the exclusive distributor of any produce arising as a result of such expansion for the greater of ten years from the date of first commercial production of the additional products or the remainder of the term of the Mastronardi Agreement. In the event we or our affiliates engage in the business of growing fresh produce in a greenhouse in Kentucky and West Virginia, Mastronardi has the right to deem such New Grower Facility to be under an agreement with Mastronardi on the same material terms and conditions of the Mastronardi Agreement for a period of ten years. In December 2020, Mastronardi elected to deem our Richmond tomato facility and Berea salad greens facility to be New Grower Facilities.

Due to the exclusive nature of this long-term distribution relationship, we could also be adversely affected if Mastronardi experiences impairment to its brand and reputation or to its financial condition. Mastronardi and we are each entitled to terminate the Mastronardi Agreement in the case of the other party's uncured breach of the contract or bankruptcy or insolvency. If the Mastronardi Agreement is terminated, we may experience difficulty or delay in finding a suitable replacement distributor in a timely manner or at all, and our business, financial condition and results of operations could be harmed.

Our business could be adversely affected by economic downturns, inflation, increases in interest rates, natural disasters, public health crises such as the COVID-19 pandemic, political crises, geopolitical events, such as the crisis in Ukraine, or other macroeconomic conditions, which have in the past and may in the future negatively impact our business and financial performance.

The global economy, including credit and financial markets, has experienced extreme volatility and disruptions, including, among other things, severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, supply chain shortages and disruptions, increases in inflation rates, higher interest rates and uncertainty about economic stability. For example, the COVID-19 pandemic resulted in supply chain disruptions related to the construction of our AppHarvest Berea and AppHarvest Richmond, and caused delays in the completion of AppHarvest Berea, and a phased opening at AppHarvest Richmond. Further, the COVID-19 pandemic, resulted in widespread unemployment, economic slowdown and extreme volatility in the capital markets. The Federal Reserve has raised interest rates multiple times in response to concerns about inflation and it may raise them again. Higher interest rates, coupled with reduced government spending and volatility in financial markets may increase economic uncertainty and affect consumer spending. Similarly, the ongoing military conflict between Russia and Ukraine has created extreme volatility in the global capital markets and is expected to have further global economic consequences, including disruptions of the global supply chain and energy markets. Any such volatility and disruptions may adversely affect our business or the third parties on whom we rely. If the equity and credit markets deteriorate, or do not improve, including as a result of political unrest or war, it may make any necessary debt or equity financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. Increased inflation rates can adversely affect us by increasing our costs, including labor and employee benefit costs. In addition, higher inflation and macro turmoil and uncertainty could also adversely affect our customers, which could reduce demand for our products.

Further downgrades of the U.S. credit rating, automatic spending cuts, or a government shutdown could negatively impact our liquidity, financial condition and earnings.

U.S. debt ceiling and budget deficit concerns have increased the possibility of credit-rating downgrades and economic slowdowns, or a recession in the United States. Although U.S. lawmakers have previously passed legislation to raise the federal debt ceiling on multiple occasions, there is a history of ratings agencies lowering or threatening to lower the long-term sovereign credit rating on the United States given such uncertainty. The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. Moreover, these developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

We could be adversely affected by a change in consumer preferences, perception and spending habits in the food industry, and failure to develop and expand our product offerings or gain market acceptance of our products could have a negative effect on our business.

The market in which we operate is subject to changes in consumer preference, perception and spending habits. Our performance will depend significantly on factors that may affect the level and pattern of consumer spending in the U.S. food industry market in which we operate. Such factors include consumer preference, consumer income, consumer confidence in and perception of the safety and quality of our products and shifts in the perceived value for our products relative to alternatives.

- **Consumer Preferences.** We currently produce primarily beefsteak tomatoes, tomatoes on the vine, and snacking tomatoes. Although tomatoes are the second most popular fresh market vegetable per capita in the U.S., with per capita consumption increasing significantly in the past 40 years, there is no guarantee that tomatoes will continue to garner this popularity, that consumers will prefer the varieties of tomatoes grown by us, or that we will be successful in capturing a sufficient market share. If we are able to expand our product offerings to include other vegetables and fruits, such as peppers, and expand our production of salad greens, strawberries, and cucumbers we will similarly be impacted by consumer preferences for such vegetables and fruits.

- **Safety and Quality Concerns.** Media coverage regarding the safety or quality of, or diet or health issues relating to, our products or the processes involved in our manufacturing, may damage consumer confidence in our products. For example, manufacturers and regulatory authorities have issued recalls of tomatoes in the past due to issues such as salmonella contamination. Any widespread safety or quality issues involving tomatoes or other fresh fruits or vegetables — even if not involving us — could adversely affect consumer confidence in and demand for such tomatoes or other fresh produce.

- **Consumer Income.** A general decline in the consumption of our products could occur at any time as a result of change in consumer spending habits, including an unwillingness to pay a premium or an inability to purchase our products due to financial hardship, decades-high inflation, or increased price sensitivity, which may be exacerbated by the effects of the COVID-19 pandemic, global macroeconomic conditions or other events.

The success of our products will depend on a number of factors including our ability to accurately anticipate changes in market demand and consumer preferences, our ability to differentiate the quality of our products from those of our competitors, and the effectiveness of marketing and advertising campaigns for our products. We may not be successful in identifying trends in consumer preferences and growing or developing products that respond to such trends in a timely manner. We or our partners also may not be able to effectively promote our products by marketing and advertising campaigns and gain market acceptance. If our products fail to gain market acceptance, are restricted by regulatory requirements, have quality problems, or are affected by consumer perceptions of safety and quality even arising from our competitors' products, we may not be able to fully recover costs and expenses incurred in our operations, and our business, financial condition or results of operations could be materially and adversely affected.

We may be unable to successfully execute on our growth strategy.

Our growth strategy includes the development of new CEA facilities and the expansion of our product line.

- **New Controlled Agriculture Facilities**. AppHarvest Berea became operational in October 2022, and the AppHarvest Somerset facility became operational in November 2022. AppHarvest Berea salad greens facility harvests salad greens, and AppHarvest Somerset primarily grows strawberries but is also expected to seasonally grow cucumbers. AppHarvest Richmond, which is in final stages of completion, was half planted in December 2022, and began commercial shipments in January 2023. For risks related to delays in land acquisition or construction of our CEA facilities, please see the risk factor "We build CEA facilities, which may be subject to unexpected costs and delays due to reliance on third parties for construction, material delivery, supply-chains and fluctuating material prices."

  Identifying, planning, developing, constructing and finishing new CEA facilities in Central Appalachia has required and will continue to require substantial time, capital, and resources. CEA facilities, like ours, require a large amount of flat land with a maximum cut and fill area, the ability to obtain the appropriate permits and approvals, sufficient utilities and road access and adequate availability of skilled labor, among other things. We may be unsuccessful in identifying available sites in Central Appalachia that are conducive to our planned projects, and even if identified, we may ultimately be unable to lease, purchase, build or operate on the land for any number of reasons. Because of the capital-intensive nature of these projects, we will need to prioritize which sites we plan to develop, and there can be no guarantee that we will select or prioritize sites that will ultimately prove to be appropriate for construction. Further, we may spend time and resources developing sites at the expense of other appropriate sites, which may ultimately have been a better selection or more profitable location. On the other hand, if we overestimate market demand and expands into new locations too quickly, we may have significantly underutilized assets and may experience reduced profitability. If we do not accurately align capacity at our greenhouses with demand, our business, financial condition and results of operations could be adversely affected.

- **New Product Lines.** We aspire to develop a leading fruit and vegetable brand widely known for its sustainable practices. We plan to leverage our strong mission to build an iconic brand recognized and revered by a loyal customer base that values a sustainable homegrown food supplier. We successfully launched and sold out our first value-added product, salsa, in 2021, and we expect to leverage this platform as we continue to refine and grow our value-added products strategy in the future, depending on the availability of financing on acceptable terms. We have paused the sale and development of our salsa and other products in 2022. The four farms that are operational in 2023 should provide us a significantly larger volume of produce from which to derive value-added and direct-to-consumer products when expected sales and development resume. Accordingly, we plan to spend time and resources developing capacity for larger-scale production that we believe will enable us to secure financing and permit us to relaunch our value-added products at a larger scale in the future.

We may not be able to implement our growth strategy successfully. Our sales and operating results will be adversely affected if we fail to implement our growth strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful.

Failure to adequately manage our planned growth strategy may harm our business or increase our risk of failure.

For the foreseeable future, we intend to pursue a growth strategy for the expansion of our operations through increased product development and marketing. Our ability to rapidly expand our operations will depend upon many factors, including our ability to work in a regulated environment, establish and maintain strategic relationships with suppliers, and obtain adequate and necessary capital resources on acceptable terms. Any restrictions on our ability to expand may have a materially adverse

effect on our business, results of operations, and financial condition, including with respect to our technology initiatives. Accordingly, we may be unable to achieve our targets for sales growth, and our operations may not be successful or achieve anticipated operating results.

We have agreed not to compete with Mastronardi outside of Kentucky and West Virginia, which may limit our business opportunities.

We have agreed not to compete with Mastronardi outside of Kentucky and West Virginia, which includes the businesses of growing, harvesting, packaging, distributing or selling fresh produce, subject to certain exceptions for fresh produce that is grown in Kentucky or West Virginia. Although we are currently focused on building greenhouses in Central Appalachia, if we desired in the future to build or operate facilities outside of Kentucky or West Virginia that were competitive with Mastronardi, the Mastronardi Agreement requires us to obtain Mastronardi's consent before doing so. If Mastronardi withholds such consent for any reason, this could have the effect of restricting certain business opportunities outside of Kentucky and West Virginia during the term of the non-compete provision. The non-compete provision runs for ten years from the date of a first commercial harvest from AppHarvest Morehead and also runs for ten years measured from the date of a first commercial harvest from a facility deemed to be a New Grower Facility by Mastronardi under the terms of the Mastronardi Agreement. In December 2020, Mastronardi elected to deem our new facilities in Richmond and Berea as New Grower Facilities.

We build CEA facilities, which may be subject to unexpected costs and delays due to reliance on third parties for construction, material delivery, supply-chains and fluctuating material prices.

We build CEA facilities that are dependent on a number of key inputs and their related costs including materials such as steel and glass and other supplies, as well as electricity and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact our business, financial condition and operating results. We have entered into a direct contractual relationship with Dalsem for the construction of AppHarvest Richmond and AppHarvest Berea. We have also entered into a direct contractual relationship with Havecon for the construction of our Somerset facility. If Dalsem or Havecon encounter unexpected costs, delays or other problems in building these CEA facilities, our financial position and ability to execute on our growth strategy could be negatively affected. In addition, from time to time, our construction partners may place mechanics' liens on our properties under construction, the effect of which is to secure a contractor's right to payment of past due amounts by using our real property as collateral for such amounts. As of the date of this Quarterly Report, Dalsem has filed a mechanics lien on AppHarvest Richmond in the amount of approximately $14 million, of which we are contesting a portion. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on our business, financial condition and operating results.

The price of production, sale and distribution of these goods may fluctuate widely based on the impact of numerous factors beyond our control including international, economic and political trends, transportation disruptions, inflation, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. In addition, we import substantially all of the construction materials used to build the CEA facilities. The use of third-party import services can cause logistical problems, unexpected costs and delays in facility construction, which we cannot directly control. Any prolonged disruption of third-party delivery and shipping services could negatively affect our facility building schedule. Rising costs associated with third-party transportation services used to ship materials may also adversely impact our building schedule and crop season planning, and more generally our business, financial condition, results of operations and prospects.

The COVID-19 pandemic continues to impact worldwide economic activity, and the governments of some countries, states, cities and other geographic regions have taken preventative or protective actions in response, such as closures or other restrictions on the conduct of business operations of manufacturers, suppliers and vendors, which, combined with geopolitical tensions, are creating disruption in global supply chains. The increased global demand on shipping and transport services has and may cause us to experience delays in the future, which could impact our ability to obtain materials or build our greenhouses in a timely manner. For example, the COVID-19 pandemic resulted in supply chain disruptions related to the construction of AppHarvest Berea and AppHarvest Richmond, and we are currently assessing any long-term effects on our ability to build our greenhouses in a timely manner. These factors could otherwise disrupt our operations and could negatively impact our business, financial condition and results of operations.

If we experience significant unexpected delays in construction, we may have to limit or miss out on an entire growing season depending on the timing and extent of the delays, which could harm our business, financial condition and results of operations.

We may not be able to compete successfully in the highly competitive natural food market.

We operate in the highly competitive natural foods environment. With the importing of vine crops rapidly increasing, our competition includes large-scale operations in Mexico and to a lesser extent the southwestern U.S. In this market, competition is based on, among other things, product quality and taste, brand recognition and loyalty, product variety, product packaging and package design, shelf space, reputation, price, advertising, promotion and nutritional claims.

We may not be able to compete successfully with imported goods, including from Mexico and Canada. A risk for high-tech producers in the U.S. is that lower-cost Mexican producers will be able to increasingly step up and meet emerging U.S. retail market preferences for higher quality, improved product safety, year-round availability, and product innovation. Mexican producers achieve this not by investing equivalent capital, but by leveraging climatic advantages at lower cost. Market leadership will accrue to the most efficient producers who are able to reliably meet the needs of large U.S. retailers and can demonstrate advantages in marketing strategy, geography, technology, and production learning curves sufficient to warrant the substantial long- term working capital required to fuel the expected sustained growth of this niche. Meanwhile, Canadian producers are beginning or expanding production in the U.S. The major factors driving this expansion are brand value of U.S. production and lower transportation and energy costs at U.S. facilities. The Canadian greenhouse industry is located primarily in Ontario in the east and British Columbia in the west. The Canadian greenhouse industry is supported by extensive government subsidies and financing that allows them to compete with the U.S. and Mexico on production cost.

We also face competition from traditional greenhouse operators both domestic and abroad, as well as from high-tech agricultural startups that are focused on development of farms either in or near major cities.

Each of these competitors may have substantially greater financial and other resources than us and some of whose products are well accepted in the marketplace today. We cannot be certain that we will successfully compete with larger competitors that have greater financial, sales and technical resources. They may also have lower operational costs, and as a result may be able to offer comparable or substitute products to customers at lower costs. This could put pressure on us to lower our prices, resulting in lower profitability or, in the alternative, cause us to lose market share if we fail to lower prices. Retailers may also market competitive products under their own private labels, which are generally sold at lower prices, and may change the merchandising of our products so we have less favorable placement.

The CEA agriculture business also has low barriers to entry, and we will not be able to prevent competitors from building and operating similar greenhouses. We rely heavily on the know-how of our employees and management team, our experience and our relationships with significant stakeholders in the agriculture industry and in Central Appalachia.

In addition, our ability to compete successfully in this market depends, in large part, on our ability to implement our growth strategy of building additional controlled environment facilities and expanding our product line. Our sales and operating results will be adversely affected if we fail to implement our growth strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful.

We have only recently commenced our third harvest, which makes it difficult to forecast future results of operations.

Our first CEA facility in Morehead, Kentucky partially opened in October 2020, marking the beginning of our first growing season. AppHarvest Morehead was completed in March 2021 and we concluded our first growing season in August 2021. We completed planting our second crop in September 2021, the harvest of the new crop commenced in the fourth quarter of 2021 and we completed our second harvest at the end of July 2022. In November 2022, we commenced our third harvest. As a result, our ability to accurately forecast future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. In future periods, net sales growth could slow or net sales could decline for a number of reasons, including plant diseases or pest infestations, slowing demand for our products, increasing competition, a decrease in the growth of the overall market, or our failure, for any reason, to take advantage of growth opportunities. For example, the impact to our second season yield by the plant health issue ended up higher than our original forecast of 10% to 15%, as we removed some extra rows in the affected area out of an abundance of caution and curtailed our second growing season. If our assumptions regarding these risks and uncertainties and future net sales growth are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

Our AppHarvest Berea farm is subject to lease obligations that may restrict our ability to operate our business.

On December 23, 2022, we sold approximately 40 acres of land located in Berea, Kentucky and the Berea salad greens facility situated thereon to Mastronardi Berea LLC, and, concurrently, we, as tenant, and Mastronardi Berea LLC, as landlord, entered into the Berea Lease for an initial term of 10 years, with four renewal options of five years each, subject to the conditions set forth in the Berea Lease. A failure to make scheduled lease payments, or a breach of any of the other covenants related to the Sale-Leaseback Transaction could result in a default thereunder, which could allow Mastronardi Berea LLC to take possession of AppHarvest Berea. If we lost possession of AppHarvest Berea, our business, results of operations and financial condition could be materially adversely affected.

If we fail to develop and maintain our brand, our business could suffer.

We plan to leverage our strong mission to build an iconic brand recognized and revered by a loyal customer base that values a sustainable homegrown food supplier. Our success depends on our ability to maintain and grow the value of our brand. Maintaining, promoting and positioning our brand and reputation will depend on, among other factors, the success of our product offerings, food safety, quality assurance, marketing and merchandising efforts, our continued focus on the environment and sustainability and ability to provide a consistent, high-quality consumer and customer experience. Any negative publicity, regardless of its accuracy, could impair our business.

With respect to our products that are distributed by Mastronardi, Mastronardi controls the packaging, branding and marketing of these products. Although Mastronardi has agreed to use its best efforts to include the AppHarvest name and branding on our products, it is under no obligation to do so if such inclusion would conflict with instructions from a Mastronardi customer for the products or Mastronardi believes that we have suffered material impairment to our reputation or any of our brands. If Mastronardi does not include prominent AppHarvest branding on the packaging of our products we distribute, or if Mastronardi fails to effectively market our products, this could hamper our efforts to establish and grow our brand and reputation.

Further, the growing use of social and digital media by us, our consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about us, our partners or our products on social or digital media could seriously damage our brand and reputation. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of our consumers, customers or distributors, including adverse publicity or a governmental investigation, litigation, including securities class actions, or regulatory enforcement action, could significantly reduce the value of our brand and significantly damage our business. If we do not achieve and maintain favorable perception of our brand, our business, financial condition and results of operations could be adversely affected.

Our brand and reputation may be diminished due to real or perceived quality, food safety, or environmental issues with our products, which could negatively impact our business, reputation, operating results and financial condition.

Real or perceived quality, food safety, or environmental concerns or failures to comply with applicable food regulations and requirements, whether or not ultimately based on fact and whether or not involving our products (such as incidents involving Mastronardi or our competitors), could cause negative publicity and reduced confidence in our company, brand or products, which could in turn harm our reputation and sales, and could adversely affect our business, financial condition and operating results. Brand value is also based on perceptions of subjective qualities, such as appearance and taste, and any incident that erodes the loyalty of our consumers, including changes to product appearance, taste or packaging, could significantly reduce the value of our brand and significantly damage our business.

We also have no control over our products once Mastronardi or any other distributor takes possession of them. Distributors or consumers may store our products under conditions and for periods of time inconsistent with the USDA, U.S. Food and Drug Administration (the “FDA”), and other governmental guidelines, which may adversely affect the quality and safety of our products.

If consumers do not perceive our products to be of high quality or safe, then the value of our brand would be diminished, and our business, results of operations and financial condition would be adversely affected. Any loss of confidence on the part of consumers in the quality and safety of our products would be difficult and costly to overcome. Any such negative effect could be exacerbated by our market positioning as a socially conscious grower of high-quality produce and may significantly reduce our brand value. Issues regarding the safety of any of our products, regardless of the cause, may harm our brand, reputation and operating results.

Demand for our current and expected future products, which include tomatoes, strawberries, peppers, cucumbers, other vine produce, and salad greens is subject to seasonal fluctuations and may adversely impact our results of operations in certain quarters.

Demand for our current and expected future products, which include tomatoes, strawberries, peppers, cucumbers, other vine produce, and salad greens fluctuates and tends to be greater during the summer months. As a result, comparisons of our sales and operating results between different quarters within a single fiscal year may not necessarily be meaningful comparisons. If we are not correct in predicting demand and planning our growing seasons accordingly, we may experience a supply and demand imbalance, which could adversely impact our results of operations.

If we cannot maintain our company culture or focus on our vision as we grow, our business and competitive position may be harmed.

Our vision is to create America's AgTech capital from within Appalachia and provide better produce, better farming practices and better jobs. Any failure to preserve our culture or focus on our vision could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our corporate objectives. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important values. If we fail to maintain our company culture or focus on our vision, our business and competitive position may be harmed.

Food safety and foodborne illness incidents or advertising or product mislabeling may materially adversely affect our business by exposing us to lawsuits, product recalls, regulatory enforcement actions, or changes in consumer demand increasing our operating costs and reducing demand for our product offerings.

Selling food for human consumption involves inherent legal and other risks, and there is increasing governmental scrutiny of and public awareness regarding food safety. Unexpected side effects, illness, injury or death related to allergens, foodborne illnesses or other food safety incidents caused by products, or involving our suppliers, could result in the discontinuance of sales of these products or our relationships with such suppliers, or otherwise result in increased operating costs, regulatory enforcement actions, or harm to our reputation. Shipment of adulterated or misbranded products, even if inadvertent, can result in criminal or civil liability. Such incidents could also expose us to product liability, negligence, or other lawsuits, including consumer class action lawsuits. Any claims brought against us may exceed or be outside the scope of our existing or future insurance policy coverage or limits. Any judgment against us that is more than our policy limits or not covered by our policies or not subject to insurance would have to be paid from our cash reserves, which would reduce our capital resources.

The occurrence of foodborne illnesses or other food safety incidents could also adversely affect the price and availability of affected raw materials, resulting in higher costs, disruptions in supply and a reduction in sales. Furthermore, any instances of food contamination or regulatory noncompliance, whether or not caused by our actions, could compel us, our suppliers, distributors or customers, depending on the circumstances, to conduct a recall in accordance with FDA regulations, and comparable state laws. Food recalls could result in significant losses due to their costs, the destruction of product inventory, lost sales due to the unavailability of the product for a period of time and potential loss of existing distributors or customers and a potential negative impact on our ability to attract new customers due to negative consumer experiences or because of an adverse impact on our brand and reputation. The costs of a recall could be outside the scope of our existing or future insurance policy coverage or limits.

In addition, food companies have been subject to targeted, large-scale tampering as well as to opportunistic, individual product tampering, and we, like any food company, could be a target for product tampering. Forms of tampering could include the introduction of foreign material, chemical contaminants, and pathogenic organisms into consumer products as well as product substitution. FDA regulations require companies like us to analyze, prepare, and implement mitigation strategies specifically to address tampering designed to inflict widespread public health harm. If we do not adequately address the possibility, or any actual instance, of product tampering, we could face possible seizure or recall of our products, suspension of our facilities' registrations, and/or the imposition of civil or criminal sanctions, which could materially adversely affect our business, financial condition, and operating results.

Our operations are subject to FDA and USDA governmental regulation and state regulation, and there is no assurance that we will be in compliance with all regulations.

Our operations are subject to extensive regulation by the FDA and other federal, state and local authorities. Specifically, we are subject to the requirements of the Federal Food, Drug and Cosmetic Act and regulations promulgated thereunder by the FDA. This comprehensive regulatory program governs, among other things, the manufacturing, composition and ingredients,

packaging, labeling and safety of food. Under this program, the FDA requires that facilities that grow, pack, and/or process food products comply with a range of requirements, including standards for the growing, harvesting, packing, and holding of produce, hazard analysis and preventative controls regulations, current good agricultural practices, or GAPs, current good manufacturing practices, or GMPs, and supplier verification requirements. Our processing facilities are subject to periodic inspection by federal, state and local authorities. If we cannot successfully manufacture products that conform to our specifications and the strict regulatory requirements of the FDA or others, we may be subject to adverse inspectional findings or enforcement actions, which could materially impact our ability to market our products or could result in a recall of our product that have already been distributed. If the FDA or a comparable foreign regulatory authority determines that we have not complied with the applicable regulatory requirements, our business may be materially impacted.

We seek to comply with applicable regulations through a combination of employing internal experience and expert personnel to ensure quality-assurance compliance (i.e., assuring that products are not adulterated or misbranded) and contracting with third-party laboratories that conduct analyses of products to ensure compliance with nutrition labeling requirements and to identify any potential contaminants before distribution. Failure by us to comply with applicable laws and regulations or maintain permits, licenses or registrations relating to our operations could subject us to civil remedies or penalties, including fines, injunctions, recalls or seizures, warning letters, restrictions on the marketing or manufacturing of products, or refusals to permit the import or export of products, as well as potential criminal sanctions, which could result in increased operating costs resulting in a material effect on our operating results and business.

Future acquisitions could disrupt our business and adversely affect our business operations and financial results.

We may choose to expand our current business by acquiring additional businesses or technologies in the future. Acquisitions involve many risks, including the following:

- an acquisition may negatively affect our financial results because it may require us to incur charges (including impairment charges) or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;

- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;

- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;

- an acquisition may result in uncertainty about continuity and effectiveness of service from either company;

- we may encounter difficulties in, or may be unable to, successfully integrate or sell any acquired solutions;

- an acquisition may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;

- our use of cash to pay for an acquisition would limit other potential uses for our cash; and

- if we incur debt to fund such acquisition, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants.

The occurrence of any of these risks could have an adverse effect on our business operations and financial results. For example, in the fourth quarter of 2021, we incurred an after tax expense of $59.7 million related to the full impairment of the goodwill and definite lived technology intangibles acquired with Root AI. For example, we recently temporarily paused development of CEA technology solutions with resumption of development contingent upon financing to prioritize our core operations, which resulted in additional charges of $1.1 million related to impairment of fixed assets, as well as severance and other charges. In addition, we may only be able to conduct limited due diligence on an acquired company's operations. Following an acquisition, we may be subject to unforeseen liabilities arising from an acquired company's past or present operations and these liabilities may be greater than the warranty and indemnity limitations that we negotiate. Any unforeseen liability that is greater than these warranty and indemnity limitations could have a negative impact on our financial condition.

Changes in existing laws or regulations, or the adoption of new laws or regulations, may increase our costs and otherwise adversely affect our business, results of operations and financial condition.

The manufacture and marketing of food products is highly regulated. We and our suppliers are subject to a variety of laws and regulations. These laws and regulations apply to many aspects of our business, including the manufacture, packaging, labeling, distribution, advertising, sale, quality, and safety of our products, as well as the health and safety of our employees and/or independent contractors the protection of the environment.

In the U.S., we are subject to regulation by various government agencies, including the FDA, Federal Trade Commission (the "FTC"), Occupational Safety and Health Administration ("OSHA"), Environmental Protection Agency (the "EPA"), and USDA, as well as various state and local agencies. We are also regulated outside the U.S. by various international regulatory bodies. In addition, depending on customer specification, we may be subject to certain voluntary, third-party standards, such as Global Food Safety Initiative, standards and review by voluntary organizations, such as the Council of Better Business Bureaus' National Advertising Division. We could incur costs, including fines, penalties and third-party claims, because of any violations of, or liabilities under, such requirements, including any competitor or consumer challenges relating to compliance with such requirements. The loss of third-party accreditation could result in lost sales and customers, and may adversely affect our business, results of operations, and financial condition. In connection with the marketing and advertisement of our products, we could be the target of claims relating to false or deceptive advertising, including under the auspices of the FTC and the consumer protection statutes of some states.

The regulatory environment in which we operate could change significantly and adversely in the future. Any change in manufacturing, labeling or packaging requirements for our products may lead to an increase in costs or interruptions in production, either of which could adversely affect our operations and financial condition. New or revised government laws and regulations could result in additional compliance costs and, in the event of non-compliance, civil remedies, including fines, injunctions, withdrawals, recalls, or seizures and confiscations, as well as potential criminal sanctions, any of which may adversely affect our business, results of operations, and financial condition.

Failure by any partner farms, suppliers of raw materials or co-manufacturers to comply with food safety, environmental or other laws and regulations, or with the specifications and requirements of our products, may disrupt our supply of products and adversely affect our business.

If our suppliers, or any partner farms or co-manufacturers that we engage or may engage in the future, fail to comply with food safety, environmental, or other laws and regulations, or face allegations of non-compliance, our operations may be disrupted. Additionally, such partner farms and co-manufacturers would be required to maintain the quality of our products and to comply with our standards and specifications. In the event of actual or alleged non-compliance, we might be forced to find alternative partner farms, suppliers or co-manufacturers and we may be subject to lawsuits related to such non-compliance by such partner farms, suppliers, and co-manufacturers. As a result, our supply of produce and finished inventory could be disrupted or our costs could increase, which would adversely affect our business, results of operations, and financial condition. The failure of any future co-manufacturer to produce products that conform to our standards could adversely affect our reputation in the marketplace and result in product recalls, product liability claims, and economic loss. Additionally, actions we may take to mitigate the impact of any disruption or potential disruption in our supply of produce, including increasing inventory in anticipation of a potential supply or production interruption, may adversely affect our business, results of operations, and financial condition.

We are subject to stringent environmental regulation and potentially subject to environmental litigation, proceedings, and investigations.

Our business operations and ownership and operation of real property are subject to stringent and complex federal, state, and local environmental laws and regulations pertaining to the discharge of materials into the environment, and the handling and disposition of hazardous materials (including pesticides) and wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment and to occupational safety and health. In addition, we may be required to obtain and maintain environmental permits for our business operations under certain environmental laws and regulations. Compliance with these laws and regulations, and the ability to comply with any modifications to these laws and regulations, is material to our business. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of investigatory and remedial obligations and the issuance of injunctions delaying or prohibiting our business operations. New matters or sites may be identified in the future that will require additional investigation, assessment, or expenditures. Future discovery of contamination of property underlying or in the vicinity of our present properties or

facilities and/or waste disposal sites could require us to incur additional expenses. The occurrence of any of these events, the implementation of new laws and regulations, regulations, or stricter interpretation of existing laws or regulations, could adversely affect our financial results.

Climate change and the regulation of greenhouse gases emissions have the potential to affect our business operations. For example, the EPA has adopted regulations for the measurement and annual reporting of carbon dioxide, methane and other greenhouse gases emitted from certain large facilities. In addition, both houses of Congress have considered legislation to reduce emissions of greenhouse gases, and a number of states have taken, or are considering taking, legal measures to reduce emissions of greenhouse gases. In January 2021, President Biden issued the 2021 Climate Change Executive Order that, among
other things, sets goals of a carbon pollution free power sector by 2035 and a net zero economy by 2050. This Executive Order also commenced the process for the U.S. reentering the Paris Climate Agreement. The Paris Climate Agreement provides for the cutting of carbon emissions every five years, beginning in 2023, and sets a goal of keeping global warming to a maximum limit of two degrees Celsius and a target limit of 1.5 degrees Celsius greater than pre-industrial levels. Federal and state regulatory agencies can impose administrative, civil and/or criminal penalties for non-compliance with greenhouse gas requirements. In addition, states and local governments are undertaking efforts to meet climate goals. Even if limits on greenhouse gas emissions are not directly applicable to us, they could result in increased electricity, fuel or other supply costs that may adversely affect our business. Moreover, some experts believe climate change poses potential physical risks, including an increase in sea level and changes in weather conditions, such as an increase in precipitation and extreme weather events. Our operations may be adversely affected by severe weather including tornados, lightning strikes, wind, snow, hail and rain.

We limit the use of chemical pesticides in accordance with our Chemical Pesticide Policy. Any use of chemical pesticides, as defined in our Chemical Pesticide Policy, to address any pests incidents will be disclosed, as stated in that policy, in our annual sustainability report. In any such circumstance we would use, to the extent practicable, the chemical pesticide with the lowest human toxicity, and apply such substance in a manner designed to eliminate or minimize pesticide residue on our products. Chemical pesticide use may cause reputational harm and could adversely affect our business, prospects, financial condition and operating results. We use biopesticides and biofungicides as a part of an integrated crop management program whereby cultural controls are used to limit pesticide intervention. Biopesticides and biofungicides are only used where no other control step is practicable. From time to time, we use ethephon-based products, considered organophosphate pesticides by the United States EPA, as plant growth regulators to facilitate even ripening of tomatoes on the vine. The federal environmental laws to which our operations are, or may be, subject include the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and regulations thereunder, which regulate pesticides; the Clean Air Act (CAA) and regulations thereunder, which regulate air emissions; the Clean Water Act (CWA) and regulations thereunder, which regulate the discharge of pollutants in industrial wastewater and storm water runoff; the Resource Conservation and Recovery Act (RCRA) and regulations thereunder, which regulate the management and disposal of hazardous and non-hazardous solid wastes; and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and regulations thereunder, known more commonly as “Superfund,” which impose liability for the remediation of releases of hazardous substances in the environment. We are also subject to regulation under OSHA and regulations thereunder, which regulate the protection of the safety and health of workers. Analogous state and local laws and regulations may also apply.

The unavailability, reduction or elimination of government and economic incentives could negatively impact our business, prospects, financial condition and operating results.

Any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of our operations or other reasons may result in the diminished competitiveness of the CEA facility industry generally or our products in particular. This could materially and adversely affect the growth of the CEA facility markets and our business, prospects, financial condition and operating results.

We rely on information technology systems and any inadequacy, failure, interruption or security breaches of those systems may harm our ability to effectively operate our business.

We are dependent on various information technology systems, including, but not limited to, networks, applications, operating systems, and outsourced services in connection with the current and planned operation of our business.

A failure of these information technology systems to perform as anticipated could cause our business to suffer. For example, our growers are aided in their work by climate and greenhouse operations software designed by Priva B.V. If this software does not perform as anticipated, our growers may receive inadequate or erroneous information about the condition of

the plants being grown, which may result in increased mitigation expenses, waste, additional labor expenses and partial or full loss of the crop.

In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, viruses and security breaches. Any such damage or interruption could negatively impact our business.

A cybersecurity incident or other technology disruptions could negatively impact our business.

We use or plan to use computers, software and technology in substantially all aspects of our business operations. We build and operate robotics which rely on these technologies. Our employees and/or independent contractors also use or plan to use mobile devices, social networking and other online activities to connect with team members, distributors, customers and consumers. Such uses give rise to cybersecurity risks, including security breaches, espionage, system disruption, theft and inadvertent release of information. Cybersecurity incidents are increasing rapidly in their frequency, sophistication and intensity, with third-party phishing and social engineering attacks, and increased with the shift toward remote or hybrid work environments as a result of the COVID-19 pandemic. Furthermore, cyber-attacks may potentially occur as a result of the ongoing conflict between Russia and Ukraine. Our business involves sensitive information and intellectual property, including know-how, private information about team members and financial and strategic information about us and our business partners.

While we have implemented and plans to implement measures to prevent security breaches and cyber incidents, these preventative measures and incident response efforts may not be entirely effective. The theft, destruction, loss, misappropriation or release of sensitive information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers and distributors, potential liability and competitive disadvantage all of which could negatively impact our business, financial condition or results of operations.

If we are unable to apply technology effectively in driving value for our clients through our technology-based platforms, our results of operations, client relationships and growth could be adversely affected.

Our future success depends, in part, on our ability to anticipate and respond effectively to the threat and opportunity presented by digital disruption and developments in technology. These may include new robotics and automation products which we seek to introduce as turnkey CEA technology solutions. We may be exposed to competitive risks related to the adoption and application of new technologies by established market participants (for example, through disintermediation) or new entrants such as technology companies and others. These new entrants are focused on using technology and innovation, including artificial intelligence, to simplify and improve the client experience, increase efficiencies, alter business models and effect other potentially disruptive changes in the industries in which we operate. If we fail to develop and implement technology solutions and technical expertise among our employees that anticipate and keep pace with rapid and continuing changes in technology, industry standards, client preferences and internal control standards, our value proposition and operating efficiency could be adversely affected. We may not be successful in anticipating or responding to these developments on a timely and cost-effective basis and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise and develop new technologies in our business requires us to incur significant expenses. Our ability to build our technology depends on obtaining necessary capital when needed and on acceptable terms, which we may not be able to secure. If we cannot offer new technologies as quickly as our competitors, or if our competitors develop more cost-effective technologies or product offerings, we could experience a material adverse effect on our results of operations, client relationships, growth and compliance programs.

The loss of any intellectual property could enable other companies to compete more effectively with us.

We own trademarks and other proprietary rights that are important to our business, including our principal trademark, APPHARVEST. Our trademarks are valuable assets that reinforce the distinctiveness of our brand to consumers. We believe that the protection of our trademarks, copyrights and domain names is important to our success. We have also invested a significant amount of money in establishing and promoting our trademarked brand. In connection with our acquisition of Root AI, (now AppHarvest Technology, Inc.), we acquired nine U.S. patent applications, which, if issued, are expected to expire in 2039 to 2041, without taking into account any possible patent term adjustment. We also rely on unpatented proprietary expertise and copyright protection to develop and maintain our competitive position. Our continued success depends, to a significant degree, upon our ability to protect and preserve our intellectual property, including patents, trademarks, and copyrights.

We rely on confidentiality agreements and trademark and copyright law to protect our intellectual property rights. These confidentiality agreements with our employees and certain of our consultants, contract employees, suppliers and independent contractors generally require that all confidential information be kept strictly confidential.

We cannot assure you that the steps we have taken to protect our intellectual property rights are adequate, that our intellectual property rights can be successfully defended and asserted in the future or that third parties will not infringe upon or misappropriate any such rights. In addition, our trademark rights and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect our trademark rights could prevent us in the future from challenging third parties who use names and logos similar to our trademarks, which may in turn cause consumer confusion or negatively affect consumers' perception of our brand and products. We also cannot offer any assurances about which of our patent applications will issue, the breadth of any resulting patent or whether any of the issued patents will be found invalid and unenforceable or will be threatened by third parties. We cannot offer any assurances that the breadth of our granted patents will be sufficient to stop a competitor from developing and commercializing robots, gripping tools and arms, and sensors that would be competitive with one or more of the technologies we are developing. Moreover, intellectual property disputes and proceedings and infringement claims may result in a significant distraction for management and significant expense, which may not be recoverable regardless of whether we are successful. Such proceedings may be protracted with no certainty of success, and an adverse outcome could subject us to liabilities, force us to cease use of certain trademarks or other intellectual property or force us to enter into licenses with others. Any one of these occurrences may negatively impact our business, financial condition and results of operations.

We may be unable to obtain or qualify for government grants and incentives in the future.

We applied for and received various government grants and incentives in connection with building AppHarvest Morehead, and we may in the future apply for federal and state grants, loans and tax incentives under government programs designed to stimulate the economy and support sustainable agriculture. Our ability to obtain funds or qualify for incentives from government or other sources is subject to availability of funds under applicable programs and approval of our applications to participate in such programs. The application process for these funds and other incentives will likely be highly competitive. We cannot assure you that we will be successful in obtaining or qualifying for any of these additional grants, loans and other incentives, and failure to obtain or qualify for these grants, loans and other incentives could have a negative effect on our operating costs and ability to open additional greenhouses.

If our estimates or judgments relating to our critical accounting estimates prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report. We base our estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the section titled *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates."* The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of net sales and expenses that are not readily apparent from other sources. Significant estimates and judgments involve the useful lives of fixed assets, the valuation of instruments issued for financing and stock-based compensation, and income taxes, among others. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our securities.

Our employees and independent contractors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could negatively impact our business, prospects, financial condition and operating results.

We are exposed to the risk that our employees and independent contractors may engage in misconduct or other illegal activity. Misconduct by these parties could include intentional, reckless or negligent conduct or other activities that violate laws and regulations, including production standards, U.S. federal and state fraud, abuse, data privacy and security laws, other similar non-U.S. laws or laws that require the true, complete and accurate reporting of financial information or data. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from

governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations.

In addition, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, prospects, financial condition and operating results, including, without limitation, the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgement, integrity oversight and reporting obligations to resolve allegations of non-compliance, imprisonment, other sanctions, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations, any of which could adversely affect our business, prospects, financial condition and operating results.

Adherence to our values and our focus on long-term sustainability may negatively influence our short- or medium-term financial performance.

Our values are integral to everything we do. We are committed to empowering individuals in Appalachia, driving positive environmental change in the agriculture industry and improving the lives of our employees and the community at large. We may take actions in furtherance of those goals and, therefore, our stockholders over a longer period of time, even if those actions do not maximize short- or medium-term financial results. However, these longer-term benefits may not materialize within the timeframe we expect or at all. For example, we are a public benefit corporation under Delaware law. As a public benefit corporation, we are required to balance the financial interests of our stockholders with the best interests of those stakeholders materially affected by our conduct, including particularly those affected by the specific benefit purpose set forth in our second amended and restated certificate of incorporation (the “amended and restated certificate of incorporation”). In addition, there is no assurance that the expected positive impact from being a public benefit corporation will be realized. Accordingly, being a public benefit corporation and complying with our related obligations could negatively impact our ability to provide the highest possible return to our stockholders.

As a public benefit corporation, we are required to publicly disclose a report at least biennially on our overall public benefit performance and on our assessment of our success in achieving our specific public benefit purpose. If we are not timely or are unable to provide this report, or if the report is not viewed favorably by parties doing business with us or regulators or others reviewing our credentials, our reputation and status as a public benefit corporation may be harmed.

While not required by Delaware law or the terms of our amended and restated certificate of incorporation, we elected to have our social and environmental performance, accountability and transparency assessed against the proprietary criteria established by an independent non-profit organization. As a result of this assessment, we have been designated as a “Certified B Corporation.” The term “Certified B Corporation” does not refer to a particular form of legal entity, but instead refers to companies that are certified by an independent non-profit organization as meeting rigorous standards of social and environmental performance, accountability and transparency. The standards for Certified B Corporation certification may change over time. These standards may not be appropriately tailored to the legal requirements of publicly traded companies or to the operational requirements of larger companies. Our reputation could be harmed if we lose our status as a Certified B Corporation, whether by our choice or by our failure to meet certification requirements, if that change in status were to create a perception that we are more focused on financial performance and are no longer as committed to the values shared by Certified B Corporations. Likewise, our reputation could be harmed if our publicly reported B Corporation score declines and that created a perception that we have slipped in our satisfaction of the Certified B Corporation standards. Similarly, our reputation could be harmed if we take actions that are perceived to be misaligned with our values.

As a public benefit corporation, our duty to balance a variety of interests may result in actions that do not maximize stockholder value.

As a public benefit corporation, our board of directors (the “Board”) has a duty to balance (i) the pecuniary interest of our stockholders, (ii) the best interests of those materially affected by our conduct and (iii) specific public benefits identified in our charter documents. While we believe that our public benefit corporation designation and obligations will benefit our stockholders, in balancing these interests the Board may take actions that do not maximize stockholder value. Any benefits to stockholders resulting from our public benefit purposes may not materialize within the timeframe we expect or at all and may have negative effects.

For example:

- We may choose to revise our policies in ways that we believe will be beneficial to our stakeholders, including farmers, employees, regional economic development organizations, retailers, sustainability experts at BSR, suppliers, local communities, and our internal senior management and Board members, even though the changes may be costly;
- We may take actions, such as building state-of-the-art facilities with technology and quality control mechanisms that exceed the requirements of USDA, EPA, and the FDA, even though these actions may be more costly than other alternatives;
- We may be influenced to pursue programs and services to demonstrate our commitment to the communities to which we serve and bringing ethically produced food to the table even though there is no immediate return to our stockholders; or
- In responding to a possible proposal to acquire the company, our Board may be influenced by the interests of our stakeholders, including farmers, employees, regional economic development organizations, retailers, sustainability experts at BSR, suppliers, local communities, and our internal senior management and Board members, whose interests may be different from the interests of our stockholders.

We may be unable or slow to realize the benefits we expect from actions taken to benefit our stakeholders, including farmers, employees, suppliers and local communities, which could adversely affect our business, financial condition and results of operations, which in turn could cause our stock price to decline.

As a public benefit corporation, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interests, the occurrence of which may have an adverse impact on our financial condition and results of operations.

Stockholders of a Delaware public benefit corporation (if they, individually or collectively, own at least 2% of its outstanding capital stock shares of at least $2.0 million in market value) are entitled to file a derivative lawsuit claiming that its directors failed to balance stockholder and public benefit interests. This potential liability does not exist for traditional corporations. Therefore, we may be subject to the possibility of increased derivative litigation, which would require the attention of management and, as a result, may adversely impact management's ability to effectively execute our strategy. Any such derivative litigation may be costly and have an adverse impact on our financial condition and results of operations.

Risks Related to Our Indebtedness

Our existing indebtedness could adversely affect our financial condition, results of operation and business growth.

As of March 31, 2023 we had aggregate outstanding indebtedness of approximately $182.5 million million, of which approximately $3.8 million matures in 2023 and approximately $70.0 million matures in 2024. Our indebtedness could affect our operations in many ways, including:

- limiting management's discretion in operating our business and our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- limiting funds otherwise available for financing our capital expenditures and pursuing our growth strategies by requiring us to dedicate a portion of our cash flows from operations to the repayment of debt and the interest on this debt;

- making it more difficult for us to satisfy our financial obligations under our debt and our contractual and commercial commitments and increase the risk that we may default on our debt obligations;

- limiting our ability to access the capital markets to raise capital on favorable terms or to obtain additional financing for working capital, capital expenditures or acquisitions or to refinance existing indebtedness;

- increasing our vulnerability to downturns and adverse developments in our business, our industry or the general economy and restrict us from exploiting business opportunities or making acquisitions;

- making us vulnerable to rising interest rates as certain of our indebtedness may vary with prevailing interest rates; and

- placing us at a competitive disadvantage relative to competitors with lower levels of indebtedness or less restrictive terms governing their indebtedness.

In addition, a portion of our indebtedness bears interest at fluctuating interest rates, some of which uses London Interbank Offering Rate ("LIBOR"), as a benchmark for establishing the rate. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, stopped publishing one week and 2 month U.S. Dollar, or USD, LIBOR rates after 2021 with remaining USD LIBOR rates ceasing to be published after June 30, 2023. In the United States, the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has proposed the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements backed by Treasury 45 securities, as an alternative to LIBOR. In addition, the overall financial markets may be disrupted as a result of the phase-out or replacement of LIBOR. The consequences of these developments cannot be entirely predicted, but may include an increase in the cost of our variable rate indebtedness, which may have an adverse effect on our financial condition, operating results or cash flows.

Any acceleration of debt under the Equilibrium Loan or the Rabo Loan in connection with the Notice of Default we received would significantly and adversely affect our results of operations and financial condition.

On May 5, 2023, we received a Notice of Default from CEFF, an affiliate of Equilibrium, related to our borrowings under the Equilibrium Loan. The Notice of Default alleges certain defaults relating to increases in the construction budget and delays in construction made without CEFF's approval, the existence of a mechanic's lien, and alleged construction deficiencies. We plan on asserting several defenses to the claims in the Notice of Default. We believe that certain of the alleged defaults have no basis in the loan documents and/or rely on a mischaracterization of facts. Certain other alleged defaults are subject to cure periods and we plan on sending additional materials to CEFF to satisfy certain demands within the timeframe of such cure periods. An event of default under the Equilibrium Loan would entitle CEFF to exercise any of its rights and remedies in the Equilibrium Loan documents, including, inter alia, a demand for payment from the Company in its capacity as guarantor of the Equilibrium Loan, acceleration of the Equilibrium Loan and commencement for foreclosure proceedings on AppHarvest Richmond. The Notice of Default also contains a demand that we deposit an additional $15 million into a previously-established construction cost escrow account. Concurrent with the Notice of Default, CEFF also sent notice to the bank where such account is held asserting its right under a deposit account control agreement to block such account. As a result, further withdrawals from such account will require CEFF's approval. The balance of the account as of March 31, 2023 was $5.3 million and is reflected in cash and cash equivalents on the condensed consolidated balance sheet. As of the date of the filing of this report, the balance in the account was $1.9 million. If the outstanding debt under the Equilibrium Loan were to be accelerated, we would be required to repay the entire principal balance of the loan on demand, plus other costs such as attorney's fees, lender costs, and a prepayment premium. In addition, an event of default beyond the applicable notice and cure periods under the Equilibrium Loan would trigger a cross-default under the Rabo Loan which would entitle Rabo to exercise any of its rights and remedies under the Rabo Loan, including, *inter alia*, acceleration of the Rabo Loan and commencement for foreclosure proceedings on AppHarvest Morehead. If the outstanding debt under the Rabo Loan were to be accelerated, we would be required to repay the entire principal balance of the loan on demand, plus other costs such as attorney's fees and lender costs. As of the date of this filing, we have not received notice from Rabo alleging a cross-default under the Rabo Loan. We are working with Equilibrium to come to a resolution, but we cannot guarantee a resolution on a timely basis, on favorable terms, or at all. If the amounts outstanding under the Equilibrium Loan or the Rabo Loan were to become immediately due and payable, we would need to take immediate further action to raise additional funds in the capital markets or otherwise to fund our obligations, and there is no guarantee that we would be able to successfully do so. Any acceleration of debt under the Equilibrium Loan or the Rabo Loan would have an immediate adverse effect on our ability to meet our working capital needs and our business and operating results.

We may not be able to generate sufficient cash to service our debt and other contractual obligations and may be forced to take other actions to satisfy our debt and other obligations, which may not be successful.

Our ability to make scheduled payments on or to refinance or restructure our debt and other obligations and to fund planned capital expenditures and expansion efforts and any strategic alliances or acquisitions we may make in the future depends on our ability to generate cash in the future and our financial condition and on our operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our debt and other obligations.

If our cash flows and capital resources are insufficient to fund our debt service and other obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our debt. These alternative measures may not be successful and may not permit us to meet our debt service and other obligations. If our operating results and available cash are insufficient to meet our debt service and other obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other

obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service or other obligations then due.

Certain of our debt obligations contain covenants that are subject to interpretation. Although we do not believe we are in breach of any such covenants, if a creditor under any such debt obligations decides to declare a breach of any such covenant, then such creditor could exercise its rights under the applicable debt obligations, which will trigger cross-defaults in other debt obligations. Such actions by creditors could require repayment of our debt before maturity, and we cannot assure you that we will be able to meet such repayment obligations.

Risks Related to Ownership of Our Securities

If we fail to meet all applicable requirements of Nasdaq and Nasdaq determines to delist our Common Stock, the delisting could adversely affect the market liquidity of our Common Stock and the market price of our Common Stock could decrease.

On April 18, we received a letter from Nasdaq, notifying us that, for the previous 30 consecutive business day periods prior to the date of the letter, the closing bid price for our Common Stock was below $1.00. In accordance with Nasdaq Listing Rule 5810(c)(3)(A) we have been provided an initial period of 180 calendar days, or until October 16, 2023, to regain compliance with Nasdaq's bid price requirement. If, at any time before October, 2023, the bid price for our Common Stock closes at $1.00 or more for a minimum of 10 consecutive business days, we will regain compliance with the bid price requirement, unless Nasdaq staff exercised its discretion to extend this 10-day period pursuant to Nasdaq rules.

If we are unable to satisfy the Nasdaq criteria for continued listing, our Common Stock would be subject to delisting. A delisting of our Common Stock could negatively impact us by, among other things, reducing the liquidity and market price of our Common Stock; reducing the number of investors willing to hold or acquire our Common Stock, which could negatively impact our ability to raise equity financing; decreasing the amount of news and analyst coverage of us; and limiting our ability to issue additional securities or obtain additional financing in the future. In addition, delisting from Nasdaq may negatively impact our reputation and, consequently, our business.

"Penny stock" rules may make buying or selling our securities difficult which may make our Common Stock less liquid and make it harder for investors to buy and sell our securities.

Trading in our securities is subject to the "penny stock" rules of the SEC and it is anticipated that trading in our securities will continue to be subject to the penny stock rules for the foreseeable future. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than $5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser's written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by these requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our securities and consequently adversely affect the market price for our securities.

We have previously identified a material weakness in our internal control over financial reporting. This material weakness could continue to adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our management is likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls and to disclose any changes and material weaknesses identified through such evaluation of those internal controls. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control over financial reporting that is less sever than a material weakness, yet important enough to merit attention by those responsible for oversight of a company's financial reporting. We have identified a significant deficiency related to the preparation and calculation of our income tax provision for the three months ended March 31, 2023.

Failure to maintain effective internal control over financial reporting could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. Material weaknesses or significant deficiencies could limit our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting and our stock price may decline as a result. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to avoid potential future material weaknesses or significant deficiencies in our internal control.

The valuation of our Private Warrants could increase the volatility in our net income (loss) in our consolidated statements of earnings (loss).

At March 31, 2023, there were 13,241,617 warrants to purchase Common Stock outstanding, consisting of 12,190,548 public warrants ("Public Warrants") and 1,051,069 private warrants ("Private Warrants" and together with Public Warrants, "Warrants"). The Private Warrants are held by the Novus initial stockholders. Each warrant entitles the registered holder to purchase one share of Common Stock at a price of $11.50 per share. As further outlined in the Notes to our consolidated financial statements, the Private Warrants are classified as a liability and remeasured at fair value at each reporting date. The change in fair value of our Private Warrants is the result of changes in stock price and the number of Warrants outstanding at each reporting period. The change in fair value of warrant liabilities represents the mark-to-market fair value adjustments to the outstanding Private Warrants issued in connection with Novus's IPO. Significant changes in our stock price or number of Private Warrants outstanding may adversely affect our net income (loss) in our consolidated statements operations.

Concentration of ownership among our executive officers, directors and their affiliates may prevent new investors from influencing significant corporate decisions.

As of March 31, 2023, our affiliates, executive officers, directors and their respective affiliates as a group beneficially owned approximately 13.5% of our outstanding Common Stock. As a result, these stockholders are able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, appointment and removal of officers, any amendment of the amended and restated certificate of incorporation and approval of mergers and other business combination transactions requiring stockholder approval, including proposed transactions that would result in our stockholders receiving a premium price for their shares and other significant corporate transactions. This control could have the effect of delaying or preventing a change of control or changes in management and will make the approval of certain transactions difficult or impossible without the support of these stockholders.

Because our stock price has and will likely continue to be highly volatile, the market price for our Common Stock may be lower or more volatile than expected.

Our stock price has been highly volatile. From December 1, 2022 through March 31, 2023, the closing sale price of our Common Stock has been as low as $0.47 per share and as high as $2.64 per share. This extreme stock price volatility has been accompanied by extremely high trading volume in our Common Stock in comparison to historical experience. During this period, the average daily trading volume of our Common Stock has been approximately 3.2 million shares and on February 10, 2023, our trading volume exceeded 36.4 million shares.

The extreme increase in trading volume and volatility has not necessarily correlated to the company's announcement of material developments and often appears unrelated to changes in actual or expected operating performance. Purchases or sales of large quantities of our stock, including the establishment and/or closing of significant short positions in our stock could have an unusual or adverse effect on our market price. Market fluctuations may also cause short sellers to periodically enter the market in the belief that we will have poor results in the future. Abnormal trading activity, including activity that is considered market manipulation, can lead to irrational and/or temporary movements in the price of our Common Stock, which, in turn, may increase its risk and volatility. We cannot predict the actions of market participants and therefore, can offer no assurances that the market for our Common Stock will be stable or appreciate over time.

The market price of our Common Stock may be influenced by many factors, including:

- threatened or actual litigation or government investigations;
- additional sales of our securities by us, our directors, executive officers or principal stockholders;
- our operating and financial performance, quarterly or annual earnings relative to similar companies;

- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- the occurrence of severe weather conditions and other catastrophes;
- publication of research reports or news stories about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- announcements by us or our competitors of acquisitions, business plans or commercial relationships;
- any major change in our Board or senior management;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our securities;
- exposure to capital market risks related to changes in interest rates, realized investment losses, credit spreads, equity prices, foreign exchange rates and performance of insurance linked investments;
- our creditworthiness, financial condition, performance, and prospects;
- our dividend policy and whether dividends on our Common Stock have been, and are likely to be, declared and paid from time to time;
- perceptions of the investment opportunity associated with our securities relative to other investment alternatives;
- regulatory or legal developments;
- changes in general market, economic, and political conditions, as well as uncertainty resulting from the COVID-19 pandemic, geopolitical tensions, and other macroeconomic conditions;
- conditions or trends in our industry, geographies or customers; and
- changes in accounting standards, policies, guidance, interpretations or principles.

Litigation or legal proceedings could expose us to significant liabilities and have a negative impact on our reputation or business. For example, we are subject to securities litigation and our officers and directors are subject to a related derivative complaint, which are expensive and could divert management attention and adversely impact our business.

From time to time, we may be party to various claims and litigation proceedings. For example, in September 2021, a putative securities class action complaint was filed against us and certain of our officers and in March and June 2022, derivative complaints were filed against our officers and directors. These cases are still pending. See Note 10 - *Commitments and Contingencies* of our condensed consolidated financial statements included elsewhere in this Quarterly Report for more information. We evaluate these claims and litigation proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we may establish reserves, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from our assessments and estimates.

Even when not merited, the defense of these lawsuits is expensive and may divert management's attention, and we may incur significant expenses in defending these lawsuits. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some of these legal disputes may result in adverse monetary damages, penalties or injunctive relief against us, which could negatively impact our financial position, cash flows or results of operations. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

Furthermore, while we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if the insurers prevail, the amount of our recovery.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our securities adversely, the price and trading volume of our securities could decline.

The trading market for our securities will be influenced by the research and reports that industry or securities analysts may publish about us, our business, market or competitors. Securities and industry analysts do not currently, and may never, publish research on us. If no securities or industry analysts commence coverage of us, the price and trading volume of our securities would likely be negatively impacted. If any of the analysts who may cover us change their recommendation regarding our shares of Common Stock adversely, or provide more favorable relative recommendations about our competitors, the price of our shares of Common Stock would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

Future sales of our Common Stock into the public market could cause the market price of our Common Stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of Common Stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of Common Stock. We are unable to predict the effect that sales may have on the prevailing market price of Common Stock and Public Warrants.

To the extent our Warrants are exercised, additional shares of Common Stock will be issued, which will result in dilution to the holders of Common Stock and increase the number of shares eligible for resale in the public market. Sales, or the potential sales, of substantial numbers of shares in the public market by our stockholders could increase the volatility of the market price of Common Stock or adversely affect the market price of Common Stock.

In connection with the closing of the Business Combination, Novus's prior registration rights agreement was amended and restated to, among other things, (i) provide our stockholders with three demand registration rights; (ii) provide our stockholders and the Novus initial stockholders customary underwritten takedown rights (subject to customary priorities, minimums, frequency, and quantity limits, cutbacks, deferrals and other terms); and (iii) afford each of our stockholders and the Novus initial stockholders, on a *pari passu* basis, "piggy back" registration rights with respect to any underwritten offerings by the other stockholders and by us. The sale or possibility of sale of these additional securities trading in the public market may negatively impact the market price of our securities.

February 14, 2023, the Public Offering closed, and we issued and sold 46,000,000 shares of Common Stock. In addition, we have filed a registration statement on Form S-8 under the Securities Act registering the issuance of approximately 17.4 million shares of Common Stock subject to options or other equity awards issued or reserved for future issuance under our equity incentive plans. Shares registered under this registration statement on Form S-8 will be available for sale in the public market subject to vesting arrangements, exercise of options and settlement of restricted stock units.

Because we have no current plans to pay cash dividends on the Common Stock for the foreseeable future, you may not receive any return on investment unless you sell the Common Stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends as a public company in the future will be made at the discretion of our Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur. As a result, you may not receive any return on an investment in the Common Stock unless you sell your shares of Common Stock for a price greater than that which you paid for it.

Our amended and restated certificate of incorporation designates specific courts as the exclusive forum for certain stockholder litigation matters, which could limit the ability of our stockholders to obtain a favorable forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against current or former directors, officers or other employees for breach of fiduciary duty, other similar actions, any other action as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware and any action or proceeding concerning the validity of our amended and restated certificate of incorporation or our amended and restated bylaws may be brought only in the Court of Chancery in the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware does not have subject matter jurisdiction thereof, any state court located in the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware), unless we consent in writing to the selection of an alternative forum. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Our amended and restated certificate of incorporation also provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the U.S. shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. This provision may limit our stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us and our directors, officers or other employees and may have the effect of discouraging lawsuits against our directors, officers and other employees. Furthermore, our stockholders

may be subject to increased costs to bring these claims, and the exclusive forum provision could have the effect of discouraging claims or limiting investors' ability to bring claims in a judicial forum that they find favorable.

In addition, the enforceability of similar exclusive forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could rule that this provision in our amended and restated certificate of incorporation is inapplicable or unenforceable. In March 2020, the Delaware Supreme Court issued a decision in *Salzburg et al. v. Sciabacucchi*, which found that an exclusive forum provision providing for claims under the Securities Act to be brought in federal court is facially valid under Delaware law. We intend to enforce this provision, but we do not know whether courts in other jurisdictions will agree with this decision or enforce it. If a court were to find the exclusive forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, prospects, financial condition and operating results.

There is no guarantee that the Warrants will be in the money at the time they become exercisable, and they may expire worthless.

The exercise price for our Warrants is $11.50 per share of Common Stock. There is no guarantee that the Warrants will be in the money following the time they become exercisable and prior to their expiration, and as such, the Warrants may expire worthless.

We may amend the terms of the Warrants in a manner that may be adverse to holders with the approval by the holders of at least 50% of the then-outstanding Warrants. As a result, the exercise price of your Warrants could be increased, the exercise period could be shortened and the number of shares of Common Stock purchasable upon exercise of a Warrant could be decreased, all without your approval.

Our Warrants are issued in registered form under the Warrant Agreement, dated May 19, 2020, (the "Warrant Agreement"), between us and the Continental Stock Transfer & Trust Company, as the warrant agent. The Warrant Agreement provides that the terms of the Warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 50% of the then outstanding Warrants to make any other modifications or amendments. Accordingly, we may amend the terms of the Warrants in a manner adverse to a holder if holders of at least 50% of the then- outstanding Warrants approve of such amendment. Although our ability to amend the terms of the Warrants with the consent of at least 50% of the then outstanding Warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the Warrants, convert the Warrants into cash or stock (at a ratio different than initially provided), shorten the exercise period or decrease the number of shares of Common Stock purchasable upon exercise of a Warrant.

We may redeem unexpired Public Warrants prior to their exercise at a time that is disadvantageous to Warrant holders, thereby making such Warrants worthless.

We have the ability to redeem outstanding Public Warrants at any time after they become exercisable and prior to their expiration, at a price of $0.01 per Public Warrant, provided that the last reported sales price of Common Stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption and provided certain other conditions are met. If and when the Public Warrants become redeemable by us, we may not exercise our redemption right if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding Public Warrants could force you (a) to exercise your Public Warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (b) to sell your Public Warrants at the then-current market price when you might otherwise wish to hold your Public Warrants or (c) to accept the nominal redemption price which, at the time the outstanding Public Warrants are called for redemption, is likely to be substantially less than the market value of your Public Warrants.

In addition, we may redeem the Public Warrants after they become exercisable for a number of shares of Common Stock determined based on the redemption date and the fair market value of the Common Stock. Any such redemption may have similar consequences to a cash redemption described above. In addition, such redemption may occur at a time when the Public Warrants are "out- of-the-money," in which case, you would lose any potential embedded value from a subsequent increase in the value of the Common Stock had your Public Warrants remained outstanding.

You will be diluted by any exercises of outstanding Warrants and outstanding options, as well as settlement of outstanding restricted stock units, and/or the sale and issuance of our Common Stock pursuant to the Purchase Agreement with B. Riley Principal Capital, or the ATM Agreement with Cowen. In addition, we may issue additional shares of Common Stock or other equity securities convertible into Common Stock without your approval, which would dilute your ownership interests and may depress the market price of the Common Stock.

As of March 31, 2023, we had 13,241,617 Warrants, 1,278,878 options, and 2,576,486 restricted stock units outstanding. The exercise of such Warrants or options, and the settlement of such restricted stock units, will result in dilution of your investment and could negatively impact the market price of our Common Stock.

On December 15, 2021, we entered into the Purchase Agreement with B. Riley Principal Capital pursuant to which B. Riley Principal Capital committed to purchase up to $100 million of our Common Stock, subject to certain limitations and conditions set forth in the Purchase Agreement. See Note 15 - *Shareholders' Equity* to our condensed consolidated financial statements for additional information. For the year-ended December 31, 2022, we sold 3,509,685 shares of our Common Stock under the Purchase Agreement. The shares of our Common Stock that were and may be issued under the Purchase Agreement were and may be sold by us to B. Riley Principal Capital at our discretion from time to time over an approximately 24-month commencing on the Commencement Date, as defined in the Purchase Agreement. We may ultimately decide to sell more or all, of the shares of our Common Stock that may be available for us to sell to B. Riley Principal Capital pursuant to the Purchase Agreement. The purchase price for the shares that we sold and may sell to B. Riley Principal Capital under the Purchase Agreement will fluctuate based on the price of our Common Stock. Depending on market liquidity at the time, sales of such shares may cause the trading price of our Common Stock to fall.

After B. Riley Principal Capital has acquired the shares from us, B. Riley Principal Capital may resell more or all of those shares at any time or from time to time in its discretion. Therefore, sales to B. Riley Principal Capital by us could result in substantial dilution to the interests of other holders of our Common Stock. Additionally, the sale of a substantial number of shares of our Common Stock to B. Riley Principal Capital, or the anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a price that we might otherwise wish to effect sales.

On August 3, 2022, we entered into the ATM Agreement with Cowen, pursuant to which we may offer and sell, from time to time, through Cowen, shares of Common Stock, having an aggregate offering price up to $100 million. See Note 14 - *Shareholders' Equity* for additional information.

In February 2023, in order to raise capital to fund the Company's planned expenditures and meet its obligations, the Company completed an underwritten public offering (the "Public Offering") of 46,000 shares of Common Stock at a public offering price of $1.00 per share and received approximately $43,038 in net proceeds, after deducting underwriting discounts and commissions of $2,400, and offering costs of $562.

We may also issue additional shares of Common Stock or other equity securities of equal or senior rank in the future in connection with, among other things, future acquisitions or repayment of outstanding indebtedness, without stockholder approval, in a number of circumstances.

The issuance of additional shares or other equity securities of equal or senior rank would have the following effects:

- existing stockholders' proportionate ownership interest in us will decrease;
- the amount of cash available per share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding share of Common Stock may be diminished; and
- the market price of our Common Stock may decline.

Anti-takeover provisions in our amended and restated certificate of incorporation and under Delaware law could make an acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our then current management.

Our amended and restated certificate of incorporation contains provisions that may delay or prevent an acquisition of our company or a change in our management. These provisions may make it more difficult for stockholders to replace or remove members of our Board. Because the Board is responsible for appointing the members of the management team, these provisions could in turn frustrate or prevent any attempt by our stockholders to replace or remove our current management. In addition, these provisions could limit the price that investors might be willing to pay in the future for shares of Common Stock. Among other things, these provisions include:

- the limitation of the liability of, and the indemnification of, our directors and officers;
- a prohibition on actions by our stockholders except at an annual or special meeting of stockholders;
- a prohibition on actions by our stockholders by written consent; and
- the ability of the Board to issue preferred stock without stockholder approval, which could be used to institute a "poison pill" that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by the Board.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the DGCL, which prohibits a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired 15% or more of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. This could discourage, delay or prevent a third party from acquiring or merging with us, whether or not we are desired by, or beneficial to, our stockholders. This could also have the effect of discouraging others from making tender offers for the Common Stock, including transactions that may be in our stockholders' best interests. Finally, these provisions establish advance notice requirements for nominations for election to the Board or for proposing matters that can be acted upon at stockholder meetings. These provisions would apply even if the offer may be considered beneficial by some stockholders.

Our status as a public benefit corporation could make an acquisition of our company, which may be beneficial to our stockholders, more difficult.

While Delaware common law, as stated in *Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc.*, and related cases, may impose upon directors of a traditional corporation a duty to maximize short-term stockholder value in certain "sale of the company" transactions, a public benefit corporation board's decision-making would not be subject to those same constraints. As a public benefit corporation, our Board would need to take into account interests other than short-term stockholder value when evaluating a sale, and this balancing of interests may result in accepting a bid that may not maximize short-term stockholder value. This does not mean that, as a public benefit corporation, our Board's balancing of interests would preclude us from accepting a bid that maximizes short-term stockholder value. Rather, our Board would weigh the merits of accepting the short-term value offered by a bid against other options that may generate greater long-term value or have other meaningful effects on those materially affected by our conduct or public benefit purpose and, if appropriate, could accept a bid that does not maximize short-term value. Our Board would also be able to reject a bid in favor of pursuing other stakeholder interests or the specified public benefit, to the detriment of stockholders.

In addition, Article VIII of our amended and restated certificate of incorporation provides that we shall not, either directly or indirectly, merge or consolidate with or into another entity if, as a result of such merger or consolidation, our capital stock would become, or be converted into or exchange for the right to receive, shares or other equity interests in a domestic or foreign corporation that is not a public benefit corporation or similar entity and the certificate of incorporation (or similar governing document) of which does not contain identical provisions to Article III of our amended and restated certificate of incorporation identifying the public benefit or public benefits, unless we have obtained, in addition to any affirmative vote required by law or by our amended and restated certificate of incorporation, the affirmative vote of the holders of at least 66 2⁄3% of the voting power of all of the then-outstanding shares our capital stock entitled to vote generally in the election of directors, voting as a single class. This provision of our amended and restated certificate of incorporation would require us to obtain a super-majority vote in order to merge or consolidate with an entity that is not a public benefit corporation, which could discourage acquisition offers that may otherwise be beneficial to stockholders.

General Risk Factors

If we fail to retain and motivate members of our management team or other key employees, our business and future growth prospects would be harmed.

Our success and future growth depend largely upon the continued services of our executive officers as well as other key employees. These executives and key employees have been primarily responsible for determining the strategic direction of the business and executing our growth strategy and are integral to our brand, culture and reputation with distributors and others in the industry. Reduction in force actions, such as the cost-saving measures taken in fiscal 2022, could result in difficulty in rehiring capable employees to refill the positions eliminated as needed once business recovers. From time to time, there may be changes in our executive management team or other key employees resulting from the hiring or departure of these personnel. The loss of one or more of executive officers, or the failure by the executive team to effectively work with employees and lead the company, could harm our business.

We will continue to incur significant costs as a result of operating as a public company, and our management will continue to devote substantial time to compliance initiatives.

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses. As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules adopted, and to be adopted, by the SEC and Nasdaq. Our management and other personnel need to continue to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations have increased, and will continue to increase, our legal and financial compliance costs and make some activities more time- consuming and costly. The increased costs may increase our net loss. For example, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be forced to accept reduced policy limits or incur substantially higher costs to maintain the same or similar coverage as we did prior to becoming a public company. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in future uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board, our board committees or as our executive officers.

We are a "smaller reporting company" and have elected to comply with reduced public company reporting requirements, which could make our Common Stock less attractive to investors.

Because our annual revenue was less than $100.0 million during the most recently completed fiscal year and the market value of our voting and non-voting Common Stock held by non-affiliates was less than $560.0 million measured on the last business day of our second fiscal quarter, we qualify again as a "smaller reporting company" as defined in the Exchange Act. Accordingly, we may provide less public disclosure than larger public companies, including the inclusion of only two years of audited financial statements and only two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosure. We are also no longer required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests. We cannot predict if investors will find our Common Stock less attractive as a result of our reliance on these exemptions. If some investors find our Common Stock less attractive as a result of any choice we make to reduce disclosure, there may be a less active trading market for our Common Stock and the market price for our Common Stock may be more volatile.

We have a significant amount of long-lived assets, which are assessed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In addition, we may never realize the full value of our long-lived assets, causing us to record material impairment charges.

We are required to assess our long-lived assets, principally property and equipment, for impairment if conditions indicate that an impairment may have occurred. As more fully described in our Annual Report on Form 10-K in Notes 2 and 7 to the consolidated financial statements, during 2022, we recorded impairment losses for certain long-lived assets. We evaluated our long-lived assets for recoverability after identifying indicators of impairment at December 31, 2022, and determined that certain assets were not recoverable and were impaired. As a result, the Company recognized a $50.1 million impairment loss at December 31, 2022, which is the amount by which the carrying value exceeded the fair value of these assets. This is in addition to the $1.1 million impairment related to the restructuring of Root AI as discussed in Note 4 – *Restructuring* in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 15, 2023.

The high-tech greenhouse agriculture business is extremely capital-intensive. Future impairment of long-lived assets could be recorded in results of operations as a result of changes in assumptions, estimates, or circumstances, some of which are beyond our control. There can be no assurance that a material impairment charge of long-lived assets will be avoided. We can provide no assurance that a material impairment loss of long-lived assets will not occur in a future period, and the risk of future material impairments has been significantly heightened as result of our liquidity profile. Such impairment charges could have a material adverse effect on our business, results of operations and financial condition.

Changes in tax laws may materially adversely affect our business, prospects, financial condition and operating results.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which could adversely affect our business, prospects, financial condition and operating results. Further, existing tax laws, statutes,

rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. For example, U.S. federal tax legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act (the "Tax Act"), enacted many significant changes to the U.S. tax laws. Future guidance from the U.S. Internal Revenue Service (the "IRS") with respect to the Tax Act may affect us, and certain aspects of the Tax Act could be repealed or modified in future legislation. The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") has already modified certain provisions of the Tax Act. Recently, the United States passed the Inflation Reduction Act, which provides for a minimum tax equal to 15% of the adjusted financial statement income of certain large corporations, as well as a 1% excise tax on certain share buybacks by public corporations that would be imposed on such corporations. Such tax law changes could have a material adverse impact on us. In addition, it is uncertain if and to what extent various states will conform to any newly enacted federal tax legislation.

While it is too early to assess the overall impact of these changes, as these and other tax laws and related regulations are revised, enacted, and implemented, our financial condition, results of operations, and cash flows could have a material adverse impact.

Our ability to use net operating loss carryforwards and other tax attributes may be limited.

We have incurred losses during our history and do not expect to become profitable in the near future, and may never achieve profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire, if at all. As of December 31, 2022, we had U.S. federal net operating loss carryforwards of approximately $224.2 million.

Under the Tax Act, as modified by the CARES Act, U.S. federal net operating loss carryforwards generated in taxable periods beginning after December 31, 2017, may be carried forward indefinitely, but the deductibility of such net operating loss carryforwards in taxable years beginning after December 31, 2020, is limited to 80% of taxable income. It is uncertain if and to what extent various states will conform to the Tax Act or the CARES Act.

In addition, our net operating loss carryforwards are subject to review and possible adjustment by the IRS, and state tax authorities. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), our federal net operating loss carryforwards and other tax attributes may become subject to an annual limitation in the event of certain cumulative changes in our ownership. An "ownership change" pursuant to Section 382 of the Code generally occurs if one or more stockholders or groups of stockholders who own at least 5% of a company's stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Our ability to utilize our net operating loss carryforwards and other tax attributes to offset future taxable income or tax liabilities may be limited as a result of ownership changes, including potential changes in connection with the business combination or other transactions. Similar rules may apply under state tax laws. If we earn taxable income, such limitations could result in increased future income tax liability to us and our future cash flows could be adversely affected. We have recorded a valuation allowance related to our net operating loss carryforwards and other deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of AppHarvest, Inc.	Form 8-K	001-39288	3.1	February 2, 2021
3.2	Amended and Restated Certificate of Bylaws of AppHarvest, Inc.	Form 8-K	001-39288	3.2	February 2, 2021
10.1	Second Addendum to Credit Agreement between AppHarvest Morehead Farm, LLC, and Rabo AgriFinance, LLC dated February 2, 2023.	Form 8-K	001-39288	10.1	February 3, 2023
10.2	Master Security Agreement between AppHarvest Morehead Farm, LLC, and Rabo AgriFinance, LLC dated February 2, 2023.	Form 8-K	001-39288	10.2	February 3, 2023
10.3	First Amendment to Master Credit Agreement between AppHarvest Morehead Farm, LLC, and Rabo AgriFinance, LLC dated March 31, 2023.	Form 8-K	001-39288	10.1	April 6, 2023
10.4	Amended Employment Agreement, dated February 20, 2023, by and between AppHarvest and Loren Eggleton.	Form 10-K	001-39288	10.40	March 15, 2023
10.5	Retention Bonus Agreement, dated February 20, 2023, by and between AppHarvest and Loren Eggleton.	Form 10-K	001-39288	10.41	March 15, 2023
10.6	Amended Retention Bonus, dated March 14, 2023, by and between AppHarvest and Loren Eggleton.	Form 10-K	001-39288	10.42	March 15, 2023
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy 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 (formatted as Inline XBRL and contained in Exhibit 101)				

* Filed herewith.
** In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule:
Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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 hereunto duly authorized.

APPHARVEST, INC.
(Registrant)

Date: May 10, 2023

By: /s/ Loren Eggleton
Loren Eggleton
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jonathan Webb, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AppHarvest, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date:	May 10, 2023	/s/ Jonathan Webb
		Jonathan Webb
		Chief Executive Officer, and Chairperson
		(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Loren Eggleton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AppHarvest, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	May 10, 2023	/s/ Loren Eggleton
		Loren Eggleton
		Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of AppHarvest, Inc., (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan Webb, Chief Executive Officer of the Company, certify, based on my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report 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:	May 10, 2023	/s/ Jonathan Webb
		Jonathan Webb
		Chief Executive Officer, and Chairperson
		(Principal Executive Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of AppHarvest, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of AppHarvest, Inc., (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Loren Eggleton, Chief Financial Officer of the Company, certify, based on my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report 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: May 10, 2023

/s/ Loren Eggleton
Loren Eggleton
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of AppHarvest, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.