Item 8. Financial Statements and Supplementary Data.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Acreage Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Acreage Holdings, Inc. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2019.

New York, NY
May 1, 2023

ACREAGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands)	December 31, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	$ 24,067	$ 43,180
Restricted cash	—	1,098
Accounts receivable, net	10,512	8,202
Inventory	49,446	41,804
Notes receivable, current	29,191	7,104
Assets held-for-sale	—	8,952
Other current assets	4,977	2,639
Total current assets	118,193	112,979
Long-term investments	34,046	35,226
Notes receivable, non-current	—	27,563
Capital assets, net	133,405	126,797
Operating lease right-of-use assets	22,443	24,598
Intangible assets, net	35,124	119,695
Goodwill	13,761	43,310
Other non-current assets	3,601	1,383
Total non-current assets	242,380	378,572
TOTAL ASSETS	$ 360,573	$ 491,551
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ 29,566	$ 23,861
Taxes payable	24,226	24,572
Interest payable	2,575	1,432
Operating lease liability, current	2,443	2,145
Debt, current	1,584	1,583
Non-refundable deposits on sale	—	1,000
Liabilities related to assets held for sale	—	1,867
Other current liabilities	11,939	10,333
Total current liabilities	72,333	66,793
Debt, non-current	213,496	169,151
Operating lease liability, non-current	21,692	24,255
Deferred tax liability	9,623	27,082
Other liabilities	3,250	—
Total non-current liabilities	248,061	220,488
TOTAL LIABILITIES	320,394	287,281
Commitments and contingencies		
Common stock, no par value - unlimited authorized, 112,437 and 106,903 issued and outstanding, respectively	—	—
Additional paid-in capital	760,529	756,536
Treasury stock, 842 common stock held in treasury	(21,054)	(21,054)
Accumulated deficit	(678,091)	(538,215)
Total Acreage Shareholders' equity	61,384	197,267
Non-controlling interests	(21,205)	7,003
TOTAL EQUITY	40,179	204,270
TOTAL LIABILITIES AND EQUITY	$ 360,573	$ 491,551

See accompanying Notes to Consolidated Financial Statements

ACREAGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Year Ended December 31, 2022	2021	2020
REVENUE			
Retail revenue, net	$ 181,479	$ 127,306	$ 86,380
Wholesale revenue, net	54,499	58,183	27,971
Other revenue, net	1,160	3,370	194
Total revenues, net	237,138	188,859	114,545
Cost of goods sold, retail	(94,783)	(65,776)	(51,018)
Cost of goods sold, wholesale	(40,610)	(27,201)	(14,369)
Total cost of goods sold	(135,393)	(92,977)	(65,387)
Gross profit	101,745	95,882	49,158
OPERATING EXPENSES			
General and administrative	38,248	32,026	50,469
Compensation expense	55,905	45,769	41,704
Equity-based compensation expense	10,138	19,946	92,064
Marketing	3,204	1,643	1,820
Impairments, net	121,706	32,828	188,023
Loss on notes receivable	7,219	7,869	8,161
Write down (recovery) of assets held-for-sale	874	(8,616)	11,003
Legal settlements (recoveries)	(335)	372	14,555
Depreciation and amortization	7,879	11,116	6,170
Total operating expenses	244,838	142,953	413,969
Net operating loss	$ (143,093)	$ (47,071)	$ (364,811)
Income (loss) from investments, net	241	(3,549)	98
Interest income from loans receivable	1,619	4,824	6,695
Interest expense	(24,036)	(19,964)	(15,853)
Other income (loss), net	6,596	10,408	(3,487)
Total other loss	(15,580)	(8,281)	(12,547)
Loss before income taxes	$ (158,673)	$ (55,352)	$ (377,358)
Income tax benefit (expense)	(10,022)	(17,805)	17,240
Net loss	$ (168,695)	$ (73,157)	$ (360,118)
Less: net loss attributable to non-controlling interests	(28,819)	(10,147)	(73,530)
Net loss attributable to Acreage Holdings, Inc.	$ (139,876)	$ (63,010)	$ (286,588)
Net loss per share attributable to Acreage Holdings, Inc. - basic and diluted:	$ (1.28)	$ (0.60)	$ (2.92)
Weighted average shares outstanding - basic and diluted	109,690	105,087	97,981

See accompanying Notes to Consolidated Financial Statements

ACREAGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)	LLC Membership Units	Pubco Shares (as converted)	Attributable to shareholders of the parent: Share Capital	Treasury Stock	Accumulated Deficit	Shareholders' Equity	Non-controlling Interests	Total Equity
December 31, 2019	**—**	**90,646**	**$ 615,678**	**$ (21,054)**	**$ (188,617)**	**$ 406,007**	**$ 88,787**	**$ 494,794**
Issuances for private placement	—	6,085	27,887	—	—	27,887	—	27,887
Beneficial conversion feature on convertible note	—	—	523	—	—	523	—	523
Issuances on conversion of debenture	—	327	550	—	—	550	—	550
Issuance of warrants	—	—	3,229	—	—	3,229	—	3,229
NCI adjustments for changes in ownership	3,861	583	(3,395)	—	—	(3,395)	3,395	—
Capital contributions, net	—	—	—	—	—	—	26	26
Other equity transactions	—	276	754	—	—	754	—	754
Equity-based compensation expense and related issuances	—	3,333	92,064	—	—	92,064	—	92,064
Net loss	—	—	—	—	(286,588)	(286,588)	(73,530)	(360,118)
December 31, 2020	**3,861**	**101,250**	**$ 737,290**	**$ (21,054)**	**$ (475,205)**	**$ 241,031**	**$ 18,678**	**$ 259,709**
Purchase of non-controlling interest in subsidiary	—	—	(272)	—	—	(272)	(14)	(286)
NCI adjustments for changes in ownership	—	1,066	(1,063)	—	—	(1,063)	1,063	—
Capital distributions, net	—	—	—	—	—	—	(2,577)	(2,577)
Other equity transactions	—	98	635	—	—	635	—	635
Equity-based compensation expense and related issuances	—	4,489	19,946	—	—	19,946	—	19,946
Net loss	—	—	—	—	(63,010)	(63,010)	(10,147)	(73,157)
December 31, 2021	**3,861**	**106,903**	**$ 756,536**	**$ (21,054)**	**$ (538,215)**	**$ 197,267**	**$ 7,003**	**$ 204,270**
NCI adjustments for changes in ownership	—	—	(6,145)	—	—	(6,145)	6,145	—
Capital distributions, net	—	—	—	—	—	—	(5,534)	(5,534)
Other equity transactions	—	378	—	—	—	—	—	—
Equity-based compensation expense and related issuances	—	5,156	10,138	—	—	10,138	—	10,138
Net loss	—	—	—	—	(139,876)	(139,876)	(28,819)	(168,695)
December 31, 2022	**3,861**	**112,437**	**$ 760,529**	**$ (21,054)**	**$ (678,091)**	**$ 61,384**	**$ (21,205)**	**$ 40,179**

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (168,695)	$ (73,157)	$ (360,118)
Adjustments for:			
Depreciation and amortization	7,879	11,116	6,170
Depreciation and amortization included in COGS	5,782	3,146	—
Equity-based compensation expense	10,138	20,362	92,818
Gain on business divestiture	(3,490)	(11,814)	(217)
Loss on disposal of capital assets	49	2,284	2,461
Loss on impairment	121,706	32,828	188,023
Loss on notes receivable	7,219	7,869	8,161
Recovery on notes receivable	(1,107)	—	—
Bad debt expense	693	589	195
Non-cash interest expense	4,064	3,351	7,023
Non-cash operating lease expense	408	354	122
Loss on lease termination	297	—	—
Deferred tax income	(21,201)	(9,209)	(32,405)
Non-cash loss from investments, net	1,177	3,549	949
Other non-cash income, net	—	(4,700)	—
Write-down (recovery) of assets held-for-sale	874	(8,616)	11,003
Change, net of acquisitions in:			
Accounts receivable, net	(4,398)	(6,268) (1)	(933) (1)
Inventory	(8,013)	(16,033)	(2,531)
Other assets	(3,264)	4,870 (1)	4,944 (1)
Interest receivable	(1,748)	(2,005)	(2,284)
Accounts payable and accrued liabilities	(2,412)	(2,564)	(11,572)
Taxes payable	(346)	9,787	10,233
Interest payable	1,143	(2,072)	3,213
Other liabilities	3,150	(4,197)	7,067
Net cash used in operating activities	$ (50,095)	$ (40,530)	$ (67,678)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of capital assets	$ (18,482)	$ (33,049)	$ (15,477)
Investments in notes receivable	—	(3,328)	(14,809)
Collection of notes receivable	8,356	14,033	254
Cash paid for long-term investments	—	—	(35,067)
Proceeds from business divestiture	—	24,407	997
Proceeds from sale of capital assets	—	5	4,756
Business acquisitions, net of cash acquired	—	1,750	(9,983)
Purchases of intangible assets	(900)	—	—
Distributions from investments	1,417	2,351	27
Insurance proceeds	—	7,000	—
Proceeds from sale of promissory notes	—	30,200	—
Cash paid for short-term investment	(3,400)	—	—
Proceeds from disposal of short-term investments	3,400	—	—
Net cash provided by (used in) investing activities	$ (9,609)	$ 43,369	$ (69,302)
CASH FLOWS FROM FINANCING ACTIVITIES:			

See accompanying Notes to Consolidated Financial Statements

	2022	2021	2020
Proceeds from related party debt	$ —	$ —	$ 7,100
Repayment of related party loan	—	—	(22,100)
Proceeds from financing (refer to Note 14 for related party financing)	$ 50,000	$ 81,407	160,587
Deferred financing costs paid	(3,315)	(3,371)	(7,864)
Proceeds from issuance of private placement units and warrants, net	—	26	31,117
Collateral received from financing agreement	—	—	22,000
Repayment of debt	(1,881)	(91,039)	(25,821)
Capital distributions - non-controlling interests	(5,534)	—	—
Net cash provided by (used in) financing activities	$ 39,270	$ (12,977)	$ 165,019
Net increase (decrease) in cash, cash equivalents, restricted cash, and cash held for sale	$ (20,434)	$ (10,138)	$ 28,039
Cash, cash equivalents, restricted cash, and cash held for sale - Beginning of period	44,501	54,639	26,600
Cash, cash equivalents, restricted cash, and cash held for sale - End of period	$ 24,067	$ 44,501	$ 54,639
RECONCILIATION OF CASH FLOW INFORMATION:			
Cash and cash equivalents	$ 24,067	$ 43,180	$ 32,542
Restricted cash	—	1,098	$ 22,097
Cash held for sale	$ —	$ 223	$ —
Total cash, cash equivalents, restricted cash, and cash held for sale at end of period	$ 24,067	$ 44,501	$ 54,639

(1) Presentation of December 31, 2021 and 2020 figures have been revised, refer to Note 2 for further discussion.

	Year Ended December 31,		
(in thousands)	2022	2021	2020
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid - non-lease	$ 17,605	$ 16,521	$ 5,617
Income taxes paid	32,534	16,381	3,027
OTHER NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Capital assets not yet paid for	$ 5,125	$ 3,722	$ 2,479
Exchange of intangible assets to notes receivable	—	—	18,800
Holdback of Maine HSCP notes receivable	—	—	917
Promissory note conversion	—	10,880	10,087
Non-cash consideration related to business acquisition	—	44,996	—
Non-cash proceeds from business divestiture	7,850	34,475	—
Deferred tax liability related to business acquisition	—	—	3,077
Beneficial conversion feature	—	—	523
Convertible note conversion	—	—	550
Unpaid debt issuance costs	—	—	3,000
Exchange of investments in land and building	—	—	4,464
Non-cash proceeds from finance lease	5,785	—	—
Reclassification of assets held-for-sale to in-use	—	10,896	—

1. NATURE OF OPERATIONS

Acreage Holdings, Inc. (the "Company", "Pubco" or "Acreage") is a vertically integrated, multi-state operator in the United States ("U.S.") cannabis industry and has contractual relationships with cannabis cultivation facilities, dispensaries and other cannabis-related companies in the U.S. The Company's operations include (i) cultivating and processing cannabis plants, (ii) manufacturing branded consumer products, (iii) distributing cannabis flower and manufactured products, and (iv) retailing dosable cannabis products to consumers. The Company's products appeal to medical and adult recreational use customers through brand strategies intended to build trust and loyalty. The Company's Class E subordinate voting shares ("Fixed Shares") and Class D subordinate voting shares ("Floating Shares") are listed on the Canadian Securities Exchange under the symbols "ACRG.A.U" and "ACRG.B.U", respectively, quoted on the OTCQX under the symbols "ACRHF" and "ACRDF", respectively, and traded on the Frankfurt Stock Exchange under the symbols "0VZ1" and "0VZ2", respectively.

High Street Capital Partners, LLC, a Delaware limited liability company doing business as "Acreage Holdings" ("HSCP"), was formed on April 29, 2014. The Company became the indirect parent of HSCP on November 14, 2018 in connection with the reverse takeover ("RTO") transaction described below.

The Company's principal place of business is located at 366 Madison Ave, 14th floor, New York, New York in the U.S. The Company's registered and records office address is Suite 2800, Park Place, 666 Burrard Street, Vancouver, British Columbia in Canada.

The RTO transaction

On September 21, 2018, the Company, HSCP, HSCP Merger Corp. (a wholly-owned subsidiary of the Company), Acreage Finco B.C. Ltd. (a special purpose corporation) ("Finco"), Acreage Holdings America, Inc. ("USCo") and Acreage Holdings WC, Inc. ("USCo2") entered into a business combination agreement (the "Business Combination Agreement") whereby the parties thereto agreed to combine their respective businesses, which would result in the RTO of Pubco by the security holders of HSCP, which was deemed to be the accounting acquiror. On November 14, 2018, the parties to the Business Combination Agreement completed the RTO.

Canopy Growth Corporation transaction

On June 27, 2019, the Company and Canopy Growth Corporation ("Canopy Growth" or "CGC") implemented the Prior Plan of Arrangement (as defined in Note 13) contemplated by the Original Arrangement Agreement (as defined in Note 13). Pursuant to the Prior Plan of Arrangement, Canopy Growth was granted an option to acquire all of the issued and outstanding shares of the Company in exchange for the payment of 0.5818 of a common share in the capital of Canopy Growth for each Class A subordinate voting share (each, a "SVS") held (with the Class B proportionate voting shares (the "PVS") and Class C multiple voting shares (the "MVS") being automatically converted to SVS immediately prior to consummation of the Acquisition (as defined in Note 13), which original exchange ratio was subject to adjustment in accordance with the Original Arrangement Agreement. Canopy Growth was required to exercise the option 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") and, subject to the satisfaction or waiver of certain closing conditions set out in the Original Arrangement Agreement, Canopy Growth was required to acquire all of the issued and outstanding SVS (following the mandatory conversion of the PVS and MVS into SVS).

On June 24, 2020, Canopy Growth and the Company entered into an agreement to, among other things, amend the terms of the Original Arrangement Agreement and the terms of the Prior Plan of Arrangement (the "Amended Arrangement"). On September 16, 2020, the Company's shareholders voted in favor of a special resolution authorizing and approving the terms of, among other things, the Amended Arrangement. Subsequently, on September 18, 2020, the Company obtained a final order from the Supreme Court of British Columbia approving the Amended Arrangement, and on September 23, 2020 the Company and Canopy Growth entered into the Amending Agreement (as defined in Note 13) and implemented the Amended Arrangement. Pursuant to the Amended Arrangement, the Company's articles were amended to create the Fixed Shares, the Floating Shares and the Class F multiple voting shares (the "Fixed Multiple Shares"), and each outstanding SVS was exchanged for 0.7 of a Fixed Share and 0.3 of a Floating Share, each outstanding PVS was exchanged for 28 Fixed Shares and 12 Floating Shares; and each outstanding MVS was exchanged for 0.7 of a Fixed Multiple Share and 0.3 of a Floating Share. Refer to Note 13 for further discussion.

Pursuant to the implementation of the Amended Arrangement, on September 23, 2020, a subsidiary of Canopy Growth advanced gross proceeds of $50,000 to Universal Hemp, LLC, an affiliate of the Company. The debenture bears interest at a rate of 6.1% per annum. Refer to Note 10 for further discussion.

On October 24, 2022, the Company entered into an arrangement agreement (the "Floating Share Agreement") with Canopy Growth and Canopy USA, LLC ("Canopy USA"), Canopy Growth's newly-created U.S. domiciled holding company, pursuant to which, subject to approval of the holders of the Class D subordinate voting shares of Acreage (the "Floating Shares") and the terms and conditions of the Floating Share Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares by way of court-approved plan of arrangement (the "Floating Share Arrangement") for consideration of 0.4500 of a common share of Canopy Growth (each whole share a "Canopy Share") in exchange for each Floating Share. Refer to Note 13 for further discussion.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and going concern

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and have been prepared on a going concern basis which implies the Company will continue to meet its obligations for the next twelve months as of the date these financial statements are issued.

As reflected in the consolidated financial statements, the Company had an accumulated deficit as of December 31, 2022, as well as a net loss and negative cash flow from operating activities for the year ended December 31, 2022. These factors raise substantial doubt about the Company's ability to continue as a going concern for at least one year from the issuance of these financial statements.

However, management believes that substantial doubt about the Company's ability to meet its obligations for the next twelve months from the date these financial statements were issued has been alleviated due to, but not limited to, (i) continued sales growth from the Company's consolidated operations, (ii) latitude as to the timing and amount of certain operating expenses as well as capital expenditures, (iii) expense reduction plans that have already been put in place to improve the Company's results, (iv) the AFC-VRT credit facilities (refer to Notes 10 and 17 for further discussion), (v) proceeds from the sale (with recourse) of certain Employee Retention Tax Credits receivable subsequent to year end and (vi) access to the U.S. and Canadian public equity markets.

If the Company is unable to raise additional capital whenever necessary, it may be forced to decelerate or curtail its footprint build-out or other operational activities until such time as additional capital becomes available. Such limitation of the Company's activities would allow it to slow its rate of spending and extend its use of cash until additional capital is raised. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur at any time within the next twelve months or thereafter which could increase the Company's need to raise additional capital on an immediate basis.

Use of estimates

Preparation of financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the dates presented and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates. Significant estimates inherent in the preparation of the accompanying consolidated financial statements include the fair value of assets acquired and liabilities assumed in business combinations, assumptions relating to equity-based compensation expense, estimated useful lives for property, plant and equipment and intangible assets, the valuation allowance against deferred tax assets and the assessment of potential charges on goodwill, intangible assets and investments in equity and notes receivable.

Emerging growth company

The Company is 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.

Functional and presentation currency

The consolidated financial statements and the accompanying notes are expressed in U.S. dollars. Financial metrics are presented in thousands. Other metrics, such as shares outstanding, are presented in thousands unless otherwise noted.

Basis of consolidation

The Company's consolidated financial statements include the accounts of Acreage, its subsidiaries and variable interest entities ("VIEs") where the Company is considered the primary beneficiary, if any, after elimination of intercompany accounts and transactions. Investments in business entities in which Acreage lacks control but is able to exercise significant influence over operating and financial policies are accounted for using the equity method. The Company's proportionate share of net income or loss of the entity is recorded in *Income (loss) from investments, net* in the Consolidated Statements of Operations.

VIEs

In determining whether the Company is the primary beneficiary of a VIE, the Company assesses whether it has the power to direct matters that most significantly impact the activities of the VIE and have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. There were no material consolidated VIEs as of December 31, 2022 or December 31, 2021.

Non-controlling interests ("NCI")

Non-controlling interests represent ownership interests in consolidated subsidiaries by parties that are not shareholders of Pubco. They are shown as a component of *Total equity* in the Consolidated Statements of Financial Position, and the share of loss attributable to non-controlling interests is shown as a component of *Net loss* in the Consolidated Statements of Operations. Changes in the parent company's ownership that do not result in a loss of control are accounted for as equity transactions.

Cash and cash equivalents

The Company defines cash equivalents as highly liquid investments held for the purpose of meeting short-term cash commitments that are readily convertible into known amounts of cash, with original maturities of three months or less. The Company maintains cash with various U.S. banks and credit unions with balances in excess of the Federal Deposit Insurance Corporation and National Credit Union Share Insurance Fund limits, respectively. The failure of a bank or credit union where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company's business, financial condition, results of operations and the market price of the Company's Fixed Shares and Floating Shares. Cash and cash equivalents belonging to entities the Company has classified as held-for-sale have been reclassified to *Assets held-for-sale* on the Consolidated Statements of Financial Position. Refer to Note 3 for further discussion.

Restricted cash

Restricted cash represents funds contractually held for specific purposes and, as such, not available for general corporate purposes.

Cash and restricted cash, as presented on the Consolidated Statements of Cash Flows, consists of $24,067 and $— as of December 31, 2022, respectively, and $43,180 and $1,098 as of December 31, 2021, respectively.

Accounts receivable valuations

Accounts receivable are stated at their net realizable value. The allowance against gross trade receivables reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. As of December 31, 2022 and December 31, 2021, the Company's allowance for doubtful accounts was $953 and $445, respectively.

Investments

The Company classifies its short-term investments in debt securities as held-to-maturity and accounts for them at amortized cost. Due to the short maturities, the carrying value approximates fair value. Refer to Note 5 for further discussion.

The Company accounts for long-term equity investments in which it is able to exercise significant influence, but does not have control over, using the equity method.

Investments not accounted for using the equity method are required to be carried at fair value, with changes recognized in net income ("FV-NI"). For investments without a readily determinable fair value, a measurement alternative is available allowing measurement at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Inventory

The Company's inventories include the direct costs of seeds and growing materials, indirect costs such as utilities, labor, depreciation and overhead costs, and subsequent costs to prepare the products for ultimate sale, which include direct costs such as materials and indirect costs such as utilities and labor. All direct and indirect costs related to inventory are capitalized when they are incurred, and they are subsequently classified to *Cost of goods sold* in the Consolidated Statements of Operations.

Inventory is valued at the lower of cost and net realizable value, defined as estimated selling price in the ordinary course of business, less estimated costs of disposal. The Company measures inventory cost using specific identification for its retail inventory and the average cost method for its cultivation inventory. Cannabis inventory is classified as a current asset, even though part of such inventory may not be utilized within one year because of the duration of the cultivation, drying and conversion process.

Debt Issuance Costs

Debt issuance costs may be incurred by the Company in connection with obtaining new debt. These costs are recorded as a reduction to the outstanding principal balance of the related debt. They are amortized over the term of the related debt through a charge to interest expense. If a debt is settled or replaced prior to maturity with new debt instruments that have substantially different terms, it is treated as a debt extinguishment and the remaining unamortized costs are charged to extinguishment gain or loss. If a debt is settled or replaced prior to maturity with new debt instruments with the same lender that do not have substantially different terms, it is treated as a debt modification. The remaining unamortized issuance costs remain capitalized, any new issuance costs are capitalized, and the total of these are amortized over the term of the modified debt through a charge to interest expense.

Fair value of financial instruments

The Company accounts for assets and liabilities measured at fair value on a recurring basis in accordance with ASC 820 - *Fair Value Measurements.* ASC 820 utilizes a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The hierarchy is summarized as follows:

- Level 1 - quoted prices (unadjusted) that are in active markets for identical assets or liabilities
- Level 2 - inputs that are observable for the asset or liability, either directly (prices) for similar assets or liabilities in active markets or indirectly (derived from prices) for identical assets or liabilities in markets with insufficient volume or infrequent transactions
- Level 3 - inputs for assets or liabilities that are not based upon observable market data

There were no material transfers in or out of Level 3 during the years ended December 31, 2022 and 2021 as the Company held investments in certain equity securities utilizing net asset value per share as a practical expedient, which are not categorized within the fair value hierarchy. The Company did not have any liabilities measured at fair value on a recurring basis as of December 31, 2022 and December 31, 2021.

Notes receivable

The Company provides financing to various related and non-related businesses within the cannabis industry. These notes are classified as held-for-investment and are accounted for as financial instruments in accordance with ASC 310 - *Receivables*. The Company recognizes impairment on notes receivable when, based on all available information, it is probable that a loss has been incurred based on past events and conditions existing at the date of the financial statements. Losses are recorded in *Loss on notes receivable* on the Consolidated Statements of Operations.

Capital assets

Capital assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and construction-in-process are not depreciated. Depreciation is calculated using the straight-line method for all other asset classes. The estimated useful life of buildings range from 10 to 40 years, and the estimated useful life of furniture, fixtures and equipment range from 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the life of the lease. Repair and maintenance costs are expensed as incurred. When capital assets are disposed of, the related cost and accumulated depreciation are removed and a gain or loss is included in the Consolidated Statements of Operations.

With respect to individual long-lived assets, changes in circumstances may merit a change in the estimated useful lives or salvage values of the assets, which are accounted for prospectively in the period of change. For such assets, impairment is assessed, and useful lives may be shortened based on the Company's plans to dispose of or abandon such assets before the end of its original useful life with depreciation accelerated upon determination.

Leases

The Company accounts for leases in accordance with ASC 842 - *Leases*. Further, the Company has made an accounting policy election to not recognize right of use assets or lease liabilities for leases with an initial term of 12 months or less, and to continue recognizing the related expense in the Consolidated Statements of Operations on a straight-line basis over the lease term. Sale-leasebacks are assessed to determine whether a sale has occurred under ASC 606 - *Revenue from Contracts with Customers*. If a sale is determined not to have occurred, the underlying "sold" assets are not derecognized and a financing liability is established in the amount of cash received. At such time that the lease expires, the assets are then derecognized along with the financing liability, with a gain recognized on disposal for the difference between the two amounts, if any.

On the date of adoption, the Company recognized right of use assets and lease liabilities on its Consolidated Statements of Financial Position, which reflect the present value of the Company's current minimum lease payments over the lease terms, which include options that are reasonably certain to be exercised, discounted using the Company's estimated incremental borrowing rate. Refer to Note 8 for further discussion.

Intangible assets

Intangible assets such as management contracts are amortized over their estimated useful lives, while indefinite-lived intangibles such as cannabis licenses are not amortized.

Business combinations

The Company's growth strategy includes acquisition of retail, cultivation, processing and other cannabis related companies. These business combinations are accounted for using the acquisition method on the date that control is transferred. The consideration transferred in the acquisition is measured at fair value, along with identifiable net assets acquired. Fixed Shares and Floating Shares issued are valued based on the closing price on the Canadian Securities Exchange. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets or liabilities of an acquired business and represents expected synergies associated with the acquisition such as the benefits of assembled workforces, expected earnings and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Based on the Company's tax status discussed below, goodwill is not expected to be deductible for income tax purposes. A bargain purchase gain is recognized when the excess of the purchase price over the fair value of the net identifiable assets or liabilities acquired is negative. The Company expenses transaction costs, other than those associated with the issue of debt or equity securities, in connection with a business combination as incurred. The Company measures non-controlling interests acquired, if any, at acquisition date fair value.

Impairment of long-lived 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. Goodwill and indefinite-lived intangible assets are tested at the reporting unit and asset group levels, respectively. The Company may first assess qualitative factors and,

if it determines it is more likely than not that the fair value is less than the carrying value, then proceed to a quantitative test if necessary.

Finite-lived intangible assets and other long-lived assets are tested for recoverability based on undiscounted cash flows when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value is determined not to be recoverable, the present value of expected future cash flows, or fair value, is compared to the carrying value of the asset. An impairment is booked for the excess of carrying value over the discounted cash flows (refer to Note 4 for further discussion).

Income taxes

The Company is treated as a U.S corporation for U.S. federal income tax purposes under U.S. Internal Revenue Code ("IRC") Section 7874 and is subject to U.S. federal income tax. However, for Canadian tax purposes, the Company is expected, regardless of any application of IRC Section 7874, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada)) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the U.S. Notwithstanding the foregoing, it is management's expectation that the Company's activities will be conducted in such a manner that income from operations will not be subjected to double taxation.

HSCP operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal, state and local income tax purposes. As a result, HSCP's income from its U.S. operations is not subject to U.S. federal income tax because the income is attributable to its members. Accordingly, the Company's U.S. tax provision is based on the portion of HSCP's income attributable to the Company and excludes the income attributable to other members of HSCP, whose income is included in *Net loss attributable to non-controlling interests* in the Consolidated Statements of Operations. In addition, the Company also records a tax provision for the corporate entities owned directly by HSCP.

Income tax expense is recognized in the Consolidated Statements of Operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current tax liabilities and when they relate to income taxes levied by the same taxing authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Certain Acreage subsidiaries are subject to IRC Section 280E. This section disallows deductions and credits attributable to a trade or business of trafficking in controlled substances. Under U.S. law, cannabis is a Schedule I controlled substance.

The Company has unrecognized tax benefits ("UTBs") of $6,536 and $7,695 as of December 31, 2022 and December 31, 2021, respectively, which are included in *Other current liabilities* in the Consolidated Statements of Financial Position. UTBs arise as a result of differences existing between a tax position taken or expected to be taken on a tax return and the benefit recognized and measured.

Revenue recognition

The Company accounts for revenue in accordance with ASC 606, *Revenue from Contracts with Customers.* The Company's accounting policy for revenue recognition under Topic 606 is as follows:

1. Identify the contract with a customer;
2. Identify the performance obligation(s);
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s); and

5. Recognize revenue when/as performance obligation(s) are satisfied.

Substantially all of the Company's revenue comes from the direct sale of cannabis products to customers for a fixed price. Customer sales have one performance obligation and are recognized at a point-in-time when the Company transfers control of the good to the customer at the point-of-sale. The Company disaggregates its revenues from the direct sale of cannabis to customers on the Consolidated Statements of Operations as *Retail revenue, net* and *Wholesale revenue, net*.

Revenue from management contracts typically has one performance obligation and is recognized over-time as management services are provided. The Company provides management services to other cannabis companies for a fee structure that varies based on the contract. The Company generally determines standalone selling price based on the price charged to customers. The services that may be provided are broadly defined and span the entire scope of the business. The Company evaluates the nature of its promise to the customer in these contracts and determines that its promise is to provide a management service. The service comprises various activities that may vary each day (such as support for cultivation, finance, accounting, human resources, retail, etc.). The Company disaggregates its management contract revenue on the Consolidated Statements of Operations as *Other revenue, net*.

The Company's payments terms are consistent with industry standards and never exceed 12 months. Amounts disclosed as revenue are net of allowances, discounts and rebates.

Equity-settled payments

The Company issues equity-based awards to employees and non-employee directors for services. The Company measures these awards based on their fair value at the grant date and recognizes compensation expense over the requisite service period. The Company generally issues new shares to satisfy conversions, option and warrant exercises, and RSU vests. Forfeitures are accounted for as they occur.

Net loss per share

Net loss per share represents the net loss attributable to shareholders divided by the weighted average number of shares outstanding during the period on an as converted basis. Basic and diluted loss per share are the same as of December 31, 2022, 2021 and 2020, as the issuance of shares upon conversion, exercise or vesting of outstanding units would be anti-dilutive in each period. There were 47,694, 40,107 and 45,541 anti-dilutive shares outstanding as of December 31, 2022, 2021 and 2020, respectively (refer to Note 17 for further discussion).

Change in presentation

Note that certain items presented on the years ended December 31, 2021 and 2020, Consolidated Statements of Cash Flows, includes a change in presentation to conform to the current year presentation. There was no impact to our Consolidated Financial Statements as a result of this reclassification.

Accounting Pronouncements Recently Adopted

As of January 1, 2022, the Company adopted ASU 2019-12 - *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12)*. ASU 2019-12 attempts to simplify aspects of accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The adoption of ASU 2019-12 did not have a material effect on the Company's consolidated financial statements.

As of January 1, 2022, the Company adopted ASU 2020-01 - *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. The new standard clarifies the interaction of accounting for the transition into and out of the equity method. The new standard also clarifies the accounting for measuring certain purchased options and forward contracts to acquire investments. The adoption of ASU 2020-01 did not have a material effect on the Company's consolidated financial statements.

As of January 1, 2022, the Company adopted ASU 2021-04 - *Earnings Per Share (Topic 260), Debt - Modifications and Extinguishments (Topic 470-50), Compensation - Stock Compensation (Topic 718), and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*, which clarifies existing guidance for freestanding written call options which are equity classified and remain so after they are modified or exchanged in order to reduce diversity in practice. The standard applies prospectively to modifications or exchanges that occur after it is adopted. The adoption of ASU 2021-04 did not have a material effect on the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13 - *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13")*, which was subsequently revised by ASU 2018-19 and ASU 2020-02. The ASU introduces a new model for assessing impairment on most financial assets. Entities will be required to use a forward-looking expected loss model, which will replace the current incurred loss model, which will result in earlier recognition of allowance for losses. The ASU will be effective for the Company's first interim period of fiscal 2023. The Company continues to evaluate the impact of this ASU on its consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08 - *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* The new standard improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency. The new standard requires an entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606 - *Revenue from Contracts with Customers*. The ASU will be effective for the Company's first interim period of fiscal 2024. The standard should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company does not anticipate a material impact on the Company's consolidated financial statements upon adoption.

3. ACQUISITIONS, DIVESTITURES AND ASSETS HELD FOR SALE

Acquisitions

During the year ended December 31, 2022, the Company did not complete any business acquisitions. During the year ended December 31, 2021, the Company completed the following business acquisitions, and has allocated the purchase price as follows:

Purchase Price Allocation	Greenleaf	CWG	Total
Assets acquired:			
Cash and cash equivalents	$ 1,209	$ 828	$ 2,037
Inventory	2,692	1,200	3,892
Other current assets	1,520	347	1,867
Capital assets, net	22,923	3,312	26,235
Operating lease right-of-use asset	2,819	1,584	4,403
Goodwill	1,619	1,482	3,101
Intangible assets, net - cannabis licenses	17,000	3,200	20,200
Intangible assets, net - customer relationships	—	1,000	1,000
Other non-current assets	189	40	229
Liabilities assumed:			
Accounts payable and accrued liabilities	(1,829)	(464)	(2,293)
Taxes payable	(33)	(68)	(101)
Operating lease liability, current	(315)	(193)	(508)
Other current liabilities	(294)	3	(291)
Operating lease liability, non-current	(2,504)	(1,391)	(3,895)
Fair value of net assets acquired	**$ 44,996**	**$ 10,880**	**$ 55,876**
Consideration paid:			
Settlement of pre-existing relationship	44,996	10,880	$ 55,876
Total consideration	**$ 44,996**	**$ 10,880**	**$ 55,876**

Greenleaf

On October 1, 2021, a subsidiary of the Company acquired of 100% of Greenleaf Apothecaries, Greenleaf Gardens, and Greenleaf Therapeutics, collectively known as "Greenleaf." Greenleaf consists of cannabis cultivation, processing, and dispensary operations in the state of Ohio. The completion of this acquisition established Acreage's footprint in the Ohio cannabis market.

On July 2, 2018, the Company entered into purchase agreements for Greenleaf for the total purchase price of approximately $8,245 in cash, $6,096 in seller notes payable and 1.2 million shares of HSCP with an average fair value of $7.73 per share, which are convertible into shares of the Company. In addition, the Company extended a $31,200 line of credit and issued $12,500 in promissory notes to the Greenleaf entities. The consideration paid was made in exchange for: (a) the rights to acquire the Greenleaf entities upon state regulatory approval and; (b) master services agreements ("MSAs") to operate the entities until such approval was granted and ownership interests were transferred. The purchase consideration paid represents the fair value of the intangible asset related to the MSA that was recorded on the Company's Statement of Financial Position at the time of the transaction. The intangible asset was amortized over the life of the MSAs.

Upon closing, the Company repaid the remaining $3,300 worth of sellers notes payable and accrued interest and assumed $42,043 in notes and interest receivable owed to the Company by Greenleaf that was eliminated upon consolidation. Total consideration for the asset transfer transaction was $44,996, representing the sum of the $2,953 carrying value of intangible assets from the 2018 transaction and the liabilities assumed. As the Company owns 100% of Greenleaf, the subsidiary is accounted for on a consolidated basis as of the closing date.

The purchase price allocation is based upon final valuations within the measurement period (generally one year from the acquisition date)

CWG

On April 30, 2021, a subsidiary of the Company acquired 100% of CWG Botanicals, Inc. ("CWG"), an adult-use cannabis cultivation and processing operations in the state of California.

The consideration paid for CWG consisted of the settlement of a pre-existing relationship, which included a line of credit of $9,321 and the related interest receivable of $1,559, which were both previously recorded in *Notes receivable, non-current* on the Statements of Financial Position.

The purchase price allocation is based upon final valuations within the measurement period (generally one year from the acquisition date).

NCCRE

On March 19, 2021, a subsidiary of the Company, HSC Solutions, LLC entered into an assignment of membership agreement to acquire the remaining non-controlling interests of its subsidiary, NCC Real Estate, LLC ("NCCRE"), based primarily on the fair value of property held by NCCRE estimated in the amount of $850. The consideration paid to the non-controlling interest sellers of $286 was recorded in *Additional paid-in capital* and *Non-controlling interests* on the Statements of Financial Position. Additionally, the Company subsequently repaid the outstanding principal balance of the NCCRE secured loan.

Divestitures

In February 2021, a subsidiary of the Company entered into a definitive agreement and management services agreement to sell an indoor cultivation facility in Medford, Oregon ("Medford"), and a retail dispensary in Powell, Oregon ("Powell"), for total consideration of $3,000. In March 2022, the total consideration was reduced to $2,000. In April 2022, the Company sold all equity interests in Medford for an aggregate sale price of $2,000 and recognized a gain on sale of $290 for the year ended December 31, 2022 which was recorded in Other income (loss), net in the Consolidated Statements of Operations. The aggregate sales price consisted of $750 paid to the Company in February 2021 and $1,250 of promissory notes (refer to Note 6 for further discussion). In conjunction with the sale, the Company closed its dispensary in Powell. Further, the Company derecognized deferred tax liabilities of $375 related to Medford.

In September 2021, a subsidiary of the Company entered into a definitive agreement and management services agreements to sell, upon regulatory approval, four retail dispensaries in Oregon for total consideration of $6,500. In July 2022, the Company executed and closed an amendment to its previously announced asset purchase and services agreement for the sale of its four Oregon retail dispensaries (the "Amended Agreement"). Under the terms of the Amended Agreement, the sale price was reduced to $6,200 and the Company recognized a gain on sale of $3,189 for the year ended December 31, 2022 which was recorded in Other income (loss), net in the Consolidated Statements of Operations. The aggregate sales price consisted of a $250 payment previously made at the signing of the Original Agreement, plus an additional $100 in cash at closing. The remaining amount of $5,850 has been satisfied by a 36-month secured promissory note bearing interest at a rate of 12% per annum (the "Note"). Under the terms of the Note, quarterly interest payments commence on January 1, 2023, principal payments of $1,000 are due on January 1, 2024 and January 1, 2025, and the remaining principal is due on January 1, 2026.

In April 2021, a subsidiary of the Company sold all equity interests in Acreage Florida, Inc. ("Acreage Florida"), for an aggregate sale price of $60,000. Acreage Florida is licensed to operate medical cannabis dispensaries, a processing facility and a cultivation facility in the state of Florida. The aggregate sales price consisted of approximately $21,500 in cash, $7,000 of the buyer's common stock, subject to a rolling lock up restriction period ending one year after the disposition date, with the lock up expiring in monthly 1/6th increments beginning October 27, 2021, and secured promissory notes totaling approximately $31,500. This resulted in a gain on sale of $11,682 recorded in *Other income (loss), net* on the Consolidated Statements of Operations for the year ended December 31, 2021. The Company subsequently sold the promissory notes and recognized a net loss of $2,000 as discussed in Note 6. Further, the Company de-recognized deferred tax liabilities related to indefinite-lived intangible lived assets held by Acreage Florida of $6,044 as a result of the disposition in *Other income (loss), net* on the Consolidated Statements of Operations for the year ended December 31, 2021.

In December 2021, a subsidiary of the Company sold all equity interests in Maryland Medicinal Research & Caring, LLC ("MMRC") for an aggregate sale price of $1,500. MMRC is licensed to operate a medical cannabis dispensary in Baltimore, Maryland. The aggregate purchase price consisted of approximately $1,500 in cash which was remitted in two equal payments in August 2020 and January 2022. This resulted in a gain on sale of $132 recorded in *Other income (loss), net* on the Consolidated Statements of Operations for the year ended December 31, 2021. Additionally, the Company de-recognized indefinite-lived and finite-lived intangible assets held by MMRC of $801 related to cannabis licenses.

Assets Held for Sale

As of December 31, 2022, the Company did not have any business or assets that met the held-for-sale criteria. As of December 31, 2021 the Company determined certain businesses and assets met the held-for-sale criteria. As such, the related assets and liabilities within these disposal groups were transferred into Assets held-for-sale and Liabilities related to assets held for sale on the Consolidated Statements of Financial Position.

During the year ended December 31, 2022, the Company tested each disposal group for impairment and recognized charges of $874 within Write down (recovery) of assets held-for-sale on the Consolidated Statements of Operations related to Medford and Powell. During the year ended December 31, 2021, the Company recognized a recovery of assets held-for-sale of $8,616 related to the Acreage Florida disposal group within Write down (recovery) of assets held-for-sale on the Consolidated Statements of Operations.

The table below presents the assets and liabilities classified as held for sale on the Consolidated Statements of Financial Position for the year ended December 31, 2021 and is subject to change based on developments during the sales process.

	December 31, 2021		
	Michigan[1]	Oregon	Total
Cash	$ —	$ 223	**$ 223**
Inventory	—	445	**445**
Notes receivable, current	—	31	**31**
Other current assets	—	9	**9**
Total current assets classified as held-for-sale	—	708	**708**
Capital assets, net	1,907	2,342	**4,249**
Operating lease right-of-use assets	—	1,695	**1,695**
Goodwill	—	2,191	**2,191**
Non-current assets	—	109	**109**
Total assets classified as held for sale	**$ 1,907**	**$ 7,045**	**$ 8,952**
Accounts payable and accrued liabilities	$ —	$ (639)	**$ (639)**
Operating lease liability, current	—	(441)	**(441)**
Total current liabilities classified as held-for-sale	—	(1,080)	**(1,080)**
Operating lease liability, non-current	—	(787)	**(787)**
Total liabilities classified as held-for-sale	**$ —**	**$ (1,867)**	**$ (1,867)**

[1] During the year ended December 31, 2022, the Company was unsuccessful in finding a satisfactory buyer for certain of its Michigan locations. As a result, the assets at these specific locations no longer meet the criteria for being classified as held-for-sale (refer to Note 7 for further discussion).

4. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

The following table details the intangible asset balances by major asset classes:

Intangibles	**December 31, 2022**	**December 31, 2021**
Finite-lived intangible assets:		
Management contracts	$ —	$ 1,511
Customer relationships	1,000	1,000
Total finite-lived intangible assets	1,000	2,511
Accumulated amortization on finite-lived intangible assets:		
Management contracts	—	(493)
Customer relationships	(1,000)	—
Total accumulated amortization on finite-lived intangible assets	(1,000)	(493)
Finite-lived intangible assets, net	—	2,018
Indefinite-lived intangible assets		
Cannabis licenses	35,124	117,677
Total intangibles, net	**$ 35,124**	**$ 119,695**

The intangible assets balance as of December 31, 2021 excludes intangible assets reclassified to assets held-for-sale (refer to Note 3 for further discussion). As of December 31, 2022, the Company did not have assets classified as assets held-for-sale.

During the year ended December 31, 2022, the Company amended the purchase price allocation related to its acquisition of Greenleaf based upon final valuations within the measurement period (refer to Note 3 for further discussion). As a result, $17,000 was re-allocated from *Goodwill* to *Intangible assets, net* on the Consolidated Statements of Financial Position.

Impairment of intangible assets

Indefinite-lived intangible assets are evaluated for potential impairment on at least an annual basis using the multi-period excess earnings method ("MPEEM"). MPEEM is a form of income approach used in valuing intangible assets that isolates discounted future cash flows specifically attributed to the intangible asset. During the years ended December 31, 2022 and 2021, the Company performed a quantitative analysis and concluded certain of the indefinite-lived cannabis licenses had a fair value below the carrying value. Accordingly, during the year ended December 31, 2022, the Company recognized impairment charges of $100,866 with respect to its indefinite-lived intangible assets related to its operations in Connecticut, New York, Massachusetts, Illinois and California. Additionally, during the year ended December 31, 2021, the Company recognized impairment charges of $2,337 with respect to its indefinite-lived intangible assets related to its operations in Illinois and California. The charges are recognized in *Impairments, net* on the Consolidated Statements of Operations.

The Company assessed whether any events or changes in circumstances ("triggering events") indicated finite-lived intangible assets to be held-and-used would not be recovered. During the years ended December 31, 2022 and 2021, the Company identified triggering events for certain operations which operate under a management contract. The Company evaluated the recoverability of the asset by comparing the carrying value of the asset to the future net undiscounted cash flows expected to be generated by the asset. The carrying value was determined to not be recoverable and the Company proceeded to test the asset for impairment. During the years ended December 31, 2022 and 2021, the Company recognized an impairment charge of $731 and $4,891, respectively, due to changes in expected cash flows pursuant to a revised consulting services agreement. These charges are recognized in *Impairments, net* on the Consolidated Statements of Operations. The impairments resulted in the

recognition of a tax provision benefit and an associated reversal of deferred tax liabilities of $20,006 and $881 during the years ended December 31, 2022 and 2021.

Amortization expense associated with the Company's intangible assets was $1,585, $7,752 and $2,789 for the years ended December 31, 2022, 2021 and 2020. As of December 31, 2022, all of the Company's existing finite-lived intangible assets have been fully amortized.

Goodwill

The following table details the changes in the carrying amount of goodwill:

Goodwill		Total
December 31, 2020	**$**	**31,922**
Acquisitions		19,800
Impairment		(12,631)
Other adjustments[1]		4,219
December 31, 2021	**$**	**43,310**
Adjustment to purchase price allocation		(16,700)
Impairment		(16,590)
Other Adjustments[1]		3,741
December 31, 2022	**$**	**13,761**

[1] Represents adjustments related to the remeasurement of certain deferred tax assets and related adjustments within the measurement period.

During the years ended December 31, 2022 and 2021, the Company completed its annual review of goodwill. For the year ended December 31, 2022, the Company recorded goodwill impairment charges of $16,590 with respect to its Connecticut, Massachusetts, California and New York reporting units. For the year ended December 31, 2021, the Company recorded goodwill impairment charges of 12,631 with respect to its Illinois and New Hampshire reporting units.

During the years ended December 31, 2022, the Company amended the purchase price allocation related to its acquisition of Greenleaf based upon final valuations within the measurement period (refer to Note 3 for further discussion). As a result, $17,000 was re-allocated from *Goodwill* to *Intangible assets, net* on the Consolidated Statements of Financial Position.

5. INVESTMENTS

The carrying values of the Company's investments in the Consolidated Statements of Financial Position as of December 31, 2022 and 2021 are as follows:

Investments		December 31, 2022		December 31, 2021
Investments held at FV-NI	$	34,046	$	35,226
Total long-term investments	**$**	**34,046**	**$**	**35,226**

Income (loss) from investments, net in the Consolidated Statements of Operations during the years ended December 31, 2022 and 2021 is as follows:

Investment income (loss)	Year Ended December 31,					
		2022		2021		2020
Short-term investments	$	4	$	—	$	—
Investments held at FV-NI		237		(3,549)		1,158
Equity method investments		—		—		(1,060)
Income (loss) from investments, net	**$**	**241**	**$**	**(3,549)**	**$**	**98**

Investments held at FV-NI

The Company has investments in equity of several companies that do not result in significant influence or control. These investments are carried at fair value, with gains and losses recognized in the Consolidated Statements of Operations.

As further described under the “6.10% Secured debenture due September 2030” in Note 10, on September 23, 2020, a subsidiary of the Company, Universal Hemp, LLC ("Universal Hemp") was advanced gross proceeds of $50,000 (less transaction costs) pursuant to the terms of a secured debenture. The Company subsequently engaged an investment advisor, which under the investment advisor's sole discretion, on September 28, 2020 invested $34,019 of these proceeds on behalf of Universal Hemp. As a result, Universal Hemp acquired 34,019 class B units, at $1 par value per unit, which represented 100% financial interest in an Investment Partnership, a Canada-based limited partnership. An affiliate of the institutional investor holds Class A units of the Investment Partnership. The general partner of the Investment Partnership is also an affiliate of the Institutional Investor. The Class B units are held by the Investment Advisor as an agent for Universal Hemp.

Universal Hemp, through its investment with the Investment Advisor, was originally determined to hold significant influence in the Investment Partnership in accordance with ASC 810 due to (1) the economic financial interest, and (2) the entitlement to matters as they pertain to ‘Extraordinary Resolution’ items as defined within the Investment Partnership Agreement. As a result, the Company accounted for the investment in the Investment Partnership under the equity method until December 2020. Refer to Note 10 for further discussion. In December 2020, as the Company no longer held significant influence due to the removal of the Extraordinary Resolution entitlements and other revisions in the Investment Partnership Agreement. As a result, the Company changed its accounting for the Investment Partnership to recognize the investment at fair value, with gains and losses recognized in the Consolidated Statements of Operations.

6. NOTES RECEIVABLE

Notes receivable as of December 31, 2022 and December 31, 2021 consisted of the following:

	December 31, 2022	December 31, 2021
Promissory notes receivable	$ 34,088	$ 27,260
Line of credit receivable	5,831	12,609
Interest receivable	4,147	2,834
Allowance for notes and interest receivables	(14,875)	(8,036)
Total notes receivable	**$ 29,191**	**$ 34,667**
Less: Notes receivable, current	29,191	7,104
Notes receivable, non-current	$ —	$ 27,563

Interest income on notes receivable during the years ended December 31, 2022 and December 31, 2021 was $1,619 and $4,824, respectively.

The Company determined that the collectability of certain notes receivables is doubtful based on information available. As of December 31, 2022 and December 31, 2021, the Company’s allowance for notes receivable of $14,875 and $8,036, respectively, included $12,041 and $6,046 of principal outstanding and $2,834 and $1,990 of accrued interest, respectively, and represents the full value of such loan balances.

Activity during the year ended December 31, 2022

In February 2022, the Company received a $5,279 cash payment in full on a line of credit due from Patient Centric Martha’s Vineyard, and subsequently closed the line of credit.

In April 2022, the Company executed and closed its previously announced asset purchase agreement for the sale of Medford and Powell in Oregon. Part of the total consideration was satisfied by a 12-month $1,250 secured promissory note bearing interest at a rate of 12.5% per annum, refer to Note 3 for further discussion. In August 2022, the secured promissory note was replaced with a $500 secured promissory note bearing interest at a rate of 12.5% per annum and a $750 non-interest bearing secured promissory note, with both secured promissory notes due on May 1, 2023.

In July 2022, the Company executed and closed an amendment to its previously announced asset purchase and services agreement for the sale of its four Oregon retail dispensaries (the "Amended Agreement"). Part of the total consideration was satisfied by a 36-month $5,850 secured promissory note bearing interest at a rate of 12% per annum, refer to Note 3 for further discussion.

Activity during the year ended December 31, 2021

In March 2021, the Company entered into a revised consulting services and line of credit agreement with PATCC, whereby previously unrecognized management fees were settled for $2,500, which was recognized in *Other revenue, net* on Consolidated Statements of Operations during the years ended December 31, 2021. Pursuant to the revised line of credit agreement, the line of credit is non-interest bearing and will be repaid on a payment schedule with seven payments in the aggregate amount of $7,150 through June 2023.

In April 2021, the Company received three secured promissory notes in the aggregate amount of $31,500 related to the sale of Acreage Florida. Of the $31,500 in promissory notes, a promissory note for $3,500 was collected during the year ended December 31, 2021. In June 2021, the remaining two promissory notes totaling $28,000 were sold in a related party transaction to Viridescent Realty Trust, Inc. ("Viridescent") for cash proceeds of $26,000. This sale resulted in a loss of $2,000 recorded in *Other income (loss), net* on the Consolidated Statements of Operations. Refer to Notes 3 and 14 for further discussion.

In April 2021, a subsidiary of the Company acquired 100% of CWG, and the amounts outstanding under the line of credit were converted into equity in CWG. Refer to Note 3 for further discussion.

In October 2021, the Company completed the acquisition of Greenleaf, an operator of cultivation, processing and retail facilities in Ohio. As a result of the acquisition, notes receivable and interest receivable of $42,043 related to Greenleaf were assumed and eliminated. This consisted of a $9,565 promissory note, which was comprised of principal and interest receivable of $9,554 and $11, respectively, and a $32,478 line of credit, which was comprised of the amount borrowed and interest receivable of $29,422 and $3,056, respectively. Refer to Note 3 for further discussion of the Greenleaf acquisition.

7. CAPITAL ASSETS, net

Net property, plant and equipment consisted of:

	December 31, 2022	December 31, 2021
Land	$ 9,605	$ 3,777
Building	58,334	43,921
Right-of-use asset, finance leases	5,077	5,077
Furniture, fixtures and equipment	34,435	31,325
Leasehold improvements	46,811	51,646
Construction in progress	6,178	7,644
Capital assets, gross	$ 160,440	$ 143,390
Less: accumulated depreciation	(27,035)	(16,593)
Capital assets, net	**$ 133,405**	**$ 126,797**

Depreciation of capital assets for the years ended December 31, 2022, 2021, and 2020 includes $6,294, 3,364, and 3,381 of depreciation expense, and $7,631, $4,206, and $2,479 that was capitalized to inventory, respectively.

During the year ended December 31, 2022, the Company determined that it was unable to find a satisfactory buyer for the held-for-sale assets related to its Michigan operations and, as such, these assets were reclassified as held-and-used. This conclusion was considered a triggering event for capital asset impairment testing. Upon assessment, these specific capital assets were not considered to have future economic value. As such, the fair value of the assets was considered to be nil and the Company recognized an impairment charge of $1,907 within *Impairments, net* on the Statements of Operations during the year ended December 31, 2022. Refer to Note 3 for further discussion on changes in held-for-sale entities.

In August 2021, the Company's Sewell facility in New Jersey was negatively impacted by a tornado formation from Hurricane Ida. The unusually severe weather conditions caused widespread damage and resulted in a $9,130 loss to capital assets, which

has been offset by insurance proceeds of $7,000. The net loss of $2,130 was recognized in *Impairments, net* on the Consolidated Statements of Operations for the year ended December 31, 2021.

During the year ended December 31, 2021, the Company determined that it was unable to sell certain Held-for-Sale assets for acceptable proceeds and, as such, these assets were reclassified as Held-and-Used. The determination and reclassification of these assets was considered a triggering event for capital asset impairment testing. Upon assessment, these specific capital assets were not considered to have future economic value and were to be abandoned immediately as they were not in use while being held-for-sale. As such, the fair value of the assets was considered to be nil and the Company recognized an impairment charge of $6,719. Further, as the Company assesses its operating entities from time to time, the Company determined that additional capital assets were also not considered to have future economic value and were to be abandoned immediately. As such, the fair value of the assets was considered to be nil and the Company recognized an impairment charge of $3,189. The total impairment charge of $9,908 was recognized in *Impairments, net* on the Consolidated Statements of Operations for the year ended December 31, 2021. Refer to Note 3 for further discussion on changes in Held-for-Sale entities during the year ended December 31, 2021.

Sale-leasebacks

During the year ended December 31, 2019, the Company sold and subsequently leased back several of its capital assets in a transaction with GreenAcreage, a related party (refer to Note 14 for further discussion). The Company sold assets and subsequently leased them back for total proceeds of $19,052. The subsequent leases met the criteria for finance leases, and as such, the transactions do not qualify for sale-leaseback treatment. The "sold" assets remain within land, building and leasehold improvements, as appropriate, for the duration of the lease and a financing liability equal to the amount of proceeds received is recorded within debt (refer to Note 10 for further discussion). Upon lease termination, the sale will be recognized by removing the remaining carrying values of the capital assets and financing liability, with any difference recognized as a gain.

In November 2020, the Company completed an exchange of all its equity interests in GreenAcreage and its equity method investment in the management company of GreenAcreage in exchange for land and building previously accounted for as a failed sales-leaseback transaction and recognized a gain of $1,473 in *Other income (loss), net* on the Consolidated Statements of Operations.

8. LEASES

The Company leases land, buildings, equipment and other capital assets which it plans to use for corporate purposes in addition to the production and sale of cannabis products. Leases with an initial term of 12 months or less are not recorded on the Consolidated Statements of Financial Position and are expensed in the Consolidated Statements of Operations on the straight-line basis over the lease term. The Company does not have any material variable lease payments and accounts for non-lease components separately from leases.

Balance Sheet Information	Classification	December 31, 2022	December 31, 2021
Right-of-use assets			
Operating	Operating lease right-of-use assets	$ 22,443	$ 24,598
Finance	Capital assets, net	4,269	4,522
Total right-of-use assets		**$ 26,712**	**$ 29,120**
Lease liabilities			
Current			
Operating	Operating lease liability, current	$ 2,443	$ 2,145
Financing	Debt, current	1	—
Non-current			
Operating	Operating lease liability, non-current	21,692	24,255
Financing	Debt, non-current	5,305	5,245
Total lease liabilities		**$ 29,441**	**$ 31,645**

Statement of Operations Information	Classification	Year Ended December 31, 2022	2021	2020
Short-term lease expense	General and administrative	$ 245	$ 241	$ 1,258
Operating lease expense	General and administrative	4,939	4,437	6,252
Finance lease expense:				
Amortization of right of use asset	Depreciation and amortization	254	254	161
Interest expense on lease liabilities	Interest expense	1,047	757	820
Sublease income	Other income (loss), net	—	—	(37)
Net operating and finance lease cost		**$ 6,240**	**$ 5,448**	**$ 7,196**

Statement of Cash Flows Information	Classification	Year Ended December 31, 2022	2021	2020
Cash paid for operating leases	Net cash used in operating activities	$ 4,531	$ 4,083	$ 6,130
Cash paid for finance leases - interest	Net cash used in operating activities	$ 1,025	$ 680	$ 1,316

The following represents the Company's future minimum payments required under existing leases with initial terms of one year or more as of December 31, 2022:

Maturity of lease liabilities	Operating Leases	Finance Leases
2023	$ 4,518	$ 722
2024	4,536	743
2025	4,500	766
2026	4,566	789
2027	4,123	812
Thereafter	14,892	11,675
Total lease payments	**$ 37,135**	**$ 15,507**
Less: interest	13,000	10,201
Present value of lease liabilities	**$ 24,135**	**$ 5,306**
Weighted average remaining lease term (years)	8	12
Weighted average discount rate	10%	12%

As of December 31, 2022, there have been no leases entered into that have not yet commenced.

9. INVENTORY

The Company's inventory balance consists of the following:

	December 31, 2022	December 31, 2021
Retail inventory	$ 3,255	$ 3,331
Wholesale inventory	35,885	28,643
Cultivation inventory	7,133	6,367
Supplies & other	3,173	3,463
Total	**$ 49,446**	**$ 41,804**

Inventory is valued at the lower of cost and net realizable value ("NRV"), defined as estimated selling price in the ordinary course of business, less estimated costs of disposal. During the year ended December 31, 2022, the Company analyzed its inventory balances, and recorded wholesale inventory adjustments as a result of (i) having excess or obsolete inventory and (ii) reducing the carrying value to ensure inventory balances are properly recorded at the lower of cost and NRV. The Company recognized $11,145 of wholesale inventory adjustments within *Cost of goods sold, wholesale* on the Statements of Operations during the years ended December 31, 2022.

10. DEBT

The Company's debt balances consist of the following:

Debt balances	December 31, 2022	December 31, 2021
Financing liability (failed sale-leaseback)	$ 15,253	$ 15,253
Finance lease liabilities	5,306	5,245
7.50% Loan due April 2026	31,288	30,763
6.10% Secured debenture due September 2030	46,502	46,050
Note due December 2024	3,167	4,750
Prime rate credit facilities due January 2026, as amended	113,564	68,673
Total debt	**$ 215,080**	**$ 170,734**
Less: current portion of debt	1,584	1,583
Total long-term debt	**$ 213,496**	**$ 169,151**

Scheduled maturities of debt, excluding amortization of discount and issuance costs, are as follows:

2023	$ 1,584
2024	1,583
2025	—
2026	158,011
2027	39
Thereafter	70,508
Total payments (excluding amortization of discount and issuance costs)	$ 231,725

During the years ended December 31, 2022, 2021, and 2020 the Company incurred interest expense of $24,036, $19,964, and $15,853, respectively, on the Consolidated Statements of Operations. Interest expense for the years ended December 31, 2022, 2021, and 2020 included debt discount amortization of $1,601, $1,113, and $1,706, respectively, and amortization of debt issuance costs of $2,084, $2,528, and $2,520, respectively. As of December 31, 2022 and December 31, 2021, the Company had unamortized discount $6,093 and $6,194, respectively, and debt issuance costs of $10,552 and $6,320, respectively, which is netted against the gross carrying value of long-term debt in *Debt, non-current* on Consolidated Statements of Financial Position. Additionally, as of December 31, 2022 and December 31, 2021, the Company had accrued interest of $2,575 and $1,432, respectively, within *Interest payable* on the Consolidated Statements of Financial Position.

Financing liability (failed sales leaseback)

In connection with the Company's failed sale-leaseback transaction in November 2020, a financing liability was recognized equal to the cash proceeds received. The Company will recognize the cash payments made on the lease as interest expense, and the principal will be de-recognized upon expiration of the lease.

6.10% Secured debenture due September 2030

On September 23, 2020, pursuant to the implementation of the Amended Arrangement (Refer to Note 13 for further discussion), a subsidiary of Canopy Growth advanced gross proceeds of $50,000 (less transaction costs of approximately $4,025) to Universal Hemp, an affiliate of the Company, pursuant to the terms of a secured debenture ("6.1% Loan"). In accordance with the terms of the debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. An additional $50,000 may be advanced pursuant to the debenture subject to the satisfaction of certain conditions by Universal Hemp. The debenture bears interest at a rate of 6.1% per annum, matures 10 years from the date hereof or such earlier date in accordance with the terms of the debenture and all interest payments made pursuant to the debenture are payable in cash by Universal Hemp. The debenture is secured by substantially all of the assets of Universal Hemp and its subsidiaries and, further, is not convertible and is not guaranteed by Acreage.

With a portion of the proceeds for the 6.1% Loan received by Universal Hemp, Acreage engaged an Investment Advisor which, under the Investment Advisor's sole discretion, invested on behalf of Universal Hemp $34,019 on September 28, 2020. As a result, Universal Hemp acquired 34,019 class B units, at $1.00 par value per unit, which represented 100% financial interest in the Investment Partnership, a Canada-based limited partnership. An affiliate of the Institutional Investor holds class A units of the Investment Partnership. The general partner of the Investment Partnership is also an affiliate of the Institutional Investor. The class B units are held by the Investment Advisor as an agent for Universal Hemp. Upon execution of the limited partnership agreement, $1,019 was distributed to the class A unit holders of the Investment Partnership.

7.50% Loan due April 2026

On September 28, 2020, the Company received gross proceeds of $33,000 (less transaction costs of approximately $959) from an affiliate of the Institutional Investor (the "Lender") and used a portion of the proceeds of this loan to retire its short-term $11,000 convertible note (as described above) and its short-term note aggregating approximately $18,000 in October 2020, with the remainder being used for working capital purposes. The loan is unsecured, matures in 3 years and bears interest at a 7.5% annual interest rate. The Lender is controlled by the Institutional Investor. The Investment Partnership is the investor in the Lender. On December 16, 2021, the Company paid an amendment fee of $413 to extend the maturity date from September 28, 2023 to April 2, 2026. The amendment was treated as a debt extinguishment.

Note due December 2024

In November 2020, the Company issued a promissory note with a third party, which is non-interest bearing and payable based on a payment schedule with ten payments in the aggregate amount of $7,750 through December 31, 2024, as a result of a settlement described under the "CanWell Dispute" in Note 13.

Prime rate credit facilities due January 2026, as amended

On December 16, 2021, the Company entered into a $150,000 senior secured credit facility with a syndicate of lenders consisting of a $75,000 initial draw, a $25,000 delayed draw that must be advanced within 12 months and a $50,000 committed accordion facility that is available after December 1, 2022, provided certain financial covenants are met, and with a maturity of January 1, 2026. Upon closing, gross proceeds of $75,000 were drawn (before origination discounts and issuance costs of approximately $4,000 and $1,500, respectively, which were capitalized). In April 2022, the Company drew down on the $25,000 delayed draw. Refer to Note 14 for further discussion of the syndicated related party lender.

On October 24, 2022, the Company amended the senior secured credit facility such that $25,000 of the committed accordion was available for immediate draw by Acreage, which was drawn down in the fourth quarter of 2022, with the remaining $25,000 available from January 1, 2023, provided certain predetermined milestones are achieved. The Company paid an amendment fee of $1,250 to the syndicate of lenders and the amendment was treated as a debt modification.

On April 28, 2023, the Company reached an agreement with the lenders of the Prime rate credit facilities due January 2026 that would allow it to draw a further $15,000 under its current Credit Agreement, but such funds would be maintained in a segregated account until dispersed and be restricted for use to only eligible capital expenditures. As part of this agreement, the Company has agreed to limit the total amounts outstanding under the Credit Agreement to $140,000 and to at all times subsequent to the amendment, maintain collateral (as defined in the Credit Agreement) equal to or greater than the outstanding amount under the Credit Agreement.

The loan is secured by pledged equity interests and substantially all of the assets of the Company. Advances under the facility bear interest at a variable rate of U.S. prime ("Prime") plus 5.75% per annum, payable monthly in arrears, with a Prime floor of 5.50% plus an additional 1.0% per annum until certain collateral assignment agreements are delivered. Undrawn amounts bear interest at 3.0% per annum.

The facility has a maturity date of January 1, 2026 and the Company has the option to extend the maturity date to January 1, 2027, for a fee equal to 1.0% of the total loan amount.

The loan is subject to various financial covenants, including (i) a fixed charge coverage ratio and two leverage ratios in respect of all periods beginning on or after December 31, 2023 and (ii) a minimum cash requirement of $10.0 million at each quarter end of the Company. Finally, the Amended Credit Facility includes approval for Canopy USA to acquire control of Acreage without requiring repayment of all amounts outstanding under the Amended Credit Facility, provided certain conditions are satisfied. As of December 31, 2022 and 2021 the Company was in compliance with all covenants.

The Company obtained a waiver of the financial covenants for the three month periods ended March 31, 2022 and June 30, 2022. This waiver included a $500 waiver fee that was paid to the lenders.

11. SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS

The table below details the change in Pubco shares outstanding by class for the years ended December 31, 2022:

Shareholders' Equity	Fixed Shares	Floating Shares	Fixed Shares Held in Treasury	Floating Shares Held in Treasury	Fixed Multiple Shares	Total Shares Outstanding
December 31, 2021	**74,665**	**32,962**	**(589)**	**(253)**	**118**	**106,903**
Issuances	4,117	1,039	—	—	—	5,156
NCI conversions	265	113	—	—	—	378
December 31, 2022	**79,047**	**34,114**	**(589)**	**(253)**	**118**	**112,437**

Warrants

A summary of the warrants activity outstanding is as follows:

Warrants	Fixed Shares	Floating Shares
December 31, 2021	**5,817**	**2,524**
Expired	—	—
December 31, 2022	**5,817**	**2,524**

The exercise price of each Fixed Share warrant ranged from $3.15 to $4.00, respectively, and the exercise price of each Floating Share warrant ranged from $3.01 to $4.00, respectively. The warrants are exercisable for a period of 4 years. The weighted-average remaining contractual life of the warrants outstanding is approximately 2.0 years. There was no aggregate intrinsic value for warrants outstanding as of December 31, 2022.

Non-controlling interests - convertible units

The Company has NCIs in consolidated subsidiaries USCo2 and HSCP. The non-voting shares of USCo2 and HSCP units make up substantially all of the NCI balance as of December 31, 2022 and are convertible for either 0.7 of a Fixed Share and 0.3 of a Floating Share of Pubco or cash, as determined by the Company. Summarized financial information of HSCP is presented below. USCo2 does not have discrete financial information separate from HSCP.

HSCP net asset reconciliation	December 31, 2022	December 31, 2021
Current assets	$ 118,193	$ 113,011
Non-current assets	237,665	375,807
Current liabilities	(9,141)	(29,256)
Non-current liabilities	(239,525)	(195,791)
Other NCI balances	(725)	(718)
Accumulated equity-settled expenses	(240,760)	(226,596)
Net assets	$ (134,293)	$ 36,457
HSCP/USCo2 ownership % of HSCP	16.33 %	17.24 %
Net assets allocated to USCo2/HSCP	$ (21,930)	$ 6,285
Net assets attributable to other NCIs	725	718
Total NCI	$ (21,205)	$ 7,003

	Year Ended December 31,		
HSCP Summarized Statement of Operations	2022	2021	2020
Net loss allocable to HSCP/USCo2	$ (171,618)	$ (57,572)	$ (372,386)
HSCP/USCo2 weighted average ownership % of HSCP	16.80 %	17.66 %	19.66 %
Net loss allocated to HSCP/USCo2	$ (28,826)	$ (10,167)	$ (73,211)
Net loss allocated to other NCIs	7	20	(319)
Net loss attributable to NCIs	$ (28,819)	$ (10,147)	$ (73,530)

As of December 31, 2022, USCo2's non-voting shares owned approximately 0.22% of HSCP units. USCo2's capital structure is comprised of voting shares, all of which are held by the Company, and of non-voting shares held by certain former HSCP members. Certain executive employees and profits interests holders own approximately 16.11% of HSCP units. The remaining 83.67% interest in HSCP is held by USCo and represents the members' equity attributable to shareholders of the parent.

During the years ended December 31, 2022 and 2021, the Company had several transactions with HSCP and USCo2 that changed its ownership interest in the subsidiaries but did not result in loss of control. These transactions included business acquisitions and the redemption of HSCP and USCo2 convertible units for Pubco shares (as shown in the table below), and resulted in a $55 allocation from shareholders' equity to NCI and $1,063 allocation from NCI to shareholders' equity for the years ended December 31, 2022 and 2021, respectively.

A reconciliation of the beginning and ending amounts of convertible units is as follows:

Convertible Units	December 31, 2022	December 31, 2021
Beginning balance	**23,076**	**24,142**
NCI units converted to Pubco	(378)	(1,066)
Ending balance	**22,698**	**23,076**

12. EQUITY-BASED COMPENSATION EXPENSE

Amended Arrangement with Canopy Growth

On September 23, 2020, the Company announced the implementation of the Amended Arrangement (as defined in Note 13). Pursuant to the Amended Arrangement, the Company's articles have been amended to create new Fixed Shares, Floating Shares and Fixed Multiple Shares. Consequently, the Company's equity-based compensation was modified into new equity awards of the Company. Refer to Note 13 for further discussion.

Equity-based compensation - Plan (Acreage Holdings, Inc. Omnibus Incentive Plan)

In connection with the RTO transaction, the Company's Board of Directors adopted an Omnibus Incentive Plan, as amended September 23, 2020 (the "Plan"), which permits the issuance of stock options, stock appreciation rights, stock awards, share units, performance shares, performance units and other stock-based awards up to an amount equal to 15% of the issued and outstanding Subordinate Voting Shares of the Company.

Pursuant to the Amended Arrangement, the Company retained the Plan described above, the upper limit of issuances being up to an amount equal to 15% of the issued and outstanding Fixed Shares and Floating Shares of the Company. As of December 31, 2022, the Company had 3,742 shares authorized and available for grant under the Plan.

Restricted Share Units ("RSUs")

Restricted Share Units (Fair value information expressed in whole dollars)	**Fixed Shares**		**Floating Shares**	
	RSUs	**Weighted Average Grant Date Fair Value**	**RSUs**	**Weighted Average Grant Date Fair Value**
Unvested, January 1, 2022	3,188	$ 7.30	1,262	$ 7.39
Granted	7,717	$ 0.67	95	$ 1.19
Forfeited	(703)	$ 1.80	(85)	$ 2.53
Vested	(3,878)	$ 4.06	(808)	$ 7.59
Unvested, December 31, 2022	**6,324**	$ 1.80	**464**	$ 6.68
Vested and unreleased[(1)]	200	$ 6.37	63	$ 7.02
Outstanding, December 31, 2022	**6,524**	$ 1.94	**527**	$ 6.72

[(1)] RSUs that are vested and unreleased represent RSUs that are pending delivery.

RSUs of the Company generally vest over a period of three years and RSUs granted to certain executives vest based on achievement of specific performance conditions. In certain situations for specified individuals, RSUs vest on an accelerated basis on separation. The fair value for RSUs is based on the Company's share price on the date of the grant. The Company recorded $8,527, $16,012 and $37,801 as *Equity-based compensation expense* relating to RSUs on the Consolidated Statements of Operations during the years ended December 31, 2022, 2021 and 2020 respectively. The fair value of RSUs vested during the years ended December 31, 2022 and 2021 was $4,816 and $15,917, respectively.

The total weighted average remaining contractual life and aggregate intrinsic value of unvested RSUs as of December 31, 2022 was approximately 2 years and $3,487, respectively. Unrecognized compensation expense related to these awards at December 31, 2022 was $11,962 and is expected to be recognized over a weighted average period of approximately 1 year.

Stock options

Stock Options (Exercise price expressed in whole dollars)	**Fixed Shares**		**Floating Shares**	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Options outstanding, January 1, 2022	1,529	$ 11.07	2,414	$ 3.06
Granted	5,849	$ 0.59	—	$ —
Forfeited	(41)	$ 5.66	(91)	$ 2.57
Expired	—	$ —	(56)	$ 2.55
Options outstanding, December 31, 2022	**7,337**	$ 2.75	**2,267**	$ 3.10
Options exercisable, December 31, 2022	1,275	$ 12.52	1,934	$ 3.13

Stock options of the Company generally vest over a period of three years and options granted to certain executives vest based on achievement of specific performance conditions. Stock options of the Company have an expiration period of 5 or 10 years from the date of grant. The weighted average contractual life remaining for Fixed Share options outstanding and exercisable as of December 31, 2022 was approximately 5 and 6 years, respectively. The weighted average contractual life remaining for Floating Share options outstanding and exercisable as of December 31, 2022 was approximately 7 and 7 years, respectively. The Company recorded $1,011, $3,934 and $36,962 as *Equity-based compensation expense* on Consolidated Statements of Operations during the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, unamortized expense related to stock options totaled $1,896 and is expected to be recognized over a weighted-average period of approximately 2 years. As of December 31, 2022, the aggregate intrinsic value for unvested options and for vested and exercisable options was nil, respectively.

The fair values of Subordinate Voting Share, Fixed Share and Floating Share options granted were calculated using a Black-Scholes model with the following assumptions:

Black-Scholes inputs	**January 1, 2020 to September 22, 2020**	**September 23, 2020 to December 31, 2020**		**December 31, 2021**		**Year Ended December 31, 2022**	
	SVS	**Fixed**	**Floating**	**Fixed**	**Floating**	**Fixed**	**Floating[(1)]**
Weighted average grant date fair value range	$3.79	$1.06 - $1.63	$0.92 - $1.06	$2.74 - $3.77	$0.26 - $1.55	$0.34	n/a
Assumption ranges:							
Risk-free rate	1.60%	0.20%	0.20%	0.60%	0.60% - 0.70%	3.00%	n/a
Expected dividend yield	—%	—%	—%	—%	—%	—%	n/a
Expected term (in years)	6	3.25 - 3.5	2.5 - 3.5	3.5	3.50 - 4.08	3.44	n/a
Expected volatility	75%	75%	75%	75%	65%	82%	n/a

(1) The Company did not issue any floating options during the year ended December 31, 2022. As a result, the Black-Scholes inputs are not applicable (“n/a”).

Volatility was estimated by using the average historical volatility of a representative peer group of publicly traded cannabis companies. The expected term represents the period of time the options are expected to be outstanding. The risk-free rate is based on U.S. Treasury bills with a remaining term equal to the expected term.

Equity-based compensation - other

In May 2022, the Company granted 301 Fixed Shares and 127 Floating Shares and recorded $600 as *Equity-based compensation expense* on Consolidated Statements of Operations during the year ended December 31, 2022 in settlement of post-employment expenses.

HSCP C-1 Profits Interests Units ("Profits Interests")

These membership units qualify as profits interests for U.S. federal income tax purposes and were accounted for in accordance with ASC 718 - *Compensation - Stock Compensation*. HSCP amortizes awards over the relevant service period and until awards are fully vested.

The Company recorded $70 as *Equity-based compensation expense* on Consolidated Statements of Operations in connection with these awards during the year ended December 31, 2020, respectively. The fair value of Profits Interests vested during the year ended December 31, 2020 was $1,239. All of the Profits Interests vested during the year ended December 31, 2020 and there were no unvested units or related equity-based compensation expense associated with the years ended December 31, 2022 and 2021.

Restricted Shares ("RSs")

In connection with the Company's acquisition of Form Factory, 1,369 restricted shares with a grant date fair value of $20.45 were issued to former employees of Form Factory subject to future service conditions, which fully vest 24 months from the acquisition date. The fair value for RSs is based on the Company's share price on the date of the grant. In connection with these awards, the Company recorded equity-based compensation expense of $17,231 on the Consolidated Statements of Operations during the year ended December 31, 2020. There were no associated equity-based compensation expense related to RSs during the years ended December 31, 2022 and 2021.

13. COMMITMENTS AND CONTINGENCIES

Commitments

The Company provides revolving lines of credit to several of its portfolio companies. As of December 31, 2022, the maximum obligation under these arrangements was $15,150 (refer to Note 6 for further discussion).

Prior Plan of Arrangement with Canopy Growth

On June 19, 2019, the shareholders of the Company and of Canopy Growth separately approved the proposed plan of arrangement (the "Prior Plan of Arrangement") involving the two companies, and on June 21, 2019, the Supreme Court of British Columbia granted a final order approving the Prior Plan of Arrangement. Effective June 27, 2019, the articles of the Company were amended pursuant to the Prior Plan of Arrangement to provide that, upon the occurrence (or waiver by Canopy Growth) of 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 "Original Arrangement Agreement"), Canopy Growth will acquire (the "Acquisition") all of the issued and outstanding shares in the capital of the Company (each, an "Acreage Share").

Second Amendment to the Arrangement Agreement with Canopy Growth

On September 23, 2020, Acreage and Canopy Growth entered into an amending agreement (the "Amending Agreement" or "Amended Arrangement") (and together with the Original Arrangement Agreement and any further amendments thereto, the "Amended Plan of Arrangement") and the Amended Arrangement became effective at 12:01 a.m. (Vancouver time) (the "Amendment Time") on September 23, 2020 (the "Amendment Date"). Pursuant to the Amended Plan of Arrangement, Canopy Growth made a cash payment of $37,500 which was delivered to Acreage's shareholders and certain holders of securities convertible or exchangeable into shares of Acreage. Acreage also completed a capital reorganization (the "Capital Reorganization") effective as of the Amendment Time whereby: (i) each existing SVS was exchanged for 0.7 of a Fixed Share and 0.3 of a Floating Share; (ii) each issued and outstanding PVS was exchanged for 28 Fixed Shares and 12 Floating Shares; and (iii) each issued and outstanding MVS was exchanged for 0.7 of a Fixed Multiple Share and 0.3 of a Floating Share.

At the Amendment Time, each option, restricted share unit, compensation option, and warrant to acquire existing SVS (each a "Security") that was outstanding immediately prior to the Amendment Time, was exchanged for a replacement Security to acquire Fixed Shares (a "Fixed Share Replacement Security") and a replacement Security to acquire Floating Shares (a "Floating Share Replacement Security") to account for the Capital Reorganization.

Pursuant to the Amended Plan of Arrangement, upon the occurrence or waiver (at the discretion of Canopy Growth) of the Triggering Event (the "Triggering Event Date"), Canopy Growth will, subject to the satisfaction or waiver of certain closing conditions set out in the Arrangement Agreement: (i) acquire all of the issued and outstanding Fixed Shares (following the

mandatory conversion of the Fixed Multiple Shares into Fixed Shares) on the basis of 0.3048 of a common share of Canopy Growth (each whole common share, a "Canopy Growth Share") for each Fixed Share held (the "Fixed Exchange Ratio") at the time of the acquisition of the Fixed Shares (the "Acquisition Time"), subject to adjustment in accordance with the terms of the Amended Plan of Arrangement (the "Canopy Call Option"); and (ii) have the right (but not the obligation) (the "Floating Call Option"), exercisable for a period of 30 days following the Triggering Event Date to acquire all of the issued and outstanding Floating Shares at a price to be determined based upon the 30 day volume-weighted average trading price of the Floating Shares, subject to a minimum price of $6.41, as may be adjusted in accordance with the terms of the Amended Plan of Arrangement, to be payable, at the option of Canopy Growth, in cash, Canopy Growth Shares or a combination thereof. If any portion is paid in Canopy Growth Shares, the number of Canopy Growth Shares to be exchanged for each Floating Share shall be determined on the basis of a 30 day volume-weighted average calculation using the Floating Shares (the "Floating Ratio"). The closing of the acquisition of the Floating Shares pursuant to the Floating Call Option, if exercised, will take place concurrently with the closing of the acquisition of the Fixed Shares pursuant to the Canopy Call Option, if exercised. The Canopy Call Option and the Floating Call Option will expire 10 years from the Amendment Time.

At the Acquisition Time, on the terms and subject to the conditions of the Amended Plan of Arrangement, each Fixed Share Replacement Security will be exchanged for a replacement Security from Canopy Growth equal to: (i) the number of Fixed Shares that were issuable upon exercise of such Fixed Share Replacement Security immediately prior to the Acquisition Time, multiplied by (ii) the Fixed Exchange Ratio in effect immediately prior to the Acquisition Time (provided that if the foregoing would result in the issuance of a fraction of a Canopy Growth Share, then the number of Canopy Growth Shares to be issued will be rounded down to the nearest whole number).

In the event that the Floating Call Option is exercised and Canopy Growth acquires the Floating Shares at the Acquisition Time, on the terms and subject to the conditions of the Amended Plan of Arrangement, each Floating Share Replacement Security will be exchanged for a replacement Security from Canopy Growth equal to: (i) the number of Floating Shares that were issuable upon exercise of such Floating Share Replacement Security immediately prior to the Acquisition Time, multiplied by (ii) the Floating Ratio (if the foregoing would result in the issuance of a fraction of a Canopy Growth Share, then the number of Canopy Growth Shares to be issued will be rounded down to the nearest whole number). In the event that the Floating Call Option is exercised and Canopy Growth acquires the Floating Shares at the Acquisition Time, Acreage will be a wholly-owned subsidiary of Canopy Growth.

The Amended Plan of Arrangement provides for, among other things, Amendments to the definition of Purchaser Approved Share Threshold (as defined therein) to change the number of shares of Acreage available to be issued by Acreage without an adjustment in the Fixed Exchange Ratio such that Acreage may issue a maximum of 32,700 shares. Furthermore, Acreage generally may not issue any equity securities without Canopy Growth's prior consent. Additionally, the Amended Plan of Arrangement allows for various Canopy Growth rights that extend beyond the Acquisition Date, including, among others: (i) rights to nominate a majority of Acreage's Board of Directors following the Acquisition Time; (ii) restrictive covenants in respect of the business conduct in favor of Canopy Growth; (iii) termination of non-competition and exclusivity rights granted to Acreage by Canopy Growth in the event that Acreage does not meet certain specified financial targets; (iv) implementation of further restrictions on Acreage's ability to operate its business in the event that Acreage does not meet certain specified financial targets; and (v) termination of the Amended Plan of Arrangement in the event that Acreage does not meet certain specified financial targets in the trailing 12 month period. Each of the financial targets referred to above is specified in the Amending Agreement and related to the performance of Acreage relative to a business plan for Acreage for each fiscal year ended December 31, 2020 through December 31, 2029 set forth in the Proposal Agreement (the "Initial Business Plan"). For the year ended December 31, 2022, the Company did not exceed the 90% threshold for both the Pro-Forma Net Revenue Target and the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan. Therefore, Canopy Growth could, but has not, required the Company to implement austerity measures (as defined in the Existing Arrangement Agreement) by providing such notice to the Company.

Further, the Amended Plan of Arrangement imposes restrictions on Acreage entering into any contracts in respect of Company Debt if: (i) such contract would be materially inconsistent with market standards for companies operating in the United States cannabis industry; (ii) such contract prohibits a prepayment of the principal amount of such Company Debt; and (iii) such contract would provide for interest payments to be paid through the issuance of securities as opposed to cash, among other restrictions. The Amended Plan of Arrangement also provides for the following: (i) certain financial reporting obligations to Canopy Growth; (ii) certain specified criteria related to any new directors or officers of Acreage, and (iii) a limit to Acreage's operations to the Identified States (as defined therein).

Third Amendment to the Arrangement Agreement with Canopy Growth

On October 24, 2022, the Company entered into an arrangement agreement (the "Floating Share Agreement") with Canopy Growth and Canopy USA, LLC ("Canopy USA"), Canopy Growth's newly-created U.S. domiciled holding company, pursuant to which, subject to approval of the holders of the Class D subordinate voting shares of Acreage (the "Floating Shares") and the terms and conditions of the Floating Share Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares by way of court-approved plan of arrangement (the "Floating Share Arrangement") for consideration of 0.4500 of a common share of Canopy Growth (each whole share a "Canopy Share") in exchange for each Floating Share. The Floating Share Arrangement was approved at a special meeting of the holders of Floating Shares held on March 15, 2023.

Concurrently with entering into of the Floating Share Agreement, Canopy Growth irrevocably waived its option to acquire the Floating Shares pursuant to the Amended Arrangement.

Subject to the provisions of the Floating Share Agreement, Canopy Growth has agreed to exercise the fixed option pursuant to the Amended Agreement to acquire all outstanding Fixed Shares, representing approximately 70% of the total shares of Acreage as at the date hereof, at a fixed exchange ratio of 0.3048 of a Canopy Share for each Fixed Share. Completion of the Floating Share Agreement is subject to the satisfaction or waiver of certain closing conditions, including receipt of applicable regulatory approvals.

Canopy Growth and Canopy USA have entered into voting support agreements with certain of the Company's directors and current and former officers, who at the time of the agreement, held approximately 7.3% of the issued and outstanding Floating Shares pursuant to which they have agreed, among other things, to vote their Floating Shares in favor of the Floating Share Agreement.

Acreage expects the Floating Share Arrangement to close upon the receipt of shareholder, court, and regulatory approvals, as well as the satisfaction or waiver of all conditions under the Floating Share Agreement and the Amended Arrangement. It is anticipated that the acquisition by Canopy USA of the Fixed Shares pursuant to the Fixed Option will be completed immediately following closing of the Floating Share Agreement.

Tax Receivable Agreement and Tax Receivable Bonus Plans

The Company is a party to (i) a tax receivable agreement dated November 14, 2018 and subsequently amended (the "Tax Receivable Agreement") between the Company and certain current and former unit holders of HSCP and (ii) tax receivable bonus plans dated November 14, 2018 and subsequently amended (the "Tax Receivable Bonus Plans") between the Company and certain directors, officers and consultants of the Company (together the "Tax Receivable Recipients"). Under the Tax Receivable Agreement and the Tax Receivable Bonus Plans, the Company is required to make cash payments to the Tax Receivable Recipients equal to 85% of the tax benefits, if any, that the Company actually realizes, or in certain circumstances is deemed to realize, as a result of (i) the increases in its share of the tax basis of assets of HSCP resulting from any redemptions or exchanges of Units from the HSCP Members, and (ii) certain other tax benefits related to the Company making payments under the Tax Receivable Agreement and the Tax Receivable Bonus Plan. Although the actual timing and amount of any payments that the Company makes to the Tax Receivable Recipients cannot be estimated, it expects those payments will be significant. Any payments made by the Company to the Tax Receivable Recipients may generally reduce the amount of overall cash flow that might have otherwise been available to it. Payments under the Tax Receivable Agreement are not conditioned on any Tax Receivable Recipient's continued ownership of Units or our shares after the completion of the RTO. Payments under the Tax Receivable Bonus Plan may, at times, be conditioned on the Tax Receivable Recipient's continued employment by the Company. As of December 31, 2022, the Company has not made any payments in relation to the Tax Receivable Agreement or the Tax Receivable Bonus Plans.

Concurrently with the execution of the Floating Share Arrangement Agreement, Canopy Growth, Canopy USA, High Street, Acreage Holdings America, Inc. and certain individuals party to the Tax Receivable Agreement, amended the Tax Receivable Agreement in accordance with the Floating Share Agreement. Pursuant to the Floating Share Agreement, Canopy Growth, on behalf of Canopy USA agreed to: (i) issue Canopy Shares with a value of approximately $30,500 to the Tax Receivable Agreement Members in exchange for each such individual executing an assignment of rights agreement assigning such individual's rights under the Tax Receivable Agreement to Canopy USA, such that following assignment, Canopy USA is the sole member and beneficiary under the Tax Receivable Agreement; and (ii) fund a payment with a value of approximately $19,500 to be made by the Company in Canopy Shares to certain eligible participants pursuant to the Tax Receivable Bonus Plans, as amended on October 24, 2022, both in order to reduce a potential liability of approximately $121,000 under the Tax Receivable Agreement and the Tax Receivable Bonus Plans. In connection with the foregoing, Canopy Growth issued 5,648,927 Canopy Shares with a value of approximately $15,250 to the Tax Receivable Agreement Members, with a second payment of approximately $15,250 in Canopy Shares to occur on the earlier of: (a) the second Business Day following the date on which the Floating Share Arrangement has been approved; or (b) April 24, 2023. In addition, the Tax Receivable Agreement Bonuses with an aggregate value of approximately $19,500 in Canopy Shares will be issued by Canopy to certain eligible

participants under the Tax Receivable Bonus Plans on the closing of the Floating Share Arrangement or, if the Floating Share Arrangement does not close or is terminated but the Amended Arrangement closes, then on the closing of the acquisition. The Tax Receivable Agreement Bonuses will be paid to recipients to be determined by Kevin Murphy, the administrator of the Tax Receivable Bonus Plans, and may include one or more of Kevin Murphy, John Boehner, Brian Mulroney, and Peter Caldini, each of whom are directors of Acreage and other current and former officers or consultants of Acreage as may be determined by Kevin Murphy. Canopy Growth has also agreed to register the resale of such Canopy Shares under the Securities Act of 1933, as amended.

Debenture

In connection with the implementation of the Amended Arrangement, pursuant to a secured debenture dated September 23, 2020 (the "Debenture") issued by Universal Hemp, LLC, an affiliate of Acreage that operates solely in the hemp industry in full compliance with all applicable laws (the "Borrower"), to 11065220 Canada Inc., an affiliate of Canopy Growth (the "Lender"), the Lender agreed to provide a loan of up to $100,000 (the "Loan"), $50,000 of which was advanced on the Amendment Date (the "Initial Advance"), and $50,000 of the Loan will be advanced in the event that the following conditions, among others, are satisfied: (a) the Borrower's EBITDA (as defined in the Debenture) for any 90 day period is greater than or equal to 2.0 times the interest costs associated with the Initial Advance; and (b) the Borrower's business plan for the 12 months following the applicable 90 day period supports an Interest Coverage Ratio (as defined in the Debenture) of at least 2.00:1.

The principal amount of the Loan will bear interest from the date of advance, compounded annually, and be payable on each anniversary of the date of the Debenture in cash in U.S. dollars at a rate of 6.1% per annum. The Loan will mature 10 years from the date of the Initial Advance.

The Loan must be used exclusively for U.S. hemp-related operations and on the express condition that such amount will not be used, directly or indirectly, in connection with or for the operation or benefit of any of the Borrower's affiliates other than subsidiaries of the Borrower exclusively engaged in U.S. hemp-related operations and not directly or indirectly, towards the operation or funding of any activities that are not permissible under applicable law. The Loan proceeds must be segregated in a distinct bank account and detailed records of debits to such distinct bank account will be maintained by the Borrower.

No payment due and payable to the Lender by the Borrower pursuant to the Debenture may be made using funds directly or indirectly derived from any cannabis or cannabis-related operations in the United States, unless and until the Triggering Event Date.

The Debenture includes usual and typical events of default for a financing of this nature, including, without limitation, if: (i) Acreage is in breach or default of any representation or warranty in any material respect pursuant to the Arrangement Agreement; (ii) Operations deemed to be non-core must cease within 18 months from the Amendment Date; however, the Company and Canopy agreed to extend this deadline with respect to the Company's operations in California from March 2023 to March 2024; and (iii) Acreage fails to perform or comply with any covenant or obligation in the Arrangement Agreement which is not remedied within 30 days after written notice is given to the Borrower by the Lender. The Debenture also includes customary representations and warranties, positive covenants and negative covenants of the Borrower.

Advisor fee

In connection with the Prior Plan of Arrangement, the Company entered into an agreement with its financial advisor providing for a fee payment of $7,000 in either cash, Acreage shares or Canopy Growth shares, at the discretion of the Company, upon the successful acquisition of Acreage by Canopy Growth. During the fourth quarter of 2022, the Company amended the terms of the agreement with its financial advisors providing for a fee payment of $3,000 in cash, less a $500 initial payment, and $2,000 in shares of the Company, upon the successful acquisition of Acreage by Canopy Growth.

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 December 31, 2022, for which no liabilities are recorded on the Consolidated Statements of Financial Position.

The Company is subject to other capital commitments and similar obligations. As of December 31, 2022 and 2021, such amounts were not material.

CanWell Settlement

In November 2020, the Company entered into a final confidential settlement agreement with CanWell, LLC for certain outstanding proceedings. As part of that agreement, the Company accrued for $7,750 in *Legal settlements, net* on the Statements of Operations for the year ended December 31, 2020. In connection with this settlement agreement, the Company issued a promissory note in the amount of $7,750 to CanWell, which is non-interest bearing and is payable in periodic payments through December 31, 2024. Through December 31, 2022, the Company has paid $4,583 of the promissory note.

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's applicable subsidiaries ceasing operations. While management of the Company believes that the Company's subsidiaries are in compliance with applicable local and state regulations as of December 31, 2022, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company's subsidiaries may be subject to regulatory fines, penalties, or restrictions in the future.

The Company and its subsidiaries 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. 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. High Street, along with the other defendants, filed a motion to dismiss on April 1, 2019. The motion was fully briefed and submitted to the Court as of July 18, 2019, and oral argument was heard on September 6, 2019. The motion remains pending before the Court. Following a hearing held during April 2022, the Court ruled that Plaintiff had the capacity to bring this action on behalf of EPMMNY. The motions to dismiss remain pending on all other grounds.

14. RELATED PARTY TRANSACTIONS

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

Related party notes receivable
In May 2021, the Company sold two secured promissory notes totaling $28,000 received from the sale of Acreage Florida to Viridescent for cash proceeds of approximately $26,000. Viridescent is an entity controlled by Kevin Murphy, the Chairman of the board of directors. Refer to Note 6 for further discussion.

GreenAcreage
During the year ended December 31, 2019, the Company sold and subsequently leased back several of its capital assets in a transaction with GreenAcreage Real Estate. On July 15, 2020, a subsidiary of the Company entered into a definitive agreement with GreenAcreage to internalize the Company's management operations. Refer to Note 7 for further discussion.

6.10% Secured debenture due September 2030

As disclosed in Note 10, “6.10% Secured debenture due September 2030”, on September 23, 2020, pursuant to the implementation of the Amended Arrangement, a subsidiary of Canopy Growth advanced gross proceeds of $50,000 (less transaction costs of approximately $4,025) to Universal Hemp, an affiliate of the Company, pursuant to the terms of a secured debenture. In accordance with the terms of the debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. Acreage then engaged an investment advisor (the “Investment Advisor”) which, under the Investment Advisor’s sole discretion, invested on behalf of Universal Hemp, $34,019 of the proceeds on September 28, 2020. During the years ended December 31, 2022, 2021, and 2020, the Company incurred interest expense attributable to the 6.10% Secured debenture due September 2030 of $3,050, $3,050, and $830, respectively.

As a result, Universal Hemp, a subsidiary of the Company, acquired 34,019 class B units, at $1 par value per unit, which represented 100% financial interest in an Investment Partnership, a Canada-based limited partnership. An affiliate of the Institutional Investor holds Class A Units of the Investment Partnership. The general partner of the Investment Partnership is also an affiliate of the Institutional Investor. The class B units are held by the Institutional Investor as agent for Universal Hemp. On September 28, 2020, the Company received gross proceeds of $33,000 (less transaction costs of approximately $959) from an affiliate of the Institutional Lender (the “Lender”) and used a portion of the proceeds of this loan to retire its short-term $11,000 convertible note and its short-term note aggregating approximately $18,000 in October 2020, with the remainder being used for working capital purposes. The Lender is controlled by the Institutional Lender. The Investment Partnership is the investor in the Lender.

In October 2020, Kevin Murphy made an interest bearing loan of $2,100 to the Company, bearing interest at 9.9% per annum. This amount was subsequently repaid in November 2020.

Michigan consulting agreement

Pursuant to the Consulting Services Agreement by and between Kevin Michigan, LLC, a company controlled by Kevin Murphy, and High Street (the “Michigan Consulting Agreement”), High Street provides certain consulting services to Kevin Michigan, LLC, which includes, but is not limited to, services related to application support, provisioning center administration and operation, local and state regulatory filings, human resource matters, and marketing matters. The Michigan Consulting Agreement explicitly states that High Street is not able to direct or control the business of Kevin Michigan, LLC. Additionally, there are certain leases held by and between Kevin Michigan, LLC, as lessee and certain wholly owned subsidiaries of High Street, as lessors. As of December 31, 2022, Kevin Michigan, LLC is not operational, and no consulting fees or rents have been paid to High Street or its wholly owned subsidiaries. Kevin Michigan, LLC is owned and controlled by the Company’s Chairman, Kevin Murphy.

Prime rate credit facilities due January 2026, as amended

On December 16, 2021, the Company entered into the Prime rate credit facilities due January 2026 with a syndicate of lenders, including Viridescent Realty Trust, Inc. (“Viridescent”), an entity controlled by Kevin Murphy. Refer to Note 10 for further discussion. On October 24, 2022, the Company amended these credit facilities and the Company paid an amendment fee of $1,250 to the lenders, with $375 paid to Viridescent.

Viridescent has committed $37,500 of the $125,000 drawn down under the Credit Facility, with third-party syndicated affiliates committing the additional $87,500. During the year ended December 31, 2022, the Company incurred interest expense attributable to Viridescent of $3,385. The loan is secured by first-lien mortgages on Acreage’s wholly owned real estate and other commercial security interests. A third-party syndicate served as Administrative Agent for the transaction.

15. INCOME TAXES

The domestic and foreign components of loss before income taxes for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Year Ended December 31,		
	2022	2021	2020
Domestic	$ (160,533)	$ (56,959)	$ (376,905)
Foreign	1,860	1,607	(453)
Loss before income taxes	**$ (158,673)**	**$ (55,352)**	**$ (377,358)**

The provision for income taxes for the years ended December 31, 2022, 2021 and 2020 are as follows:

Income tax provision	Year Ended December 31,		
	2022	2021	2020
Current taxes:			
Federal	$ 21,570	$ 18,992	$ 10,375
Foreign	400	—	—
State	8,880	7,541	4,790
Total current	**30,850**	**26,533**	**15,165**
Deferred taxes:			
Federal	(14,210)	(5,955)	(21,173)
State	(6,618)	(2,773)	(11,232)
Total deferred	**(20,828)**	**(8,728)**	**(32,405)**
Total income tax provision (benefit)	**$ 10,022**	**$ 17,805**	**$ (17,240)**

The table below reconciles the expected statutory federal income tax to the actual income tax provision (benefit):

Tax provision reconciliation	Year Ended December 31, 2022		Year Ended December 31, 2021		Year Ended December 31, 2020	
	$	%	$	%	$	%
Computed expected federal income tax benefit	**$ (33,322)**	**21.0 %**	**$ (11,624)**	**21.0 %**	**$ (79,245)**	**21.0 %**
Increase (decrease) in income taxes resulting from:						
State taxes	(15,040)	9.5	(6,119)	11.1	(35,715)	9.5
Nondeductible permanent items	47,117	(29.7)	31,521	(57.0)	76,128	(20.2)
Pass-through entities & non-controlling interests	6,769	(4.3)	5,080	(9.2)	20,001	(5.3)
Increase in valuation allowance	1,789	(1.1)	(209)	0.4	1,518	(0.4)
Other	2,709	(1.7)	(844)	1.5	73	—
Actual income tax provision (benefit)	**$ 10,022**	**(6.3)%**	**$ 17,805**	**(32.2)%**	**$ (17,240)**	**4.6 %**

The following table presents a reconciliation of gross unrecognized tax benefits:

Unrecognized tax benefits	Year Ended December 31,		
	2022	2021	2020
Balance at beginning of period	$ 7,695	$ 7,719	$ 1,867
Increase based on tax positions related to prior period	806	869	6,565
Decrease based on tax positions related to prior period	(136)	(877)	(574)
Decrease related to settlements with taxing authorities	(1,829)	(16)	(139)
Balance at end of period	**$ 6,536**	**$ 7,695**	**$ 7,719**

Interest and penalties related to unrecognized tax benefits are recorded as components of the provision for income taxes. As of December 31, 2022 and 2021, the Company had interest accrued of approximately $564 and $524, respectively. Accrued interest and penalties are included in *Other current liabilities* in the Consolidated Statements of Financial Position.

The principal components of deferred taxes as of December 31, 2022 and 2021 are as follows:

Deferred taxes	December 31, 2022	December 31, 2021
Deferred tax assets:		
Net operating/capital loss carryforwards	$ 11,043	$ 11,242
Other	5,285	3,298
Total deferred tax assets	16,328	14,540
Valuation allowance	(16,328)	(14,540)
Net deferred tax asset	—	—
Deferred tax liabilities:		
Partnership basis difference	(9,623)	(27,082)
Net deferred tax liability	**(9,623)**	**(27,082)**
Net deferred tax liabilities	**$ (9,623)**	**$ (27,082)**

The Company assesses available positive and negative evidence to estimate if it is more likely than not to use certain jurisdiction-based deferred tax assets including net operating loss carryovers. On the basis of this assessment, a valuation allowance was recorded during the years ended December 31, 2022 and 2021.

As of December 31, 2022, the Company has $1,551 of domestic federal net operating loss carryovers with no expiration date. As of December 31, 2022, the Company has various state net operating loss carryovers that expire at different times, the earliest of which is 2032. The statute of limitations with respect to the Company's federal returns remains open for tax years 2019 and forward.

As the Company operates in the cannabis industry, it is subject to the limitations of IRC Section 280E, under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-deductible under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

In connection with the RTO transaction, the Company entered into a tax receivable agreement with certain members of HSCP, who represent a portion of the NCI, in which it agreed to pay 65% of any realized tax benefits upon conversion of HSCP units into Subordinate Voting Shares to such members. In addition, 20% of any realized tax benefits will be paid to certain HSCP members pursuant to the Company's tax receivable bonus plan. The Company will retain the remaining 15% of the realized tax benefits.

On March 27, 2020, the CARES Act was enacted in response to COVID-19 pandemic. Under ASC 740, the effects of changes in tax rates and laws are recognized in the period which the new legislation is enacted. The CARES Act made various tax law changes including among other things (i) increasing the limitation under Section 163(j) of the Internal Revenue Code of 1986,

as amended (the "IRC") for 2020 and 2019 to permit additional expensing of interest (ii) enacting a technical correction so that qualified improvement property can be immediately expensed under IRC Section 168(k), (iii) making modifications to the federal net operating loss rules including permitting federal net operating losses incurred in 2020, 2019, and 2018 to be carried back to the five preceding taxable years in order to generate a refund of previously paid income taxes and (iv) enhancing the recoverability of alternative minimum tax credits. Given the Company is subject to 280E, the CARES Act did not have an impact on the financial statements.

16. REPORTABLE SEGMENTS

The Company prepares its segment reporting on the same basis that its Chief Operating Decision Maker manages the business, and makes operating decisions. The Company operates under one operating segment, which is its only reportable segment: the production and sale of cannabis products. The Company's measure of segment performance is net income, and derives its revenue primarily from the sale of cannabis products, as well as related management or consulting services which were not material in all periods presented. All of the Company's operations are located in the United States.

17. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net loss attributable to common shareholders of the Company by the weighted average number of outstanding shares for the period. Diluted earnings per share are calculated based on the weighted number of outstanding common shares plus the dilutive effect of stock options and warrants, as if they were exercised, and restricted stock units and profits interests, as if they vested and NCI convertible units, as if they converted.

Basic and diluted loss per share is as follows:

	Year Ended December 31,		
	2022	2021	2020
Net loss attributable to common shareholders of the Company	$ (139,876)	$ (63,010)	$ (286,588)
Weighted average shares outstanding - basic	109,690	105,087	97,981
Effect of dilutive securities	—	—	—
Weighted average shares - diluted	109,690	105,087	97,981
Net loss per share attributable to common shareholders of the Company - basic	$ (1.28)	$ (0.60)	$ (2.92)
Net loss per share attributable to common shareholders of the Company - diluted	$ (1.28)	$ (0.60)	$ (2.92)

During the year ended December 31, 2022, 5,817 Fixed warrants, 2,524 Floating warrants, 6,524 Fixed Share RSUs, 527 Floating Share RSUs, 7,337 Fixed Share stock options, 2,267 Floating Share stock options and 22,698 NCI convertible units were excluded from the calculation of net loss per share attributable to common shareholders of the Company - diluted, as they were anti-dilutive. During the year ended December 31, 2021, 5,817 Fixed warrants, 2,524 Floating warrants, 3,318 Fixed Share RSUs, 1,429 Floating Share RSUs, 1,529 Fixed Share stock options, 2,414 Floating Share stock options and 23,076 NCI convertible units were excluded from the calculation of net loss per share attributable to common shareholders of the Company - diluted, as they were anti-dilutive.

18. SUBSEQUENT EVENTS

On January 2, 2023, a subsidiary of the Company acquired cultivation, processing and retail operations in Maine from a third party who provided cultivation, manufacturing, processing, distribution and handling, recordkeeping, compliance, and other services to the Company's operations in Maine. Under the terms of the agreement, the consideration paid consisted of the settlement of a pre-existing relationship, which included a line-of credit, other advances and the related interest receivable, all totaling $27,691, which were previously recorded in Notes receivable, current on the Statements of Financial Position.

The Floating Share Arrangement was approved at a special meeting of the holders of Floating Shares held on March 15, 2023. Refer to Note 13 for further discussion.

On March 17, 2023, Acreage, Canopy and Canopy USA entered into a first amendment to the Floating Share Arrangement Agreement (the "Amendment"). Pursuant to the terms of the Amendment, Acreage, Canopy and Canopy USA agreed to amend the Exercise Outside Date (as defined in the Floating Share Arrangement Agreement) from March 31, 2023 to May 31, 2023.

On April 11, 2023, the Company sold, for total proceeds of $12,113, the rights to receive certain Employee Retention Tax Credits ("ERTC") with an aggregate receivable value of $14,251. In the event that all or a portion of the ERTC are a) objected to by the IRS or otherwise asserted by the IRS to be, unenforceable or invalid, b) impaired by the commencement by the IRS of any action or proceeding including, but not limited to any proceeding which seeks to reduce all or part of the Claim Amount, or c) offset or setoff against unpaid taxes of the Company, disallowed, reduced, subordinated or otherwise impaired by action of the IRS, in whole or in part for any reason whatsoever, the purchaser shall have the right to put all or a portion of the purchased ERTC back to the Company plus interest thereon at ten percent per annum.

On April 13, 2023, Health Circle, Inc. (the "Borrower") filed a civil action in the Massachusetts Superior Court of Plymouth County against the Company and MA RMD SVCS, LLC (the "Lender"), related to the parties' Revolving Line of Credit Agreement, and has alleged breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, and a violation of G.L. c. 93A. The filing of this preemptive "strike suit" follows the Company's continuing efforts to recover the principal and interest payments owed to the Company by Borrower under the Revolving Line of Credit Agreement. The Company believes Health Circle's allegations to be without merit and intends to respond to the complaint and to assert its own claims against Borrower and its principal(s) for their failure to repay their debt under the terms of the Credit Agreement.

On April 28, 2023, the Company reached an agreement with the lenders of the Prime rate credit facilities due January 2026 that would allow it to draw a further $15,000 under its current Credit Agreement, but such funds would be maintained in a segregated account until dispersed and be restricted for use to only eligible capital expenditures. As part of this agreement, the Company has agreed to limit the total amounts outstanding under the Credit Agreement to $140,000 and to, at all times subsequent to the amendment, maintain collateral (as defined in the Credit Agreement) equal to or greater than the outstanding amount under the Credit Agreement. Refer to Note 10 for further discussion.

Management has reviewed all other events subsequent to December 31, 2022 through the date of issuing these financial statements and determined that no further subsequent events require adjustment or disclosure.