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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to assist in the understanding and assessing the trends and significant changes in our results of operations and financial condition. Historical results may not be indicative of future performance. This discussion includes forward-looking statements that reflect our plans, estimates and beliefs. Such statements involve risks and uncertainties. Our actual results may differ materially from those contemplated by these forward-looking statements as a result of various factors, including those set forth in "Risk Factors" in Part I, Item 1A and "Cautionary Statement Regarding Forward-Looking Statements" of our Annual Report on Form 10-K for the year ended December 31, 2019.

This MD&A should be read in conjunction with the condensed consolidated financial statements and related notes. Financial information presented in this MD&A is presented in thousands of United States ("U.S.") dollars, unless otherwise indicated.

Overview

Acreage Holdings, Inc. ("Acreage", "we", "our" or the "Company") is a vertically integrated, multi-state operator of cannabis licenses and assets in the United States. Our operations include (i) cultivating cannabis plants, (ii) manufacturing branded consumer products, (iii) distributing cannabis flower and manufactured products, and (iv) retailing high-quality, effective and dosable cannabis products to consumers. We appeal to medical and adult-use customers through brand strategies intended to build trust and loyalty.

<u>Highlights from the three and six months ended June 30, 2019</u>

- We closed our acquisition of Acreage Florida, Inc. effective January 4, 2019. Acreage Florida has a vertically integrated cannabis license in Florida, which allows for growing, processing, and retail dispensary operations in Florida.
- We signed an agreement to acquire Kanna, Inc., a dispensary license holder in California.
- We closed our acquisition of Form Factory Holdings, LLC ("Form Factory"), a manufacturer and distributor of cannabis-based edibles and beverages.
- We entered into an arrangement agreement giving Canopy Growth Corporation ("Canopy Growth"), a world-leading diversified cannabis and hemp company, the right to acquire 100% of the shares of Acreage, with a requirement to do so at such time as cannabis production and sale become federally legal in the U.S. A payment of $300 million was made to Acreage shareholders upon implementation of the arrangement, which occurred effective June 27, 2019. In addition, Acreage is entitled to use certain of Canopy Growth Corporation's portfolio of intellectual property on a no-fee basis. Please see Item 1 entitled "Business" of our annual report on Form 10-K for additional information about the arrangement with Canopy Growth.
- We closed on our definitive agreement to purchase Thames Valley Apothecary, LLC, a licensed dispensary in Connecticut, increasing our footprint to three dispensaries in the state.
- We acquired the remaining 70% ownership interest in NCC, LLC ("NCC"), a dispensary license holder in Illinois.

<u>Operational and Regulation Overview</u>

We believe Acreage's operations are in material compliance with all applicable state and local laws, regulations and licensing requirements in the states which we operate. However, cannabis is illegal under U.S. federal law. Substantially all our revenue is derived from U.S. cannabis operations. For information about risks related to U.S. cannabis operations, please refer to Item 1A entitled "Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2019.

Results of Operations

The following table presents selected financial data derived from the consolidated financial statements of the Company for the three and six months ended June 30, 2019, compared to the three and six months ended June 30, 2018. The selected financial information set out below may not be indicative of the Company's future performance.

Summary Results of Operations $ in thousands, except per share amounts	**Three Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**		**Six Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**	
	2019	2018	$	%	2019	2018	$	%
Revenues, net	$ 17,745	$ 2,991	$ 14,754	493 %	$ 30,642	$ 5,188	$ 25,454	491 %
Operating loss	(45,660)	(4,377)	(41,283)	(943)%	(77,673)	(8,415)	(69,258)	(823)%
Net loss attributable to Acreage	(37,541)	14,962	(52,503)	351 %	(60,918)	10,126	(71,044)	n/m
Basic and diluted loss per share attributable to Acreage	(0.44)	0.29	(0.73)	(102)%	$ (0.74)	$ 0.20	$ (0.94)	(114)%

<u>Revenues, net, cost of goods sold and gross profit</u>

The Company derives its revenues from sales of cannabis and cannabis-infused products through retail dispensary, wholesale, manufacturing and cultivation businesses, as well as from management or consulting fees from entities for whom we provide management or consulting services. As of June 30, 2019, Acreage owned and operated five dispensaries in Oregon (three in Portland, one in Eugene and one in Springfield), four in New York (Buffalo, Farmingdale, Middletown, and Queens), three in Connecticut (Bethel, South Windsor and Uncasville), one in Baltimore, Maryland, one in Worcester, Massachusetts, one in Rolling Meadows, Illinois and one in Fargo, North Dakota. Acreage has cultivation facilities in Sinking Spring, Pennsylvania, Sterling, Massachusetts, Syracuse, New York, Freeport, Illinois and Cedar Rapids, Iowa. Acreage also collects management services revenues, substantially all in Maine.

Gross profit is revenue less cost of goods sold. Cost of goods sold include costs directly attributable to inventory sold such as direct material, labor, and overhead. Such costs are further affected by various state regulations that limit the sourcing and procurement of cannabis and cannabis-related products, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes.

Gross profit in thousands	**Three Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**		**Six Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**	
	2019	2018	$	%	2019	2018	$	%
Retail revenue, net	$ 13,351	$ 2,907	$ 10,444	359 %	$ 23,260	$ 5,104	$ 18,156	356 %
Wholesale revenue, net	4,128	44	4,084	n/m	6,943	44	6,899	n/m
Other revenue, net	266	40	226	n/m	439	40	399	n/m
Total revenues, net	$ 17,745	$ 2,991	$ 14,754	493 %	$ 30,642	$ 5,188	$ 25,454	491 %
Cost of goods sold, retail	(8,193)	(1,536)	(6,657)	(433)	(14,074)	(2,825)	(11,249)	(398)
Cost of goods sold, wholesale	(1,939)	(112)	(1,827)	n/m	(3,635)	(179)	(3,456)	n/m
Total cost of goods sold	$(10,132)	$ (1,648)	$ (8,484)	(515)%	$(17,709)	$ (3,004)	$(14,705)	(490)%
Gross profit	$ 7,613	$ 1,343	$ 6,270	467 %	$ 12,933	$ 2,184	$ 10,749	492 %
Gross margin	43%	45%		(2)%	42%	42%		— %

The increase in total revenues during the three months ended June 30, 2019 was primarily driven by acquisitions, which contributed 356%. Acquisitions drove 372% of the retail revenue increase. The increase in wholesale revenue was primarily driven by our Pennsylvania cultivation facility.

The increase in total revenues during the six months ended June 30, 2019 was primarily driven by acquisitions, which contributed 359%. Acquisitions drove 371% of the retail revenue increase. The increase in wholesale revenue was primarily driven by our Pennsylvania cultivation facility.

The increase in total cost of goods sold during the three months ended June 30, 2019 was primarily driven by acquisitions, which contributed 367%. Acquisitions contributed 397% to the retail costs of goods sold,. The increase in wholesale cost of goods sold was primarily driven by our Pennsylvania cultivation facility.

The increase in total cost of goods sold during the six months ended June 30, 2019 was primarily driven by acquisitions, which contributed 346%. Acquisitions contributed 383% to the retail and wholesale costs of goods sold. The increase in wholesale cost of goods sold was primarily driven by our Pennsylvania cultivation facility.

The increase in gross profit was driven by the factors discussed above. Acquisitions contributed 342% to the increase. Gross margin for the three months ended June 30, 2019 was 42.9%, compared to 44.9% for the three months ended June 30, 2018.

The increase in gross profit was driven by the factors discussed above. Acquisitions contributed 278% to the increase. Gross margin for the six months ended June 30, 2019 was 42.2%, compared to 42.1% for the six months ended June 30, 2018.

Revenue by geography

While the Company operates under one operating segment, the production and sale of cannabis products, the below revenue breakout by geography is included as management believes it provides relevant and useful information to investors.

Revenue by region in thousands	**Three Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**		**Six Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**	
	2019	2018	$	%	2019	2018	$	%
New England	$ 8,533	$ 794	$ 7,739	975%	$ 15,617	$ 794	$ 14,823	n/m
Mid-Atlantic	4,530	—	4,530	n/m	7,623	—	7,623	n/m
Midwest	1,845	—	1,845	n/m	2,441	—	2,441	n/m
West	2,861	2,197	664	30%	4,985	4,394	591	13%
South	—	—	—	n/m	—	—	—	n/m
Eliminations	(24)	—	(24)	n/m	(24)	—	(24)	n/m
Total revenues, net	$ 17,745	$ 2,991	$ 14,754	493%	$ 30,642	$ 5,188	$ 25,454	491%

Total operating expenses

Total operating expenses consist primarily of compensation expense at our corporate offices as well as operating subsidiaries, professional fees, which includes, but is not limited to, legal and accounting services, depreciation and other general and administrative expenses.

Operating expenses in thousands	**Three Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**		**Six Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**	
	2019	2018	$	%	2019	2018	$	%
General and administrative	$ 17,904	$ 2,645	$ (15,259)	(577)%	$ 28,062	$ 4,441	$ (23,621)	(532)%
Compensation expense	11,252	2,040	(9,212)	(452)%	17,741	4,408	(13,333)	(302)%
Equity-based compensation expense	20,693	352	(20,341)	n/m	39,670	853	(38,817)	n/m
Marketing	1,201	418	(783)	(187)%	2,002	622	(1,380)	(222)%
Depreciation and amortization	2,223	265	(1,958)	(739)%	3,131	275	(2,856)	n/m
Total operating expenses	$ 53,273	$ 5,720	$ (47,553)	(831)%	$ 90,606	$ 10,599	$ (80,007)	(755)%

Increases to compensation expense during both the three and six months ended June 30, 2019 and 2018 were primarily driven by stock compensation to attract and retain talent and increased headcount to scale our operations. Increases to general and administrative expenses were primarily driven by the increased volume and complexity of services such as legal and other professional services required as the Company's operations increased during the three and six months ended June 30, 2019 and 2018.

Total other income (loss)

Other income (loss) $ in thousands	**Three Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**		**Six Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**	
	2019	2018	$	%	2019	2018	$	%
Income (loss) from investments, net	$ (499)	$ 21,559	$ (22,058)	n/m	$ 2,228	$ 21,777	$ (19,549)	n/m
Interest income from loans receivable	1,001	43	958	n/m	1,731	134	1,597	n/m
Interest expense	(131)	(1,119)	988	88 %	(249)	(2,170)	1,921	89 %
Other loss, net	(2,400)	(1,006)	(1,394)	(139)%	(2,308)	(1,048)	(1,260)	(120)%
Total other income (loss)	$ (2,029)	$ 19,477	$ (21,506)	(110)%	$ 1,402	$ 18,693	$ (17,291)	(92)%

The decline in income (loss) from investments, net was due to the roll up of our investments to consolidated subsidiaries during the three and six months ended June 30, 2018. The improvement to other loss, net was driven by increased expenses related to our public listing incurred during the three and six months ended June 30, 2018. The decline in interest expense during the three and six months ended June 30, 2019 compared to the same periods in the prior year was due to the conversion of our convertible notes to equity at the time of our public listing. Interest income from loans receivable increased as our amount of outstanding loans increased.

Net loss

Net loss $ in thousands	**Three Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**		**Six Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**	
	2019	2018	$	%	2019	2018	$	%
Net income (loss)	$ (49,265)	$ 14,809	$ (64,074)	n/m	$ (80,069)	$ 9,817	$ (89,886)	n/m
Less: net loss attributable to non-controlling interests	(11,724)	(153)	(11,571)	n/m	(19,151)	(309)	(18,842)	n/m
Net income (loss) attributable to Acreage Holdings, Inc.	$ (37,541)	$ 14,962	$ (52,503)	n/m	$ (60,918)	$ 10,126	$ (71,044)	n/m

The increases in net loss are driven by the factors discussed above.

The increase in loss allocated to the non-controlling interests was driven by the shift in ownership structure resulting from the RTO transaction. Certain former HSCP members contributed their units in HSCP to Acreage Holdings, WC, Inc. (“USCo2”) in exchange for non-voting shares of USCo2, and certain executive employees and profits interests holders remained unitholders of HSCP. These non-voting shares and units are exchangeable for either one Subordinate Voting Share of the Company or cash, as determined by the Company.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Sources and uses of cash

Our primary uses of capital include acquisitions, capital expenditures, servicing of outstanding debt and operating expense. Our primary sources of capital include funds generated by cannabis sales as well as financing activities. To date, we have primarily used private financing as a source of liquidity for short-term working capital needs and general corporate purposes. In February 2020, we closed on a financing transaction described in detail in Note 17, entitled Subsequent Events in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Our ability to fund our operations, capital expenditures, acquisitions, and other obligations depends on our future operating performance and ability to obtain financing, which are subject to prevailing economic conditions, as well a financial, business and other factors, some of which are beyond our control.

We expect that our cash on hand and cash flows from operations, along with our ability to obtain private and/or public financing, will be adequate to support the capital needs of the existing operations as well as expansion plans for the next 12 months. While our liquidity risk has increased since our RTO transaction as a result of the Company's rapid growth and continued expansion resulted in negative operating cash flow for the year ended December 31, 2019, we believe we have alleviated the risk. See Item 7A - "*Liquidity Risk*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Cash flows

Cash and cash equivalents were $84,489 as of June 30, 2019, a decline of $8,760 from June 30, 2018. The following table details the change in cash, cash equivalents and restricted cash for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Cash flows $ in thousands	**Six Months Ended June 30,**		**Better/(Worse) 2019 vs. 2018**	
	2019	2018	$	%
Net cash provided by (used in) operating activities	$ (37,246)	$ (15,104)	$ (22,142)	(147)%
Net cash provided by (used in) investing activities	41,074	(9,285)	50,359	n/m
Net cash provided by (used in) financing activities	(24,282)	101,138	(125,420)	n/m
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (20,454)	$ 76,749	$ (97,203)	n/m

<u>Net cash used in operating activities</u>
The increases in cash used in operating activities were primarily driven by an increase in general and administrative and compensation expenses during the six months ended June 30, 2019 and compared to the six months ended June 30, 2018.

<u>Net cash provided by (used in) investing activities</u>
Cash provided by investing activities during the six months ended June 30, 2019 was primarily driven by the maturing of short-term investments, which contributed $149,828. Partially offsetting this cash receipt were cash disbursements of $76,917 spent on the advanced payments and purchases of cannabis license holders and management contracts, $20,291 spent on capital expenditures to build out our owned operations and $11,550 advanced to entities, net of collections, with which we have a management or consulting services arrangement.

Cash used in investing activities during the six months ended June 30, 2018 was primarily driven by $12,536 spent on the advanced payments and purchases of cannabis license holders and management contracts and $3,940 spent on capital expenditures to build out our owned operations. Proceeds of $9,634 related to the sale of an investment partially offset these outflows.

<u>Net cash provided by (used in) financing activities</u>
Cash used in financing activities during the six months ended June 30, 2019 was primarily driven by $12,075 in debt repayments, $7,909 paid to settle taxes withheld, and $4,298 related to net capital distributions for non-controlling interests.

Cash provided by financing activities during the six months ended June 30, 2018 was primarily driven by $101,785 in net proceeds from our Series E funding round and $2,750 in net capital contributions from non-controlling interests. Partially offsetting these proceeds were $2,493 in debt repayments.

Capital Resources

Capital structure and debt

Our debt outstanding as of June 30, 2019 and December 31, 2018 is as follows:

Debt balances	**June 30, 2019**	**December 31, 2018**
NCCRE loan	$ 502	$ 511
Seller's notes	3,058	15,124
Related party debt	—	—
Financing liability	—	—
Finance lease liabilities	877	—
Total debt	**$ 4,437**	**$ 15,635**
Less: current portion of debt	3,091	15,144
Total long-term debt	**$ 1,346**	**$ 491**

Commitments and contingencies

Commitments

The Company provides revolving lines of credit to several of its portfolio companies. Refer to Note 6 of our annual report on Form 10-K for further information.

Definitive agreements

On April 17, 2019, the Company entered into a definitive agreement to acquire Deep Roots, a vertically integrated license holder in Nevada, for consideration of 4,762 HSCP units (valued at approximately $78,144 based on the June 30, 2019 closing price of $16.41 per share) and $20,000 in cash. We announced the termination of the agreement by Deep Roots on April 3, 2020 following March 31, 2020, the end date for consummating the transaction. The agreement was terminated due to the ongoing moratorium imposed by the Nevada Department of Taxation. The delay prevented the parties from obtaining the consents, approvals and authorizations necessary to consummate the merger prior to the outside date provided in the agreement.

During the year ended December 31, 2018, the Company entered into a definitive agreement to acquire all ownership interests in GCCC Management, LLC, a management company overseeing the operations of Greenleaf Compassionate Care Center, Inc., a non-profit cultivation and processing facility in Rhode Island, for cash consideration of $10,000. The agreement terminated in April 2020.

Canopy Growth

On June 19, 2019, the shareholders of the Company and of Canopy Growth Corporation ("Canopy Growth") separately approved the proposed transaction between the two companies, and on June 21, 2019, the Supreme Court of British Columbia granted a final order approving the arrangement. Effective June 27, 2019, the articles of the Company were amended to provide Canopy Growth with the option (the "Canopy Growth Call Option") to acquire all of the issued and outstanding shares in the capital of the Company (each, an "Acreage Share"), with a requirement to do so upon a change in federal laws in the United States to permit the general cultivation, distribution and possession of marijuana (as defined in the relevant legislation) or to remove the regulation of such activities from the federal laws of the United States (the "Triggering Event"), subject to the satisfaction of the conditions set out in the arrangement agreement entered into between Acreage and Canopy Growth on April 18, 2019, as amended on May 15, 2019 (the "Arrangement Agreement"). Holders of Acreage Shares and certain securities convertible or exchangeable into Class A subordinate voting shares of Acreage (the "Subordinate Voting Shares") as of the close of business on June 26, 2019, received approximately $2.63, being their pro rata portion (on an as converted to Subordinate Voting Share basis) of $300,000 (the "Option Premium") paid by Canopy Growth to such persons as consideration for granting the Canopy Growth Call Option. The Option Premium was distributed to such holders of record on or before July 3, 2019.

Upon the occurrence of the Triggering Event, Canopy Growth is required to exercise the Canopy Growth Call Option and, subject to the satisfaction or waiver of the conditions to closing set out in the Arrangement Agreement, acquire (the "Acquisition") each of the Subordinate Voting Shares of Acreage (following the automatic conversion of the Class B proportionate voting shares and Class C multiple voting shares of Acreage into Subordinate Voting Shares) for the payment of 0.5818 of a common share of Canopy Growth (each whole common share, a "Canopy Growth Share") per Subordinate Voting Share (subject to adjustment in accordance with the terms of the Arrangement Agreement) (the "Exchange Ratio").

HSCP unit holders will be required to convert their units within three years following the closing of the Arrangement as will holders of non-voting shares of USCo2.

The Company will be permitted to issue up to an additional 58 million Subordinate Voting Shares (of which approximately 56 million remained available for issuance as of June 30, 2019) without any adjustment being required to the Exchange Ratio. The HSCP units to be issued upon closing of Deep Roots discussed above also do not impact the Exchange Ratio. The Exchange Ratio is subject to adjustment in the circumstances set out in the Arrangement Agreement.

Surety bonds

The Company has indemnification obligations with respect to surety bonds primarily used as security against non-performance in the amount of $5,000 as of June 30, 2019, for which no liabilities are recorded on the unaudited Condensed Interim Consolidated Statements of Financial Position.

The Company is subject to other capital commitments and similar obligations. As of June 30, 2019 and 2018, such amounts were not material.

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as of June 30, 2019, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

The Company may be, from time to time, subject to various administrative, regulatory and other legal proceedings arising in the ordinary course of business. Contingent liabilities associated with legal proceedings are recorded when a liability is probable, and the contingent liability can be reasonably estimated.

New York outstanding litigation

On November 2, 2018, EPMMNY LLC ("EPMMNY") filed a complaint in the Supreme Court of the State of New York, County of New York, asserting claims against 16 defendants, including NYCANNA, Impire State Holdings LLC, NY Medicinal Research & Caring, LLC (each, a wholly-owned subsidiary of High Street) and High Street. The Index Number for the action is 655480/2018. EPMMNY alleges that it was wrongfully deprived of a minority equity interest and management role in NYCANNA by its former partner, New Amsterdam Distributors, LLC, which attempted to directly or indirectly sell or transfer EPMMNY's alleged interest in NYCANNA to other entities in 2016 and 2017, including Impire, NYMRC and High Street. EPMMNY alleges that it is entitled to the value of its alleged minority interest in NYCANNA or minority ownership in NYCANNA. EPMMNY also alleges that certain defendants misused its alleged intellectual property and/or services, improperly solicited its employees, and aided and abetted or participated in the transfer of equity and/or business opportunities from EPMMNY. High Street intends to vigorously defend this action, which the Company firmly believes is without merit. EPMMNY alleges that it was improperly deprived of its equity stake in NYCANNA before NYCANNA was acquired by High Street. High Street is also entitled to full indemnity from the claims asserted against it by EPMMNY pursuant to the purchase agreement pertaining to its acquisition of NYCANNA and personal guarantee by the largest shareholders of the seller. The defendants filed a motion to dismiss on April 1, 2019.

Contractual obligations

Our contractual obligations include amounts reflected on our balance sheet, as well as off-balance sheet arrangements. There were no material changes in our contractual obligations during the three and six months ended June 30, 2019 and 2018.

Critical accounting policies and estimates

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are evaluated on an ongoing basis and are based on historical experience and other assumptions that we believe are reasonable.

The estimates and assumptions management believes could have a significant impact on our financial statements are discussed below. For a summary of our significant accounting policies, refer to Note 2 of the Condensed Consolidated Financial Statements.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. It is possible, however, that at some future date, an additional liability could result from audits by taxing authorities. If the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Business combinations

The Company must assess whether an entity being purchased constitutes a business, which requires an assessment of inputs and processes in place at the acquiree. The fair value of assets acquired and liabilities assumed requires management to make significant estimates. Judgment is required to determine when the Company gains control of an investment. This requires an assessment of the relevant activities of the investee that significantly affect its returns, including operating and capital expenditure decision-making, financing of the investee, key management personnel changes and when decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors. Investments in which the Company does not gain control are accounted for as equity-method investments (if the Company has significant influence) or as investments held at fair value with changes recognized through net income (if the Company has no significant influence). Refer to Note 3 and Note 4 of the Condensed Consolidated Financial Statements for further discussion.

Impairment on notes receivable

At each reporting date the Company assesses whether the credit risk on its promissory notes receivable has increased significantly since initial recognition.

Impairment of intangible assets

Goodwill and indefinite-lived intangible assets are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Finite-lived intangible assets and other long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Emerging growth company status

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this exemption from new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that have made this election.

For as long as we continue to be an emerging growth company, we intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our subordinate voting shares less attractive because we will rely on these exemptions. If some investors find our subordinate voting shares less attractive as a result, there may be a less active trading market for our subordinate voting shares and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the last day of the year in which we have total annual gross revenue of $1.07 billion or more; (ii) the last day of the year following the fifth anniversary of the first sale of common equity securities pursuant to an effective registration under the Securities Act; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.