

**PART I**

**Item 1. Financial Statements and Supplementary Data.**

**ACREAGE HOLDINGS, INC.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(in thousands)

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 15,142	\$ 24,067
Restricted cash	9,651	—
Accounts receivable, net	8,242	10,512
Inventory	51,050	49,446
Notes receivable, net	—	29,191
Other current assets	5,594	4,977
<b>Total current assets</b>	<b>89,679</b>	<b>118,193</b>
Long-term investments	33,176	34,046
Capital assets, net	136,866	133,405
Operating lease right-of-use assets	18,699	22,443
Intangible assets, net	35,124	35,124
Goodwill	38,721	13,761
Other non-current assets	3,519	3,601
<b>Total non-current assets</b>	<b>266,105</b>	<b>242,380</b>
<b>TOTAL ASSETS</b>	<b>\$ 355,784</b>	<b>\$ 360,573</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	\$ 35,431	\$ 29,566
Taxes payable	40,445	24,226
Interest payable	5,676	2,575
Operating lease liability, current	2,535	2,443
Debt, current	3,336	1,584
Other current liabilities	9,244	11,939
<b>Total current liabilities</b>	<b>96,667</b>	<b>72,333</b>
Debt, non-current	231,402	213,496
Operating lease liability, non-current	18,298	21,692
Deferred tax liability	10,654	9,623
Other liabilities	2,961	3,250
<b>Total non-current liabilities</b>	<b>263,315</b>	<b>248,061</b>
<b>TOTAL LIABILITIES</b>	<b>359,982</b>	<b>320,394</b>
Commitments and contingencies		
Common stock, no par value - unlimited authorized, 115,965 and 112,437 issued and outstanding, respectively	—	—
Additional paid-in capital	758,918	760,529
Treasury stock, 842 common stock held in treasury	(21,054)	(21,054)
Accumulated deficit	(716,829)	(678,091)
<b>Total Acreage Shareholders' equity</b>	<b>21,035</b>	<b>61,384</b>
Non-controlling interests	(25,233)	(21,205)
<b>TOTAL EQUITY (DEFICIT)</b>	<b>(4,198)</b>	<b>40,179</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 355,784</b>	<b>\$ 360,573</b>

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements*

# ACREAGE HOLDINGS, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>REVENUE</b>				
Retail revenue, net	\$ 43,857	\$ 48,314	\$ 130,651	\$ 136,426
Wholesale revenue, net	12,645	12,810	39,845	42,342
Other revenue, net	—	295	84	881
<b>Total revenues, net</b>	<b>56,502</b>	<b>61,419</b>	<b>170,580</b>	<b>179,649</b>
Cost of goods sold, retail	(23,247)	(26,097)	(67,145)	(70,331)
Cost of goods sold, wholesale	(11,981)	(14,096)	(34,454)	(27,968)
Total cost of goods sold	(35,228)	(40,193)	(101,599)	(98,299)
<b>Gross profit</b>	<b>21,274</b>	<b>21,226</b>	<b>68,981</b>	<b>81,350</b>
<b>OPERATING EXPENSES</b>				
General and administrative	8,036	9,727	25,621	27,036
Compensation expense	13,524	15,271	38,930	42,045
Equity-based compensation expense	745	3,156	2,423	8,970
Marketing	542	735	1,942	2,396
Impairments, net	—	506	—	2,973
Loss on notes receivable	—	7,219	—	7,219
Write down of assets held-for-sale	—	—	3,557	874
Legal recoveries	—	—	—	(335)
Depreciation and amortization	928	1,047	2,919	6,019
Total operating expenses	23,775	37,661	75,392	97,197
<b>Net operating loss</b>	<b>\$ (2,501)</b>	<b>\$ (16,435)</b>	<b>\$ (6,411)</b>	<b>\$ (15,847)</b>
Income from investments, net	248	17	228	154
Interest income from loans receivable	—	474	10	1,256
Interest expense	(9,207)	(5,688)	(26,143)	(15,989)
Other income, net	10,021	4,743	9,823	5,019
Total other income (loss)	1,062	(454)	(16,082)	(9,560)
<b>Loss before income taxes</b>	<b>\$ (1,439)</b>	<b>\$ (16,889)</b>	<b>\$ (22,493)</b>	<b>\$ (25,407)</b>
Income tax expense	(6,420)	(8,109)	(19,763)	(24,105)
<b>Net loss</b>	<b>\$ (7,859)</b>	<b>\$ (24,998)</b>	<b>\$ (42,256)</b>	<b>\$ (49,512)</b>
Less: net loss attributable to non-controlling interests	(234)	(2,784)	(3,885)	(4,675)
<b>Net loss attributable to Acreage Holdings, Inc.</b>	<b>\$ (7,625)</b>	<b>\$ (22,214)</b>	<b>\$ (38,371)</b>	<b>\$ (44,837)</b>
<b>Net loss per share attributable to Acreage Holdings, Inc. - basic and diluted:</b>	<b>\$ (0.07)</b>	<b>\$ (0.20)</b>	<b>\$ (0.34)</b>	<b>\$ (0.41)</b>
<b>Weighted average shares outstanding - basic and diluted</b>	<b>114,171</b>	<b>111,200</b>	<b>113,181</b>	<b>108,795</b>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**ACREAGE HOLDINGS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(in thousands)	LLC Membership Units	Pubco Shares (as converted)	Attributable to shareholders of the parent					Non-controlling Interests	Total Equity
			Share Capital	Treasury Stock	Accumulated Deficit	Shareholders' Equity			
<b>December 31, 2021</b>	<b>3,861</b>	<b>106,903</b>	<b>\$ 756,536</b>	<b>\$ (21,054)</b>	<b>\$ (538,215)</b>	<b>\$ 197,267</b>	<b>\$ 7,003</b>	<b>\$ 204,270</b>	
NCI adjustments for changes in ownership	—	—	5	—	—	5	(5)	—	
Equity-based compensation expense and related issuances	—	508	4,159	—	—	4,159	—	4,159	
Net loss	—	—	—	—	(12,694)	(12,694)	(1,217)	(13,911)	
<b>March 31, 2022</b>	<b>3,861</b>	<b>107,411</b>	<b>\$ 760,700</b>	<b>\$ (21,054)</b>	<b>\$ (550,909)</b>	<b>\$ 188,737</b>	<b>\$ 5,781</b>	<b>\$ 194,518</b>	
NCI adjustments for changes in ownership	—	—	(4,524)	—	—	(4,524)	4,524	—	
Capital distributions, net	—	—	—	—	—	—	(5,534)	(5,534)	
Equity-based compensation expense and related issuances	—	1,778	1,655	—	—	1,655	—	1,655	
Net loss	—	—	—	—	(9,929)	(9,929)	(674)	(10,603)	
<b>June 30, 2022</b>	<b>3,861</b>	<b>109,189</b>	<b>\$ 757,831</b>	<b>\$ (21,054)</b>	<b>\$ (560,838)</b>	<b>\$ 175,939</b>	<b>\$ 4,097</b>	<b>\$ 180,036</b>	
NCI adjustments for changes in ownership	—	—	697	—	—	697	(697)	—	
Other equity transactions	—	378	—	—	—	—	—	—	
Equity-based compensation expense and related issuances	—	2,580	3,156	—	—	3,156	—	3,156	
Net loss	—	—	—	—	(22,214)	(22,214)	(2,784)	(24,998)	
<b>September 30, 2022</b>	<b>3,861</b>	<b>112,147</b>	<b>\$ 761,684</b>	<b>\$ (21,054)</b>	<b>\$ (583,052)</b>	<b>\$ 157,578</b>	<b>\$ 616</b>	<b>\$ 158,194</b>	

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements*

**ACREAGE HOLDINGS, INC.**  
**UNAUDITED CONDENSED 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 (Deficit)
<b>December 31, 2022</b>	<b>3,861</b>	<b>112,437</b>	<b>\$ 760,529</b>	<b>\$ (21,054)</b>	<b>\$ (678,091)</b>	<b>\$ 61,384</b>	<b>\$ (21,205)</b>	<b>\$ 40,179</b>
Cumulative effect of change in accounting principle for current expected credit losses, net of tax	—	—		—	(367)	(367)	—	(367)
NCI adjustments for changes in ownership	—	—	14	—	—	14	(14)	—
Equity-based compensation expense and related issuances	—	287	984	—	—	984	—	984
Net loss	—	—	—	—	(14,590)	(14,590)	(1,567)	(16,157)
<b>March 31, 2023</b>	<b>3,861</b>	<b>112,724</b>	<b>\$ 761,527</b>	<b>\$ (21,054)</b>	<b>\$ (693,048)</b>	<b>\$ 47,425</b>	<b>\$ (22,786)</b>	<b>\$ 24,639</b>
NCI adjustments for changes in ownership	—	—	(3,389)	—	—	(3,389)	3,389	—
Capital distributions, net	—	—	—	—	—	—	(3,968)	(3,968)
Other equity transactions	—	—	(130)	—	—	(130)	—	(130)
Equity-based compensation expense and related issuances	—	479	694	—	—	694	—	694
Net loss	—	—	—	—	(16,156)	(16,156)	(2,084)	(18,240)
<b>June 30, 2023</b>	<b>3,861</b>	<b>113,203</b>	<b>\$ 758,702</b>	<b>\$ (21,054)</b>	<b>\$ (709,204)</b>	<b>\$ 28,444</b>	<b>\$ (25,449)</b>	<b>\$ 2,995</b>
NCI adjustments for changes in ownership	—	—	(450)	—	—	(450)	450	—
Other equity transactions	—	—	(79)	—	—	(79)	—	(79)
Equity-based compensation expense and related issuances	—	2,762	745	—	—	745	—	745
Net loss	—	—	—	—	(7,625)	(7,625)	(234)	(7,859)
<b>September 30, 2023</b>	<b>3,861</b>	<b>115,965</b>	<b>\$ 758,918</b>	<b>\$ (21,054)</b>	<b>\$ (716,829)</b>	<b>\$ 21,035</b>	<b>\$ (25,233)</b>	<b>\$ (4,198)</b>

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements*

**ACREAGE HOLDINGS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (42,256)	\$ (49,512)
Adjustments for:		
Depreciation and amortization	2,919	6,019
Depreciation and amortization included in COGS	6,058	4,840
Equity-based compensation expense	2,423	8,970
Inventory write-off and provision	8,824	6,286 <sup>(1)</sup>
Gain on business divestiture	(47)	(3,490)
Loss on disposal of capital assets	34	49
Loss on impairment	—	2,973
Loss on notes receivable	—	7,219
Recovery on notes receivable	—	(1,107)
Bad debt expense	320	22
Non-cash interest expense	3,743	2,301
Non-cash operating lease expense (income)	(18)	223
(Gain) Loss on lease termination	(200)	297
Deferred tax (income) expense	16	(889)
Non-cash loss from investments, net	870	895
Write-down of assets held-for-sale	3,557	874
Change, net of acquisitions in:		
Accounts receivable, net	(3,427)	(2,787)
Inventory	(12,572)	(15,001) <sup>(1)</sup>
Other assets	(597)	(1,240)
Interest receivable	(756)	(1,125)
Accounts payable and accrued liabilities	(2,628)	(279)
Taxes payable	15,026	4,668
Interest payable	3,101	(265)
Other liabilities	(3,119)	(414)
Net cash used in operating activities	<u>\$ (18,729)</u>	<u>\$ (30,473)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of capital assets	\$ (5,345)	\$ (12,582)
Collection of notes receivable	2,150	7,106
Business acquisitions, net of cash acquired	516	—
Purchases of intangible assets	(27)	(900)
Distributions from investments	—	1,048
Cash paid for short-term investment	—	(3,400)
Proceeds from disposal of short-term investments	—	3,400
Proceeds from business divestiture	500	—
Net cash used in investing activities	<u>\$ (2,206)</u>	<u>\$ (5,328)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds (payments) from equity transactions	(79)	—
Proceeds from financing (refer to Note 14 for related party financing)	\$ 27,121	\$ 25,000
Deferred financing costs paid	(500)	(511)
Repayment of debt	(913)	(1,084)

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements*

**ACREAGE HOLDINGS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

Capital distributions - non-controlling interests	(3,968)	(5,534)
Net cash provided by financing activities	\$ 21,661	\$ 17,871
Net increase (decrease) in cash, cash equivalents, restricted cash, and cash held for sale	\$ 726	\$ (17,930)
Cash, cash equivalents, and restricted cash - Beginning of period	24,067	44,501
Cash, cash equivalents, and restricted cash - End of period	\$ 24,793	\$ 26,571

**RECONCILIATION OF CASH FLOW INFORMATION:**

Cash and cash equivalents	\$ 15,142	\$ 26,476
Restricted cash	9,651	95
Total cash, cash equivalents, restricted cash, and cash held for sale at end of period	\$ 24,793	\$ 26,571

<sup>[1]</sup>Presentation of September 30, 2022 figures have been revised, refer to Note 2 for further discussion.

(in thousands)	Nine Months Ended September 30,	
	2023	2022
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid - non-lease	\$ 19,266	\$ 12,730
Income taxes paid	5,933	21,742
<b>OTHER NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Capital assets not yet paid for	\$ 5,040	\$ 6,242
Non-cash proceeds from business divestiture	—	7,850
Non-cash proceeds from finance lease	—	5,785
Cumulative effect of change in accounting principle for current expected credit losses, net of tax	121	—
NCI adjustments for changes in ownership	(14)	—

# ACREAGE HOLDINGS, INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in thousands, except per share data)

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### 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. 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 cannabis products to patients and 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 (“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, 14<sup>th</sup> 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. Pursuant to the Amended Arrangement, Canopy Growth was granted the option to acquire all of the issued and outstanding Fixed Shares on the basis of 0.3048 (the “Fixed Exchange Ratio”) of a common share of Canopy Growth (each, a “Canopy Share”) for each Fixed Share held at the time of the acquisition of the Fixed Shares (the “Acquisition” or “Acquisition Time”), subject to adjustment in accordance with the terms of the Amended Arrangement (the “Canopy Call Option”), which Canopy Growth is

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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required to exercise upon the occurrence, or waiver (at the discretion of Canopy Growth), of 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 the date on which the Triggering Event occurs, the “Triggering Event Date”). 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. On March 15, 2023, the Company received the required approval of the holders of Floating Shares in connection with the Floating Share Arrangement at its special meeting of holders of Floating Shares. On March 21, 2023, the Corporation obtained a final order form from the Supreme Court of British Columbia approving the Floating Share Arrangement. Upon the satisfaction or waiver of all other conditions set out in the Floating Share Arrangement Agreement, which the parties continue to work towards, the parties will complete the Floating Share Arrangement. Refer to Note 13 for further discussion.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### Basis of presentation and going concern

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these unaudited condensed consolidated financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023, or any other period.

As reflected in the unaudited condensed consolidated financial statements, the Company had an accumulated deficit as of September 30, 2023, as well as a net loss and negative cash flow from operating activities for the nine months ended September 30, 2023. Additionally, subsequent to quarter end the Company was temporarily in default of the Universal Hemp 6.1% Loan. Refer to Note 10 for further discussion. 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 are issued, can be mitigated by, but not limited to, (i) expected long-term 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, and (iv) 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.

These interim unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, dated May 1, 2023, as filed with the Securities and Exchange Commission (the “2022 Form 10-K”).



# ACREAGE HOLDINGS, INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (in thousands, except per share data)

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#### 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 unaudited condensed 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 unaudited condensed 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 unaudited condensed 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 *Loss from investments, net* in the Unaudited Condensed Consolidated Statements of Operations.

#### 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 Unaudited Condensed 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 Unaudited Condensed 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 Unaudited Condensed 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 Unaudited Condensed Consolidated Statements of Cash Flows, consists of \$15,142 and \$9,651 as of September 30, 2023, respectively, and \$26,476 and \$95 as of September 30, 2022, respectively.

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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Accounts receivable and notes receivable valuations

The Company reports accounts receivable at their net realizable value, which is management's best estimate of the cash that will ultimately be received from customers. The Company's notes receivable represent notes due from various third parties. The Company maintains an allowance for expected credit losses to reflect the expected uncollectability of accounts receivable and notes receivable based on historical collection data and specific risks identified among uncollected accounts, as well as management's expectation of future economic conditions. The Company also considers relevant qualitative and quantitative factors to assess whether historical loss experience should be adjusted to better reflect the risk characteristics of the companies receivables and the expected future losses. If current or expected future economic trends, events, or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Trade accounts receivable and notes receivable are written off after exhaustive collection efforts occur and the receivable is deemed uncollectible. As of September 30, 2023 and December 31, 2022, the Company's allowance for doubtful accounts was \$339 and \$953, respectively, all of which relates to the allowance for credit losses over accounts receivable. As of September 30, 2023 and December 31, 2022, the allowance on loans receivable was \$15,340 and \$14,875, respectively, of which the allowance for credit losses over notes receivable was nil as the receivables were fully reserved for. Refer to Note 6 for further discussion.

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 September 30, 2023 and 2022 as the issuance of shares upon conversion, exercise or vesting of outstanding units would be anti-dilutive in each period. There were 51,006 and 47,999 anti-dilutive shares outstanding as of September 30, 2023 and 2022, respectively.

Change in presentation

Note that certain items presented on the nine months ended September 30, 2022, Unaudited Condensed Consolidated Statement 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, 2023, the Company adopted Accounting Standards Update ("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. This standard applies to financial assets, measured at amortized cost, including loans, held-to-maturity debt securities, net investments in leases and trade accounts receivable. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to retained earnings in the period of adoption. The adoption of ASU 2016-13 did not have a material effect on the Company's unaudited condensed consolidated financial statements.

**Accounting Pronouncements Not Yet Adopted**

In October 2021, the Financial Accounting Standards Board ("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 Accounting Standards Codification ("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 unaudited condensed consolidated financial statements upon adoption.

**3. ACQUISITIONS, DIVESTITURES AND ASSETS HELD FOR SALE**

Acquisitions

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 \$25,160, which were previously recorded in *Notes receivable, net* on the Statements of Financial Position.

# ACREAGE HOLDINGS, INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in thousands, except per share data)

The purchase price allocation is based upon preliminary valuations, estimates and assumptions which are subject to change within the measurement period, generally one year from the acquisition date. The primary areas of the purchase price allocation that are not yet finalized relate to the valuation of the capital assets, tangible assets acquired and the residual goodwill resulting from the transaction.

<b>Purchase Price Allocation</b>	<b>Northeast Patients Group</b>
<b>Assets acquired:</b>	
Cash and cash equivalents	\$ 361
Accounts Receivable	25
Inventory	384
Other current assets	173
Capital assets	2,377
Financing lease right-of-use asset	416
Operating lease right-of-use asset	1,279
Goodwill	24,960
<b>Liabilities assumed:</b>	
Accounts payable and accrued liabilities	(672)
Taxes payable	(1,112)
Finance lease liability, current	(87)
Finance lease liability, non-current	(459)
Operating lease liability, current	(73)
Operating lease liability, non-current	(1,385)
Notes payable	(11)
Deferred tax liability	(1,016)
<b>Fair value of net assets acquired</b>	<b>\$ 25,160</b>
<b>Consideration paid:</b>	
Settlement of pre-existing relationship	25,160
<b>Total consideration</b>	<b>\$ 25,160</b>

During the year ended December 31, 2022, the Company did not complete any business acquisitions.

### Divestitures

During the three and nine months ended September 30, 2023 management committed to a plan to sell CWG Botanicals, Inc. ("CWG") as of June 30, 2023. At this point all assets and liabilities were classified as held for sale on the balance sheet and written down to the fair value of the expected sale price. On September 12, 2023 the company effectively sold 100% of its ownership interest in CWG for an aggregate sales price of \$500 and recognizing a gain of \$47 on the Unaudited Condensed Consolidated Statements of Operations in Other income, net.

During the three and nine months ended September 30, 2022, the Company completed the divestitures of six properties as outlined in the following paragraphs. 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 nine months ended September 30, 2022 which was recorded in Other income, net in the Unaudited Condensed 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.

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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 nine months ended September 30, 2022 which was recorded in Other income, net in the Unaudited Condensed 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.

Assets Held for Sale

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 Unaudited Condensed Consolidated Statements of Financial Position. As of September 30, 2023 and December 31, 2022, the Company did not have any business or assets that met the held-for-sale criteria.

Previously, the Company determined certain businesses and assets met the held-for-sale criteria. Upon classification of the disposal groups as held for sale, the Company tested each disposal group for impairment and recognized charges of \$— and \$3,557 within *Write down of assets held-for-sale* on the Unaudited Condensed Consolidated Statements of Operations related to CWG for three and nine months ended September 30, 2023, respectively.

During the three and nine months ended September 30, 2022, the Company recognized a write down of assets held-for-sale of \$— and \$874 related to its Oregon operations within *Write down of assets held-for-sale* on the Unaudited Condensed Consolidated Statements of Operations.

**4. INTANGIBLE ASSETS AND GOODWILL**

*Intangible assets*

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

<b>Intangibles</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Finite-lived intangible assets:		
Customer relationships	—	1,000
Total finite-lived intangible assets	—	1,000
Accumulated amortization on finite-lived intangible assets:		
Customer relationships	—	(1,000)
Total accumulated amortization on finite-lived intangible assets	—	(1,000)
Finite-lived intangible assets, net	—	—
Indefinite-lived intangible assets		
Cannabis licenses	35,124	35,124
<b>Total intangibles, net</b>	<b>\$ 35,124</b>	<b>\$ 35,124</b>

During the year ended December 31, 2022, the Company amended the purchase price allocation related to its acquisition of certain Ohio operations based upon final valuations within the measurement period. As a result, \$17,000 was re-allocated from *Goodwill* to *Intangible assets, net* on the Unaudited Condensed Consolidated Statements of Financial Position.

There was no amortization expense recorded for the three and nine months ended September 30, 2023, respectively. Amortization expense associated with the Company’s intangible assets was \$296 and \$1,288 for the three and nine months ended September 30, 2022, respectively.

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

**Goodwill**

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

<b>Goodwill</b>	<b>Total</b>
<b>December 31, 2022</b>	<b>\$ 13,761</b>
Acquisitions	24,960
<b>September 30, 2023</b>	<b>\$ 38,721</b>

During the nine months ended September 30, 2023, the Company recognized \$24,960 of goodwill based on the preliminary purchase price allocation related to the acquisition of Northeast Patients Group. Refer to Note 3 for further discussion.

**5. INVESTMENTS**

The carrying values of the Company's investments in the Unaudited Condensed Consolidated Statements of Financial Position as of September 30, 2023 and December 31, 2022 are as follows:

<b>Investments</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Investments held at FV-NI	\$ 33,176	\$ 34,046
<b>Total long-term investments</b>	<b>\$ 33,176</b>	<b>\$ 34,046</b>

*Income from investments, net* in the Unaudited Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2023 and 2022 is as follows:

<b>Investment income</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Short-term investments	\$ —	\$ 1	\$ —	\$ 4
Investments held at FV-NI	248	16	228	150
<b>Income from investments, net</b>	<b>\$ 248</b>	<b>\$ 17</b>	<b>\$ 228</b>	<b>\$ 154</b>

**Investments held at FV-NI**

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

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

**6. NOTES RECEIVABLE, NET**

Notes receivable as of September 30, 2023 and December 31, 2022 consisted of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Promissory notes receivable	\$ 7,062	\$ 34,088
Line of credit receivable	4,331	5,831
Interest receivable	3,947	4,147
Allowance for notes and interest receivable	(15,340)	(14,875)
<b>Total notes receivable, net</b>	<b>\$ —</b>	<b>\$ 29,191</b>
Less: Notes receivable, current	—	29,191
Notes receivable, non-current	<u>\$ —</u>	<u>\$ —</u>

*Interest income from loans receivable* during the three and nine months ended September 30, 2023 was \$— and \$10, respectively, and during the three and nine months ended September 30, 2022 was \$474 and \$1,256, respectively.

At each reporting date, the Company applies its judgment to evaluate the collectability of the note receivable and makes a provision based on the assessed amount of expected credit loss. This judgment is based on parameters such as interest rates, market conditions and creditworthiness of the creditor.

The Company determined that the collectability of certain notes receivables is doubtful based on information available. As of September 30, 2023 and December 31, 2022, the Company's allowance for notes receivable of \$15,340 and \$14,875, respectively, included \$11,393 and \$12,041 of principal outstanding and \$3,947 and \$2,834 of accrued interest, respectively, and represents the full value of such loan balances.

Activity during the nine months ended September 30, 2023

In January 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 and the amounts outstanding under the promissory notes receivable were converted into equity in Northeast Patients Group. Refer to Note 3 for further discussion.

In April 2023, the Company's subsidiary Prime Alternative Treatment Center Consulting, LLC ("NH-PATCC") received \$1,500 from Prime Alternative Treatment Center, Inc. ("PATC") in settlement of the principal balance related to a promissory note that was extended to "PATC".

In May 2023, the Company received a \$500 cash payment towards the principal balance on a promissory note receivable from Grown Rogue.

In August 2023, the Company received a \$150 cash payment towards the principal balance on a promissory note receivable from Grown Rogue.

Activity during the nine months ended September 30, 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.

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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. 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.

**7. CAPITAL ASSETS, NET**

Net property, plant and equipment consisted of:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Land	\$ 9,778	\$ 9,605
Building	58,524	58,334
Right-of-use asset, finance leases	6,297	5,077
Furniture, fixtures and equipment	40,701	46,811
Leasehold improvements	49,611	6,178
Construction in progress	14,883	34,435
<b>Capital assets, gross</b>	<b>\$ 179,794</b>	<b>\$ 160,440</b>
Less: accumulated depreciation and amortization	(42,928)	(27,035)
<b>Capital assets, net</b>	<b>\$ 136,866</b>	<b>\$ 133,405</b>

Depreciation of capital assets for the three and nine months ended September 30, 2023 is comprised of \$928 and \$2,919 of depreciation expense, respectively, and \$2,116 and \$6,493 that was capitalized to inventory, respectively. Depreciation of capital assets for the three and nine months ended September 30, 2022 is comprised of \$751 and \$4,731 of depreciation expense, respectively, and \$1,963 and \$5,679 that was capitalized to inventory, respectively.

During the nine months ended September 30, 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 Unaudited Condensed Consolidated Statements of Operations during the nine months ended September 30, 2022. Refer to Note 3 for further discussion on changes in held-for-sale entities.



# ACREAGE HOLDINGS, INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in thousands, except per share data)

### 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 Unaudited Condensed Consolidated Statements of Financial Position and are expensed in the Unaudited Condensed 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.

Statements of Financial Position Information	Classification	September 30, 2023	December 31, 2022
<b>Right-of-use assets</b>			
Operating	Operating lease right-of-use assets	\$ 18,699	\$ 22,443
Finance	Capital assets, net	4,597	4,269
<b>Total right-of-use assets</b>		<b>\$ 23,296</b>	<b>\$ 26,712</b>
<b>Lease liabilities</b>			
<b>Current</b>			
Operating	Operating lease liability, current	\$ 2,535	\$ 2,443
Financing	Debt, current	112	1
<b>Non-current</b>			
Operating	Operating lease liability, non-current	18,298	21,692
Financing	Debt, non-current	5,846	5,305
<b>Total lease liabilities</b>		<b>\$ 26,791</b>	<b>\$ 29,441</b>

Statement of Operations Information	Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Short-term lease expense	General and administrative	\$ 102	\$ (28)	\$ 311	\$ 190
Operating lease expense	General and administrative	1,238	1,221	3,853	3,613
Finance lease expense:					
Amortization of right of use asset	Depreciation and amortization	93	63	278	190
Interest expense on lease liabilities	Interest expense	213	314	633	855
<b>Net operating and finance lease cost</b>		<b>\$ 1,544</b>	<b>\$ 1,598</b>	<b>\$ 4,764</b>	<b>\$ 4,658</b>

Statement of Cash Flows Information	Classification	Nine Months Ended September 30,	
		2023	2022
Cash paid for operating leases	Net cash used in operating activities	\$ 3,871	\$ 3,390
Cash paid for finance leases - interest	Net cash used in operating activities	\$ 718	\$ 843



**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

The following represents the Company's future minimum payments required under existing leases with initial terms of one year or more as of September 30, 2023:

<b>Maturity of lease liabilities</b>	<b>Operating Leases</b>	<b>Finance Leases</b>
2023	\$ 1,085	\$ 228
2024	4,285	923
2025	4,104	946
2026	4,314	969
2027	3,897	992
Thereafter	13,276	11,705
<b>Total lease payments</b>	<b>\$ 30,961</b>	<b>\$ 15,763</b>
Less: interest	10,128	9,805
<b>Present value of lease liabilities</b>	<b>\$ 20,833</b>	<b>\$ 5,958</b>
Weighted average remaining lease term (years)	8	11
Weighted average discount rate	10%	12%

As of September 30, 2023, there have been no leases entered into that have not yet commenced.

**9. INVENTORY**

The Company's inventory balance consists of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Retail inventory	\$ 5,305	\$ 3,255
Wholesale inventory	36,129	35,885
Cultivation inventory	6,491	7,133
Supplies & other	3,125	3,173
<b>Total</b>	<b>\$ 51,050</b>	<b>\$ 49,446</b>

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 nine months ended September 30, 2023, 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 \$2,103 and \$8,824 during the three and nine months ended September 30, 2023, respectively, and \$6,286 during the three and nine months ended September 30, 2022 of wholesale inventory adjustments within *Cost of goods sold, wholesale* on the Unaudited Condensed Consolidated Statements of Operations.

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

**10. DEBT**

The Company's debt balances consist of the following:

<b>Debt balances</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Financing liability (failed sale-leaseback)	\$ 15,253	\$ 15,253
Finance lease liabilities	5,958	5,306
7.50% Loan due April 2026	31,682	31,288
6.10% Secured debenture due September 2030	46,841	46,502
Note due December 2024	2,375	3,167
Prime rate credit facilities due January 2026, as amended	130,989	113,564
Note backed by ERTC	1,640	—
<b>Total debt</b>	<b>\$ 234,738</b>	<b>\$ 215,080</b>
Less: current portion of debt	3,336	1,584
<b>Total long-term debt</b>	<b>\$ 231,402</b>	<b>\$ 213,496</b>

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

2023	\$ 2,432
2024	1,584
2025	—
2026	173,011
2027	39
Thereafter	71,160
<b>Total payments (excluding amortization of discount and issuance costs)</b>	<b>\$ 248,226</b>

During the three and nine months ended September 30, 2023, the Company incurred interest expense of \$9,207 and \$26,143, respectively, and \$5,688 and \$15,989 during the three and nine months ended September 30, 2022, respectively, on the Unaudited Condensed Consolidated Statements of Operations. Interest expense for the three and nine months ended September 30, 2023 included debt discount amortization of \$547 and \$1,562, respectively, and amortization of debt issuance costs of \$706 and \$2,094, respectively. Interest expense for the three and nine months ended September 30, 2022 included debt discount amortization of \$381 and \$1,132, respectively, and amortization of debt issuance costs of \$297 and \$849, respectively. As of September 30, 2023 and December 31, 2022, the Company had unamortized discount \$5,030 and \$6,093, respectively, and debt issuance costs of \$8,458 and \$10,522, respectively, which is netted against the gross carrying value of long-term debt in *Debt, non-current* on Unaudited Condensed Unaudited Condensed Consolidated Statements of Financial Position. Additionally, as of September 30, 2023 and December 31, 2022, the Company had accrued interest of \$5,676 and \$2,575, respectively, within *Interest payable* on the Unaudited Condensed 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. Subsequent to quarter end, Universal Hemp received a reservations of rights letter for

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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failure to make the annual cash interest payment within 10 business days of September 23, 2023 (October 10, 2023). The parties agreed on November 14, 2023 to waive the default and that the cash interest payment would be satisfied through a partial cash payment of \$1,400 by year end 2023, an obligation of Universal Hemp to deliver proceeds from the sale of certain real property held by Universal Hemp and an agreement between the parties to offset potential future expenses that may be payable by Canopy Growth. 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.

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

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 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.

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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 prior to January 1, 2024, for a fee equal to 1.0% of the total loan amount. If the Company chooses to extend the maturity date, it will also be required to make monthly installment payments, each of which shall be an amount equal to five percent per year of the outstanding amount of the loan.

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 \$9.0 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 September 30, 2023 the Company was in compliance with all covenants.

ERTC Factoring Agreement

On April 11, 2023, the Company received \$12,113 pursuant to a financing agreement with a third-party lender (the “Financing Agreement”), which was included in “Debt, current” as of June 30, 2023. The Company assigned to the lender its interests in Employee Retention Tax Credits (“ERTC”) that it submitted for a claim of approximately \$14,251. If the Company does not receive the ERTC, in whole or in part, the Company is required to repay the related portion of the funds received plus 10% interest accrued from the date of the Financing Agreement through the repayment date. The Financing Agreement does not have a stated maturity date and the discount is being accreted to interest expense over an expected term. The Company’s obligations under the Financing Agreement will be satisfied upon receipt of the ERTC or other full repayment. Finally, the Company determined the ERTC did not meet the criteria to record as a receivable as of June 30, 2023 due to the uncertain nature of such claims.

During the three and nine months ended September 30, 2023, the Company received \$10,472 of the ERTC claims which was remitted to the lender per the terms of the Financing Agreement, extinguishing an equal portion of the debt included in “Debt, current” as of September 30, 2023.

**11. SHAREHOLDERS’ EQUITY AND NON-CONTROLLING INTERESTS**

The table below details the change in Pubco shares outstanding by class for the nine months ended September 30, 2023:

Shareholders’ Equity	Fixed Shares	Floating Shares	Fixed Shares Held in Treasury	Floating Shares Held in Treasury	Fixed Multiple Shares	Total Shares Outstanding
<b>December 31, 2022</b>	<b>79,047</b>	<b>34,114</b>	<b>(589)</b>	<b>(253)</b>	<b>118</b>	<b>112,437</b>
Issuances	1,626	1,902	—	—	—	3,528
<b>September 30, 2023</b>	<b>80,673</b>	<b>36,016</b>	<b>(589)</b>	<b>(253)</b>	<b>118</b>	<b>115,965</b>

*Warrants*

A summary of the warrants activity outstanding is as follows:

Warrants	Fixed Shares	Floating Shares
<b>December 31, 2022</b>	<b>5,817</b>	<b>2,524</b>
Expired	—	—
<b>September 30, 2023</b>	<b>5,817</b>	<b>2,524</b>

The exercise price of each Fixed Share warrants ranged from \$3.15 to \$4.00, respectively, and the exercise price of each Floating Share warrants 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 1.3 years. There was no aggregate intrinsic value for warrants outstanding as of September 30, 2023.

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 September 30, 2023 and are convertible for either 0.7 of a Fixed Share and

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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.

<b>HSCP net asset reconciliation</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Current assets	\$ 89,448	\$ 118,193
Non-current assets	261,389	237,665
Current liabilities	(15,172)	(9,141)
Non-current liabilities	(254,751)	(239,525)
Other NCI balances	(726)	(725)
Accumulated equity-settled expenses	(243,182)	(240,760)
Net assets	\$ (162,994)	\$ (134,293)
HSCP/USCo2 ownership % of HSCP	15.93 %	16.33 %
Net assets allocated to USCo2/HSCP	\$ (25,959)	\$ (21,930)
Net assets attributable to other NCIs	726	725
Total NCI	\$ (25,233)	\$ (21,205)

<b>HSCP Summarized Statement of Operations</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net loss allocable to HSCP/USCo2	\$ (1,521)	\$ (16,549)	\$ (23,924)	\$ (27,589)
HSCP/USCo2 weighted average ownership % of HSCP	15.37 %	16.84 %	16.23 %	16.96 %
Net loss allocated to HSCP/USCo2	\$ (234)	\$ (2,787)	\$ (3,884)	\$ (4,679)
Net loss allocated to other NCIs	—	3	(1)	4
Net loss attributable to NCIs	\$ (234)	\$ (2,784)	\$ (3,885)	\$ (4,675)

As of September 30, 2023, 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 16.01% of HSCP non-voting units. The remaining 83.77% interest in HSCP is held by USCo and represents the members' equity attributable to shareholders of the parent.

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

<b>Convertible Units</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Beginning balance</b>	<b>22,698</b>	<b>23,076</b>
NCI units converted to Pubco	—	(378)
<b>Ending balance</b>	<b>22,698</b>	<b>22,698</b>

## **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.

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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 September 30, 2023, the Company had 959 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
<b>Unvested, January 1, 2023</b>	6,324	\$ 1.80	464	\$ 6.68
Granted	3,646	\$ 0.15	7,870	\$ 0.23
Forfeited	(1,642)	\$ 0.90	(135)	\$ 1.15
Vested	(2,201)	\$ 1.29	(1,973)	\$ 0.60
<b>Unvested, September 30, 2023</b>	<b>6,127</b>	<b>\$ 1.24</b>	<b>6,226</b>	<b>\$ 0.58</b>
Vested and unreleased <sup>(1)</sup>	40	\$ 8.52	11	\$ 17.35
<b>Outstanding, September 30, 2023</b>	<b>6,167</b>	<b>\$ 1.29</b>	<b>6,237</b>	<b>\$ 0.61</b>

<sup>(1)</sup> 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 \$791 and \$2,019 as *Equity-based compensation expense* on Unaudited Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2023, respectively, and \$2,256 and \$7,645 during the three and nine months ended September 30, 2022, respectively. The fair value of RSUs vested during the three and nine months ended September 30, 2023 was \$890 and \$1,489, respectively, and \$1,427 and \$4,760 during the three and nine months ended September 30, 2022, respectively.

The total weighted average remaining contractual life and aggregate intrinsic value of unvested RSUs as of September 30, 2023 was approximately 0.9 years and \$4,612, respectively. Unrecognized compensation expense related to these awards at September 30, 2023 was \$10,436 and is expected to be recognized over a weighted average period of approximately 1.0 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
<b>Options outstanding, January 1, 2023</b>	7,337	\$ 2.75	2,267	\$ 3.10
Forfeited	(1,875)	\$ 0.66	(131)	\$ 3.16
Expired	—	\$ —	(35)	\$ 2.55
<b>Options outstanding, September 30, 2023</b>	<b>5,462</b>	<b>\$ 3.46</b>	<b>2,101</b>	<b>\$ 3.10</b>
<b>Options exercisable, September 30, 2023</b>	<b>3,400</b>	<b>\$ 5.21</b>	<b>2,101</b>	<b>\$ 3.10</b>

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 September 30, 2023 was approximately 4.3 and 4.7 years, respectively. The weighted average contractual life remaining for Floating Share options outstanding and exercisable as of September 30, 2023 was approximately 6.2 and 6.2 years, respectively. The Company recorded \$(46) and \$404 as *Equity-based compensation expense* on Unaudited Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2023 and \$300 and \$725 during the three and nine months ended September 30, 2022, respectively, in connection with these awards.



# ACREAGE HOLDINGS, INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

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As of September 30, 2023, unamortized expense related to stock options totaled \$596 and is expected to be recognized over a weighted-average period of approximately 2 years. As of September 30, 2023, the aggregate intrinsic value for unvested options and for vested and exercisable options was nil, respectively.

### 13. COMMITMENTS AND CONTINGENCIES

#### Commitments

The Company provides revolving lines of credit to certain of its portfolio companies. As of September 30, 2023, only one revolving line of credit remained outstanding and the maximum obligation under this arrangement was equal to the balance advanced of \$4,331. 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”). The Canopy 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).

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

# ACREAGE HOLDINGS, INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in thousands, except per share data)

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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").

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. A special meeting of the holders of Floating Shares was held on March 15, 2023, where the holders of Floating Shares approved the Floating Share Arrangement (the "Special Meeting").

Concurrently with entering 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.

Acreage expects the Floating Share Arrangement to close upon 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. In the event that Canopy USA exercises the Fixed Option and acquires the Floating Shares pursuant to the Floating Share Arrangement, Acreage will be wholly-owned subsidiary of Canopy USA.

On March 17, May 31, August 31, 2023, and October 31, 2023 Acreage, Canopy and Canopy USA entered into amendments to the Floating Share Arrangement Agreement (collectively, the "FSA Amendments"). Pursuant to the terms of the FSA Amendments, Acreage, Canopy and Canopy USA agreed to multiple extensions to the Exercise Outside Date (as defined in the Floating Share Arrangement Agreement) from its initial date of March 31, 2023 to its current date of December 31, 2023.

### *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



**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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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 September 30, 2023, 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 on or about November 4, 2022 and 7,102,081 Canopy Shares on or about March 17, 2023 to the Tax Receivable Agreement Members. 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 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. On October 24, 2022, the Debenture was assigned by the Lender to Canopy USA.

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; 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.

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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*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 September 30, 2023, for which no liabilities are recorded on the Unaudited Condensed Consolidated Statements of Financial Position.

The Company is subject to other capital commitments and similar obligations. As of September 30, 2023 and 2022, 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 September 30, 2023, the Company has paid \$5,375 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 September 30, 2023, 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 ("Impire"), NY Medicinal Research & Caring, LLC ("NYMRC") (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 ("New Amsterdam"), 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, along with the other Defendants, filed motions to dismiss on April 1, 2019. The motions were fully briefed and submitted to the Court as of July 18, 2019, and oral argument was heard on September 6, 2019. Following a hearing held during April 2022, in ruling on one dismissal argument advanced by several Defendants, the Court ruled that Plaintiff had the capacity to bring this action on behalf of EPMMNY. On July 13, 2023, the Court ruled on the remaining dismissal arguments, granting the vast majority of them. As part of its ruling, the Court dismissed without prejudice every claim against NYCANNA, Impire,

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

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NYMRC, and High Street, except the claims for unjust enrichment and quantum meruit (which also were permitted to proceed against other Defendants). The only other claim that the Court did not dismiss was for breach of contract against New Amsterdam.

On July 24, 2023, EPMMNY moved for leave to file a proposed amended complaint. The proposed amended complaint names several defendants, including NYCANNA, Impire, NYMRC, High Street, and Kevin Murphy, and contains similar allegations to those in the original complaint. High Street intends to oppose the motion for leave to amend and, if necessary, move to dismiss the new complaint.

High Street intends to continue vigorously defend this action, which the Company firmly believes is without merit. High Street also believes it is 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.

*Health Circle, Inc. litigation*

On April 13, 2023, Health Circle, Inc., a licensed cannabis dispensary operator in Massachusetts, initiated a civil action against the Company and MA RMD SVCS, LLC in Plymouth County, Massachusetts for alleged breaches of that certain Revolving Line of Credit, dated October 31, 2017, by and between Health Circle, Inc. and MA RMD SVCS, LLC (the “HCI Credit Agreement”) and certain torts. High Street has filed a second civil action against Michael Westort, individually, in the Business Litigation Section, located in Boston, MA, predicated upon that certain Membership Interest Purchase Agreement, dated June 30, 2018, by and between Mr. Westort and High Street. The Company has moved to partially dismiss the complaint in Plymouth County, and the court has scheduled a hearing on February 1, 2024 to hear argument on this motion. The Company is assessing the amended complaint, and will ultimately file counterclaims against Health Circle, Inc. based on the outstanding debt under the HCI Credit Agreement. High Street intends to vigorously defend against this action, which the Company believes is without merit, and to pursue its claims against Mr. Westort and Health Circle, Inc.

*Alfred’s Finest, Inc. arbitration*

On June 22, 2023, Alfred’s Finest, Inc. (“AFI”) filed a demand for arbitration relating to that certain Asset Purchase Agreement, dated June 24, 2021, by and between Alfred’s Finest, Inc., Robert M. Andrews, Jr and The Botanist, Inc., a wholly owned subsidiary of High Street, and the Company (the “AFI APA”). The AFI APA provided for the payment of \$2,000 to AFI upon closing and an additional \$3,000 payable on or before the 18-month anniversary of the closing date. Pursuant to its termination rights provided under the APA, the Company sent a notice of termination of the AFI APA on June 29, 2022 before the closing occurred. AFI alleges that the Company breached the terms of the APA and claims that the notice of termination sent by the Company has no basis in the language of the AFI APA. AFI is seeking relief from the Company consisting of specific performance of the AFI APA and recovery of its damages, including arbitration fees and costs. The Company believes the plain language of the AFI APA supports its position and intends to vigorously defend this action, which the Company believes is without merit. The Company has filed a counterclaim against AFI for breach of the AFI APA based on AFI’s failure to act in good faith as required by the AFI APA.

On June 28, 2023, in response to AFI’s demand for arbitration, the Company asserted its right under the AFI APA to submit the dispute to mediation before it proceeds to arbitration. The parties are in the process of scheduling the mediation and identifying a mediator.

**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.

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 three and nine months ended September 30, 2023, the Company incurred interest expense attributable to the 6.10% Secured debenture due September 2030 of \$763 and \$2,289, respectively.

**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**

As a result of the transaction described above, 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.

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. On April 28, 2023, the Company and the lenders further amended the Prime rate credit facilities. Refer to Note 10 for further discussion.

Viridescent has committed \$42,000 of the \$140,000 drawn down under the Credit Facility, with third-party syndicated affiliates committing the additional \$98,000. During the three and nine months ended September 30, 2023, the Company incurred interest expense attributable to Viridescent of \$1,522 and \$4,212, respectively. 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. 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.

**16. 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:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net loss attributable to common shareholders of the Company	\$ (7,625)	\$ (22,214)	\$ (38,371)	\$ (44,837)
Weighted average shares outstanding - basic	114,171	111,200	113,181	108,795
Effect of dilutive securities	—	—	—	—
Weighted average shares - diluted	114,171	111,200	113,181	108,795
Net loss per share attributable to common shareholders of the Company - basic	\$ (0.07)	\$ (0.20)	\$ (0.34)	\$ (0.41)
Net loss per share attributable to common shareholders of the Company - diluted	\$ (0.07)	\$ (0.20)	\$ (0.34)	\$ (0.41)

# ACREAGE HOLDINGS, INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

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During the nine months ended September 30, 2023, 5,817 Fixed warrants, 2,524 Floating warrants, 6,167 Fixed Share RSUs, 6,237 Floating Share RSUs, 5,462 Fixed Share stock options, 2,101 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 nine months ended September 30, 2022, 5,817 Fixed warrants, 2,524 Floating warrants, 6,786 Fixed Share RSUs, 534 Floating Share RSUs, 7,337 Fixed Share stock options, 2,303 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.

### 17. SUBSEQUENT EVENTS

On October 31, 2023, Acreage, Canopy and Canopy USA entered into a fourth amendment to the Floating Share Arrangement Agreement (the "Floating Share Amendment"). Pursuant to the terms of the Floating Share Amendment, Acreage, Canopy and Canopy USA agreed to amend the Exercise Outside Date from October 31, 2023, to December 31, 2023.