Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Acreage Holdings, Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Marcum LLP

Marcum LLP

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

New York, NY
April 29, 2024

ACREAGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ACREAGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands)	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	$ 13,631	$ 24,067
Restricted cash	3,984	—
Accounts receivable, net	8,459	10,512
Inventory	47,675	49,446
Notes receivable, net	—	29,191
Assets held-for-sale	6,028	—
Other current assets	2,136	4,977
Total current assets	81,913	118,193
Long-term investments	33,170	34,046
Capital assets, net	141,732	133,405
Operating lease right-of-use assets	17,531	22,443
Intangible assets, net	31,044	35,124
Goodwill	13,346	13,761
Other non-current assets	1,558	3,601
Total non-current assets	238,381	242,380
TOTAL ASSETS	$ 320,294	$ 360,573
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Accounts payable and accrued liabilities	$ 29,936	$ 29,566
Taxes payable	11,395	24,226
Interest payable	5,539	2,575
Operating lease liability, current	2,457	2,443
Debt, current	4,132	1,584
Liabilities related to assets held-for-sale	2,253	—
Other current liabilities	2,011	5,403 [(1)]
Total current liabilities	57,723	65,797
Debt, non-current	232,810	213,496
Operating lease liability, non-current	17,293	21,692
Deferred tax liability	10,584	9,623
Liability on unrecognized tax benefits	39,859	6,536 [(1)]
Other liabilities	1,054	3,250
Total non-current liabilities	301,600	254,597
TOTAL LIABILITIES	359,323	320,394
Commitments and contingencies		
Common stock, no par value - unlimited authorized. 115,995 and 115,153 issued and outstanding as of December 31, 2023. 112,437 and 111,595 issued and outstanding as of December 31, 2022.	—	—
Additional paid-in capital	759,698	760,529
Treasury stock, 842 common stock held in treasury	(21,054)	(21,054)
Accumulated deficit	(747,550)	(678,091)
Total Acreage Shareholders' equity (deficit)	(8,906)	61,384
Non-controlling interests	(30,123)	(21,205)
TOTAL EQUITY (DEFICIT)	(39,029)	40,179
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 320,294	$ 360,573

[(1)] Presentation of December 31, 2022 figures have been revised, refer to Note 2 for further discussion.

See accompanying Notes to Consolidated Financial Statements

	Year Ended December 31,		
(in thousands, except per share amounts)	2023	2022	2021
REVENUE			
Retail revenue, net	$ 170,061	$ 181,479	$ 127,306
Wholesale revenue, net	53,234	54,499	58,183
Other revenue, net	83	1,160	3,370
Total revenues, net	223,378	237,138	188,859
Cost of goods sold, retail	(89,733)	(94,783)	(65,776)
Cost of goods sold, wholesale	(48,000)	(40,610)	(27,201)
Total cost of goods sold	(137,733)	(135,393)	(92,977)
Gross profit	85,645	101,745	95,882
OPERATING EXPENSES			
General and administrative	31,637	38,248	32,026
Compensation expense	49,522	55,905	45,769
Equity-based compensation expense	3,299	10,138	19,946
Marketing	2,619	3,204	1,643
Impairments, net	22,222	121,706	32,828
Loss on notes receivable	—	7,219	7,869
Write down (recovery) of assets held-for-sale	3,557	874	(8,616)
Legal settlements (recoveries)	—	(335)	372
Depreciation and amortization	3,914	7,879	11,116
Total operating expenses	116,770	244,838	142,953
Net operating loss	$ (31,125)	$ (143,093)	$ (47,071)
Income (loss) from investments, net	591	241	(3,549)
Interest income from loans receivable	10	1,619	4,824
Interest expense	(34,740)	(24,036)	(19,964)
Other income, net	12,442	6,596	10,408
Total other loss	(21,697)	(15,580)	(8,281)
Loss before income taxes	$ (52,822)	$ (158,673)	$ (55,352)
Income tax expense	(25,141)	(10,022)	(17,805)
Net loss	$ (77,963)	$ (168,695)	$ (73,157)
Less: net loss attributable to non-controlling interests	(8,871)	(28,819)	(10,147)
Net loss attributable to Acreage Holdings, Inc.	$ (69,092)	$ (139,876)	$ (63,010)
Net loss per share attributable to Acreage Holdings, Inc. - basic and diluted:	$ (0.61)	$ (1.28)	$ (0.60)
Weighted average shares outstanding - basic and diluted	113,870	109,690	105,087

See accompanying Notes to Consolidated Financial Statements

ACREAGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

(in thousands)	LLC Membership Units	Pubco Shares (as converted)	Attributable to shareholders of the parent: Share Capital	Treasury Stock	Accumulated Deficit	Shareholders' Equity (Deficit)	Non-controlling Interests	Total Equity (Deficit)
December 31, 2020	**3,861**	**101,250**	**$ 737,290**	**$ (21,054)**	**$ (475,205)**	**$ 241,031**	**$ 18,678**	**$ 259,709**
Purchase of non-controlling interest in subsidiary	—	—	(272)	—	—	(272)	(14)	(286)
NCI adjustments for changes in ownership	—	1,066	(1,063)	—	—	(1,063)	1,063	—
Capital distributions, net	—	—	—	—	—	—	(2,577)	(2,577)
Other equity transactions	—	98	635	—	—	635	—	635
Equity-based compensation expense and related issuances	—	4,489	19,946	—	—	19,946	—	19,946
Net loss	—	—	—	—	(63,010)	(63,010)	(10,147)	(73,157)
December 31, 2021	**3,861**	**106,903**	**$ 756,536**	**$ (21,054)**	**$ (538,215)**	**$ 197,267**	**$ 7,003**	**$ 204,270**
NCI adjustments for changes in ownership	—	—	(6,145)	—	—	(6,145)	6,145	—
Capital distributions, net	—	—	—	—	—	—	(5,534)	(5,534)
Other equity transactions	—	378	—	—	—	—	—	—
Equity-based compensation expense and related issuances	—	5,156	10,138	—	—	10,138	—	10,138
Net loss	—	—	—	—	(139,876)	(139,876)	(28,819)	(168,695)
December 31, 2022	**3,861**	**112,437**	**$ 760,529**	**$ (21,054)**	**$ (678,091)**	**$ 61,384**	**$ (21,205)**	**$ 40,179**
Cumulative effect of change in accounting principle for current expected credit losses, net of tax	—	—	—	—	(367)	(367)	—	(367)
NCI adjustments for changes in ownership	—	—	(3,921)	—	—	(3,921)	3,921	—
Capital distributions, net	—	—	—	—	—	—	(3,968)	(3,968)
Other equity transactions	—	—	(209)	—	—	(209)	—	(209)
Equity-based compensation expense and related issuances	—	3,558	3,299	—	—	3,299	—	3,299
Net loss	—	—	—	—	(69,092)	(69,092)	(8,871)	(77,963)
December 31, 2023	**3,861**	**115,995**	**$ 759,698**	**$ (21,054)**	**$ (747,550)**	**$ (8,906)**	**$ (30,123)**	**$ (39,029)**

See accompanying Notes to Consolidated Financial Statements

ACREAGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(in thousands)	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (77,963)	$ (168,695)	$ (73,157)
Adjustments for:			
Depreciation and amortization	3,914	7,879	11,116
Depreciation and amortization included in COGS	8,849	5,782	3,146
Equity-based compensation expense	3,299	10,138	20,362
Inventory write-off and provision	9,624	11,145 [1]	—
Gain on business divestiture	(47)	(3,490)	(11,814)
Loss on disposal of capital assets	246	49	2,284
Loss on impairment	22,222	121,706	32,828
Loss on notes receivable	—	7,219	7,869
Recovery on notes receivable	—	(1,107)	—
Bad debt expense	460	693	589
Non-cash interest expense	5,767	4,064	3,351
Non-cash operating lease expense	403	408	354
(Gain) Loss on lease termination	(200)	297	—
Deferred tax income	(54)	(21,201)	(9,209)
Non-cash loss from investments, net	876	1,177	3,549
Other non-cash income, net	—	—	(4,700)
Write down (recovery) of assets held-for-sale	3,557	874	(8,616)
Change, net of acquisitions in:			
Accounts receivable, net	(3,889)	(4,398)	(6,268)
Inventory	(10,356)	(19,158) [1]	(16,033)
Other assets	4,843	(3,264)	4,870
Interest receivable	(1,151)	(1,748)	(2,005)
Accounts payable and accrued liabilities	(2,266)	(2,412)	(2,564)
Taxes payable	(14,024)	(346)	9,787
Interest payable	2,964	1,143	(2,072)
Liability on unrecognized tax benefits	33,323	(1,159) [1]	(24) [1]
Other liabilities	(5,498)	4,309 [1]	(4,173) [1]
Net cash used in operating activities	$ (15,101)	$ (50,095)	$ (40,530)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of capital assets	$ (18,977)	$ (18,482)	$ (33,049)
Investments in notes receivable	—	—	(3,328)
Collection of notes receivable	2,650	8,356	14,033
Proceeds from business divestiture	500	—	24,407
Proceeds from sale of capital assets	—	—	5
Business acquisitions, net of cash acquired	2,887	—	1,750
Purchases of intangible assets	(27)	(900)	—
Distributions from investments	—	1,417	2,351
Insurance proceeds	—	—	7,000
Proceeds from sale of promissory notes	—	—	30,200
Cash paid for short-term investment	—	(3,400)	—
Proceeds from disposal of short-term investments	—	3,400	—

See accompanying Notes to Consolidated Financial Statements

Net cash provided by (used in) investing activities	$ (12,967)	$ (9,609)	$ 43,369
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments for equity transactions	$ (79)	$ —	$ —
Proceeds from financing (refer to Note 14 for related party financing)	27,121	50,000	81,407
Deferred financing costs paid	(500)	(3,315)	(3,371)
Proceeds from issuance of private placement units and warrants, net	—	—	26
Repayment of debt	(958)	(1,881)	(91,039)
Capital distributions - non-controlling interests	(3,968)	(5,534)	—
Net cash provided by (used in) financing activities	$ 21,616	$ 39,270	$ (12,977)
Net decrease in cash, cash equivalents, restricted cash, and cash held for sale	$ (6,452)	$ (20,434)	$ (10,138)
Cash, cash equivalents, and restricted cash - Beginning of year	24,067	44,501	54,639
Cash, cash equivalents, and restricted cash - End of year	$ 17,615	$ 24,067	$ 44,501
RECONCILIATION OF CASH FLOW INFORMATION:			
Cash and cash equivalents	$ 13,631	$ 24,067	$ 43,180
Restricted cash	3,984	—	1,098
Cash held for sale	—	—	223
Total cash, cash equivalents, restricted cash, and cash held for sale at end of year	$ 17,615	$ 24,067	$ 44,501

[(1)] Presentation of December 31, 2022 and 2021 figures have been revised, refer to Note 2 for further discussion.

	Year Ended December 31,		
(in thousands)	2023	2022	2021
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid - non-lease	$ 25,977	$ 17,605	$ 16,521
Income taxes paid	7,715	32,534	16,381
OTHER NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Capital assets not yet paid for	929	5,125	3,722
Promissory note conversion	—	—	10,880
Non-cash consideration related to business acquisition	—	—	44,996
Non-cash proceeds from business divestiture	—	7,850	34,475
Non-cash proceeds from finance lease	—	5,785	—
Reclassification of assets held-for-sale to in-use	—	—	10,896

1. NATURE OF OPERATIONS

Acreage Holdings, Inc. (the "Company", "Pubco" or "Acreage") is a vertically integrated, multi-state operator in the United States ("U.S.") cannabis industry. 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^{th} 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 0.03048 (after giving effect to the Canopy Consolidation) (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 required to exercise upon the occurrence, or waiver (at the discretion of Canopy Growth), of a Triggering Event (the date on which the Triggering Event occurs, the "Triggering Event Date"). On December 15, 2023, Canopy Growth initiated a reverse 1-for-10 share consolidation (the "Canopy Consolidation"), which triggered an Exchange Ratio Adjustment Event which modified the Fixed Exchange Ratio from 0.3048 of a Canopy Share for each Fixed Share to 0.03048 of a Canopy Share for each Fixed Share. Refer to Note 13 for further discussion.

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

On October 24, 2022, the Company entered into an arrangement agreement (the "Floating Share Agreement") with Canopy Growth and Canopy USA, LLC ("Canopy USA"), Canopy Growth's newly-created U.S. domiciled holding company, pursuant to which, subject to approval of the holders of the Class D subordinate voting shares of Acreage (the "Floating Shares") and the terms and conditions of the Floating Share Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares by way of court-approved Floating Share Arrangement for consideration of 0.04500 (after giving effect to the Canopy Consolidation) of 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 (the "Special Meeting"). On March 21, 2023, the Company 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. On December 15, 2023, Canopy Growth initiated the Canopy Consolidation, which triggered an Exchange Ratio Adjustment Event, which affected the Floating Share Agreement and the consideration agreed upon between Canopy USA and the Company. Refer to Note 13 for further discussion.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and going concern

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

As reflected in the consolidated financial statements, the Company had an accumulated deficit as of December 31, 2023, as well as a net loss and negative cash flow from operating activities for the year ended December 31, 2023. Additionally, subsequent to year end the Company was in default of the Prime rate credit facilities due January 2026, as amended. Refer to Note 18 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. Continuation as a going concern is dependent upon continued operations of the Company, which is dependent upon the Company's ability to meet its financial requirements and the success of its future operations. The consolidated financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

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.

However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur at any time within the next twelve months or thereafter which could increase the Company's need to raise additional capital on an immediate basis.

Use of estimates

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

Emerging growth company

The Company is an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies.

Functional and presentation currency

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

Basis of consolidation

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

VIEs

In determining whether the Company is the primary beneficiary of a VIE, the Company assesses whether it has the power to direct matters that most significantly impact the activities of the VIE and have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. There were no material consolidated VIEs as of December 31, 2023 or December 31, 2022.

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 (deficit)* in the Consolidated Statements of Financial Position, and the share of loss attributable to non-controlling interests is shown as a component of *Net loss* in the Consolidated Statements of Operations. Changes in the parent company's ownership that do not result in a loss of control are accounted for as equity transactions.

Cash and cash equivalents

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

Restricted cash

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

Cash and restricted cash, as presented on the Consolidated Statements of Cash Flows, consists of $13,631 and $3,984 as of December 31, 2023, respectively, and $24,067 and $— as of December 31, 2022, respectively.

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 December 31, 2023 and 2022, the Company's allowance for doubtful accounts was $479 and $953, respectively, all of which relates to the allowance for credit losses over accounts receivable. As of December 31, 2023 and 2022, the allowance on loans receivable was $8,479 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.

Investments

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

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

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

Inventory

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

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

Debt Issuance Costs

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

Fair value of financial instruments

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

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

There were no material transfers in or out of Level 3 during the years ended December 31, 2023 and 2022 as the Company held investments in certain equity securities utilizing net asset value per share as a practical expedient, which are not categorized within the fair value hierarchy. The Company did not have any liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022.

Notes receivable

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

Capital assets

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

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

Leases

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

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

Intangible assets

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

Business combinations

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

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

Impairment of long-lived assets

Goodwill and indefinite-lived intangible assets are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill and indefinite-lived intangible assets are tested at the reporting unit and asset group levels, respectively. The Company may first assess qualitative factors and, if it determines it is more likely than not that the fair value is less than the carrying value, then proceed to a quantitative test if necessary.

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

Income taxes

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

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

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

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

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

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

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

The Company has unrecognized tax benefits ("UTBs") of $38,056 and $5,597 as of December 31, 2023 and 2022, respectively, which are included in *Liability on unrecognized tax benefits* in the Consolidated Statements of Financial Position. UTBs arise as a result of differences existing between a tax position taken or expected to be taken on a tax return and the benefit recognized and measured.

Revenue recognition

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

1. Identify the contract with a customer;
2. Identify the performance obligation(s);
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s); and
5. Recognize revenue when/as performance obligation(s) are satisfied.

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

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

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

Equity-settled payments

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

Net loss per share

Net loss per share represents the net loss attributable to shareholders divided by the weighted average number of shares outstanding during the period on an as converted basis. Basic and diluted loss per share are the same as of December 31, 2023, 2022, and 2021 as the issuance of shares upon conversion, exercise or vesting of outstanding units would be anti-dilutive in each period. There were 49,411, 47,694, and 40,107 anti-dilutive shares outstanding as of December 31, 2023, 2022, and 2021, respectively.

Change in presentation

Note that certain items presented on the year ended December 31, 2022 and 2021, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows, include changes 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 consolidated financial statements.

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 ASC 606 - *Revenue from Contracts with Customers*. The ASU will be effective for the Company's first interim period of fiscal 2024. The standard should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company does not anticipate a material impact on the Company's consolidated financial statements upon adoption.

Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Improvements to Reportable Segment Disclosures (Topic 280)*. This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is also permitted. This ASU will result in additional required disclosures when adopted, where applicable.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*. The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2025. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. Once adopted, this ASU will result in additional disclosures.

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 $27,691, which were previously recorded in *Notes receivable, net* on the Statements of Financial Position.

(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.

Purchase Price Allocation	**Northeast Patients Group**
Assets acquired:	
Cash and cash equivalents	$ 361
Accounts Receivable	25
Inventory	384
Other current assets	174
Capital assets	7,297
Financing lease right-of-use asset	320
Operating lease right-of-use asset	1,279
Goodwill	22,506
Liabilities assumed:	
Accounts payable and accrued liabilities	(513)
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	(1,015)
Fair value of net assets acquired	**$ 27,691**
Consideration paid:	
Settlement of pre-existing relationship	27,691
Total consideration	**$ 27,691**

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

Divestitures

During the years ended December 31, 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 recognized a gain of $47 on the Consolidated Statements of Operations in *Other income, net*.

During the year ended December 31, 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 year ended December 31, 2022 which was recorded in *Other income, net* in the Consolidated Statements of Operations. The aggregate sales price consisted of $750 paid to the Company in February 2021 and $1,250 of promissory notes (refer to Note 6 for further discussion). In conjunction with the sale, the Company closed its dispensary in Powell. Further, the Company derecognized deferred tax liabilities of $375 related to Medford.

(in 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

As of December 31, 2023, the Company determined certain businesses and assets met the held-for-sale criteria. As such, the related assets and liabilities within these disposal groups were transferred into *Assets held-for-sale* and *Liabilities related to assets held-for-sale* on the Consolidated Statements of Financial Position. As of 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 $3,557 within *Write down (recovery) of assets held-for-sale* on the Consolidated Statements of Operations related to CWG for the year ended December 31, 2023, respectively. During the year ended December 31, 2022, the Company recognized a write down of assets held-for-sale of $874 related to its Oregon operations within *Write down (recovery) of assets held-for-sale* on the Consolidated Statements of Operations.

The table below presents the assets and liabilities classified as held for sale on the Consolidated Statements of Financial Position for the year ended December 31, 2023 and is subject to change based on developments during the sales process.

	December 31, 2023
	Akron and Wickliffe, Ohio
Inventory	$ 302
Other current assets	147
Total current assets classified as held-for-sale	449
Capital assets, net	1,064
Intangible assets, net	4,080
Goodwill	415
Other non-current assets	20
Total assets classified as held for sale	**$ 6,028**
Accounts payable and accrued liabilities	(1,730)
Operating lease liability, current	(99)
Total current liabilities classified as held-for-sale	(1,829)
Operating lease liability, non-current	(424)
Total liabilities classified as held-for-sale	**$ (2,253)**

(in thousands, except per share data)

4. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

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

Intangibles	**December 31, 2023**	**December 31, 2022**
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	31,044	35,124
Total intangibles, net	**$ 31,044**	**$ 35,124**

The intangible assets balance as of December 31, 2023 excludes intangible assets reclassified to assets held-for-sale (refer to Note 3 for further discussion). 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 Consolidated Statements of Financial Position.

Impairment of intangible assets

Indefinite-lived intangible assets are evaluated for potential impairment on at least an annual basis using the multi-period excess earnings method ("MPEEM"). MPEEM is a form of income approach used in valuing intangible assets that isolates discounted future cash flows specifically attributed to the intangible asset. During the year ended December 31, 2023, the Company performed a quantitative analysis on its indefinite-lived cannabis licenses and found all had a fair value above the carrying value and as a result the Company did not recognize any impairment charges. During the year ended December 31, 2022, the Company performed a quantitative analysis and concluded certain of the indefinite-lived cannabis licenses had a fair value below the carrying value. Accordingly, during the year ended December 31, 2022, the Company recognized impairment charges of $100,866 with respect to its indefinite-lived intangible assets related to its operations in Connecticut, New York, Massachusetts, Illinois and California. The charges are recognized in *Impairments, net* on the Consolidated Statements of Operations.

The Company assessed whether any events or changes in circumstances ("triggering events") indicated finite-lived intangible assets to be held-and-used would not be recovered. During the year ended December 31, 2023, the Company did not have any finite-lived intangibles. During the year ended December 31, 2022, the Company identified triggering events for certain operations which operate under a management contract. The Company evaluated the recoverability of the asset by comparing the carrying value of the asset to the future net undiscounted cash flows expected to be generated by the asset. The carrying value was determined to not be recoverable and the Company proceeded to test the asset for impairment. During the year ended December 31, 2022, the Company recognized an impairment charge of $731, respectively, due to changes in expected cash flows pursuant to a revised consulting services agreement. These charges are recognized in *Impairments, net* on the Consolidated Statements of Operations. The impairments resulted in the recognition of a tax provision benefit and an associated reversal of deferred tax liabilities of $20,006 during the year ended December 31, 2022.

Amortization expense associated with the Company's intangible assets was $—, $1,585, and $7,752 for the years ended December 31, 2023, 2022, and 2021, respectively.

(in thousands, except per share data)

Goodwill

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

Goodwill		**Total**
December 31, 2021	**$**	**43,310**
Adjustment to purchase price allocation		(16,700)
Impairment		(16,590)
Other Adjustments[1]		3,741
December 31, 2022	**$**	**13,761**
Acquisitions		22,506
Impairment		(22,506)
Transferred to held-for-sale		(415)
December 31, 2023	**$**	**13,346**

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

During the year ended December 31, 2023, the Company recognized $22,506 of goodwill based on the preliminary purchase price allocation related to the acquisition of Northeast Patients Group. Refer to Note 3 for further discussion. Subsequently, the Company completed its annual review of goodwill. The Company recorded goodwill impairment charges of $22,506 with respect to the acquisition of Northeast Patients Group.

The Company completed its annual review of goodwill for the year ended December 31, 2022. For the year ended December 31, 2022, the Company recorded goodwill impairment charges of $16,590 with respect to its Connecticut, Massachusetts, California and New York reporting units.

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 Consolidated Statements of Financial Position.

5. INVESTMENTS

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

Investments		**December 31, 2023**		**December 31, 2022**
Investments held at FV-NI	$	33,170	$	34,046
Total long-term investments	**$**	**33,170**	**$**	**34,046**

Income from investments, net in the Consolidated Statements of Operations during the years ended December 31, 2023 and 2022 is as follows:

Investment income	**Year Ended December 31,**					
		2023		**2022**		**2021**
Short-term investments	$	—	$	4	$	—
Investments held at FV-NI		591		237		(3,549)
Income (loss) from investments, net	**$**	**591**	**$**	**241**	**$**	**(3,549)**

(in thousands, except per share data)

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 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 Consolidated Statements of Operations.

6. NOTES RECEIVABLE, NET

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

	December 31, 2023	December 31, 2022
Promissory notes receivable	$ 862	$ 34,088
Line of credit receivable	4,331	5,831
Interest receivable	3,286	4,147
Allowance for notes and interest receivable	(8,479)	(14,875)
Total notes receivable, net	**$ —**	**$ 29,191**
Less: Notes receivable, current	—	29,191
Notes receivable, non-current	$ —	$ —

Interest income from loans receivable during the years ended December 31, 2023, 2022 and 2021 was $10, $1,619, and $4,824, 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 December 31, 2023 and 2022, the Company's allowance for notes receivable of $8,479 and $14,875, respectively, included $5,193 and $12,041 of principal outstanding and $3,286 and $2,834 of accrued interest, respectively, and represents the full value of such loan balances.

Activity during the year ended December 31, 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 thousands, except per share data)

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.

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

In December 2023, the Company received a $200 cash payment towards the principal balance on a promissory note receivable from Grown Rogue.

In December 2023, the Company received a $150 cash payment towards the principal balance on a promissory note receivable from Chalice as a final payment.

Activity during the year ended December 31, 2022

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

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

In July 2022, the Company executed and closed an amendment to its previously announced asset purchase and services agreement for the sale of its four Oregon retail dispensaries. 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:

	December 31, 2023	December 31, 2022
Land	$ 9,708	$ 9,605
Building	58,524	58,334
Right-of-use asset, finance leases	6,183	5,077
Furniture, fixtures and equipment	39,943	34,435
Leasehold improvements	58,828	46,811
Construction in progress	4,069	6,178
Software	2,513	—
Capital assets, gross	$ 179,768	$ 160,440
Less: accumulated depreciation and amortization	(38,036)	(27,035)
Capital assets, net	**$ 141,732**	**$ 133,405**

Depreciation of capital assets for the years ended December 31, 2023, 2022, and 2021 is comprised of $3,914, $6,294 and $3,364 of depreciation expense, respectively, and $9,227, $7,631, and $4,206 that was capitalized to inventory, respectively.

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

(in 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 Consolidated Statements of Financial Position and are expensed in the Consolidated Statements of Operations on the straight-line basis over the lease term. The Company does not have any material variable lease payments and accounts for non-lease components separately from leases.

Statements of Financial Position Information	Classification	December 31, 2023	December 31, 2022
Right-of-use assets			
Operating	Operating lease right-of-use assets	$ 17,531	$ 22,443
Finance	Capital assets, net	6,183	4,269
Total right-of-use assets		**$ 23,714**	**$ 26,712**
Lease liabilities			
Current			
Operating	Operating lease liability, current	$ 2,457	$ 2,443
Financing	Debt, current	116	1
Non-current			
Operating	Operating lease liability, non-current	17,293	21,692
Financing	Debt, non-current	5,827	5,305
Total lease liabilities		**$ 25,693**	**$ 29,441**

		Year Ended December 31,		
Statement of Operations Information	**Classification**	**2023**	**2022**	**2021**
Short-term lease expense	General and administrative	$ 382	$ 245	$ 241
Operating lease expense	General and administrative	5,028	4,939	4,437
Finance lease expense:				
Amortization of right of use asset	Depreciation and amortization	369	254	254
Interest expense on lease liabilities	Interest expense	846	1,047	757
Net operating and finance lease cost		**$ 6,243**	**$ 6,240**	**$ 5,448**

		Year Ended December 31,		
Statement of Cash Flows Information	**Classification**	**2023**	**2022**	**2021**
Cash paid for operating leases	Net cash used in operating activities	$ 4,625	$ 4,531	$ 4,083
Cash paid for finance leases - interest	Net cash used in operating activities	$ 946	$ 1,025	$ 680

(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 December 31, 2023:

Maturity of lease liabilities	**Operating Leases**	**Finance Leases**
2024	$ 4,149	$ 923
2025	3,967	946
2026	4,176	969
2027	3,758	992
2028	2,722	867
Thereafter	10,486	10,839
Total lease payments	**$ 29,258**	**$ 15,536**
Less: interest	9,508	9,593
Present value of lease liabilities	**$ 19,750**	**$ 5,943**
Weighted average remaining lease term (years)	7	11
Weighted average discount rate	10%	12%

As of December 31, 2023, there have been no leases entered into that have not yet commenced.

9. INVENTORY

The Company's inventory balance consists of the following:

	December 31, 2023	**December 31, 2022**
Retail inventory	$ 2,918	$ 3,255
Wholesale inventory	36,139	35,885
Cultivation inventory	5,826	7,133
Supplies & other	2,792	3,173
Total	**$ 47,675**	**$ 49,446**

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 years ended December 31, 2023 and 2022, the Company analyzed its inventory balances, and recorded wholesale inventory adjustments as a result of (i) having excess or obsolete inventory and (ii) reducing the carrying value to ensure inventory balances are properly recorded at the lower of cost and NRV. The Company recognized $9,624 and $11,145 of wholesale inventory adjustments within *Cost of goods sold, wholesale* on the Consolidated Statements of Operations during the years ended December 31, 2023 and 2022, respectively,

(in thousands, except per share data)

10. DEBT

The Company’s debt balances consist of the following:

Debt balances	December 31, 2023	December 31, 2022
Financing liability (failed sale-leaseback)	$ 15,253	$ 15,253
Finance lease liabilities	5,943	5,306
7.50% Loan due April 2026	32,438	31,288
6.10% Secured debenture due September 2030	46,955	46,502
Note due December 2024	2,375	3,167
Prime rate credit facilities due January 2026, as amended	132,337	113,564
Note backed by ERTC	1,641	—
Total debt	**$ 236,942**	**$ 215,080**
Less: current portion of debt	4,132	1,584
Total long-term debt	**$ 232,810**	**$ 213,496**

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

2024	$ 4,132
2025	—
2026	173,635
2027	39
2028	—
Thereafter	71,030
Total payments (excluding amortization of discount and issuance costs)	$ 248,836

During the years ended December 31, 2023, 2022, and 2021, the Company incurred interest expense of $34,740, $24,036, and $19,964, respectively, on the Consolidated Statements of Operations. Interest expense for the years ended December 31, 2023, 2022, and 2021 included debt discount amortization of $2,109, $1,601, and $1,113, respectively, and amortization of debt issuance costs of $2,917, $2,084, and $2,528, respectively. As of December 31, 2023 and 2022, the Company had unamortized discount $4,484 and $6,093, respectively, and debt issuance costs of $7,410 and $10,522, respectively, which is netted against the gross carrying value of long-term debt in *Debt, non-current* on Consolidated Statements of Financial Position. Additionally, as of December 31, 2023 and 2022, the Company had accrued interest of $5,539 and $2,575, respectively, within *Interest payable* on the Consolidated Statements of Financial Position.

Financing liability (failed sales leaseback)

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

6.10% Secured debenture due September 2030

On September 23, 2020, pursuant to the implementation of the Amended Arrangement (Refer to Note 13 for further discussion), a subsidiary of Canopy Growth advanced gross proceeds of $50,000 (less transaction costs of approximately $4,025) to Universal Hemp, an affiliate of the Company, pursuant to the terms of a secured debenture (“6.1% Loan”). In accordance with the terms of the debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. An additional $50,000 may be advanced pursuant to the debenture subject to the satisfaction of certain conditions by Universal Hemp. The debenture bears interest at a rate of 6.1% per annum, matures 10 years from the date hereof or such earlier date in accordance with the terms of the debenture and all interest payments made pursuant to the debenture are payable in cash by Universal Hemp. Subsequent to the quarter end September 30, 2023, Universal Hemp received a reservations of rights letter for 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.

The facility has a maturity date of January 1, 2026 and the Company had 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 Company did not exercise the option to extend the maturity date.

(in thousands, except per share data)

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 December 31, 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 year ended December 31, 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 December 31, 2023.

11. SHAREHOLDERS' EQUITY (DEFICIT) AND NON-CONTROLLING INTERESTS

The table below details the change in Pubco shares outstanding by class for the year ended December 31, 2023:

Shareholders' Equity (Deficit)	Fixed Shares	Floating Shares	Fixed Shares Held in Treasury	Floating Shares Held in Treasury	Fixed Multiple Shares	Total Shares Outstanding
December 31, 2022	**79,047**	**34,114**	**(589)**	**(253)**	**118**	**112,437**
Issuances	1,653	1,905	—	—	—	3,558
December 31, 2023	**80,700**	**36,019**	**(589)**	**(253)**	**118**	**115,995**

Warrants

A summary of the warrants activity outstanding is as follows:

Warrants	Fixed Shares	Floating Shares
December 31, 2022	**5,817**	**2,524**
Expired	—	—
December 31, 2023	**5,817**	**2,524**

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 1.2 years. There was no aggregate intrinsic value for warrants outstanding as of December 31, 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 December 31, 2023 and are convertible for either 0.7 of a Fixed Share and 0.3 of a Floating Share of Pubco or cash, as determined by the Company. Summarized financial information of HSCP is presented below. USCo2 does not have discrete financial information separate from HSCP.

(in thousands, except per share data)

HSCP net asset reconciliation	December 31, 2023	December 31, 2022
Current assets	$ 81,913	$ 118,193
Non-current assets	233,666	237,665
Current liabilities	(9,263)	(9,141)
Non-current liabilities	(255,272)	(239,525)
Other NCI balances	(727)	(725)
Accumulated equity-settled expenses	(244,058)	(240,760)
Net assets	$ (193,741)	$ (134,293)
HSCP/USCo2 ownership % of HSCP	15.92 %	16.33 %
Net assets allocated to USCo2/HSCP	$ (30,850)	$ (21,930)
Net assets attributable to other NCIs	727	725
Total NCI	$ (30,123)	$ (21,205)

HSCP Summarized Statement of Operations	Year Ended December 31, 2023	2022	2021
Net loss allocable to HSCP/USCo2	$ (54,903)	$ (171,618)	$ (57,572)
HSCP/USCo2 weighted average ownership % of HSCP	16.16 %	16.80 %	17.66 %
Net loss allocated to HSCP/USCo2	$ (8,870)	$ (28,826)	$ (10,167)
Net loss allocated to other NCIs	(1)	7	20
Net loss attributable to NCIs	$ (8,871)	$ (28,819)	$ (10,147)

As of December 31, 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 15.94% of HSCP non-voting units. The remaining 83.84% 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:

Convertible Units	December 31, 2023	December 31, 2022
Beginning balance	**22,698**	**23,076**
NCI units converted to Pubco	—	(378)
Ending balance	**22,698**	**22,698**

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.

(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 December 31, 2023, the Company had 2,558 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 RSUs	Fixed Shares Weighted Average Grant Date Fair Value	Floating Shares RSUs	Floating Shares Weighted Average Grant Date Fair Value
Unvested, January 1, 2023	6,324	$ 1.80	464	$ 6.68
Granted	3,646	$ 0.15	7,870	$ 0.23
Forfeited	(1,894)	$ 0.80	(514)	$ 0.46
Vested	(2,210)	$ 1.30	(1,976)	$ 0.61
Unvested, December 31, 2023	**5,866**	$ 1.29	**5,844**	$ 0.60
Vested and unreleased[(1)]	16	$ 18.34	6	$ 20.93
Outstanding, December 31, 2023	**5,882**	$ 1.33	**5,850**	$ 0.62

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

RSUs of the Company generally vest over a period of three years and RSUs granted to certain executives vest based on achievement of specific performance conditions. In certain situations for specified individuals, RSUs vest on an accelerated basis on separation. The fair value for RSUs is based on the Company's share price on the date of the grant. The Company recorded $2,778, $8,527, and $16,012 as *Equity-based compensation expense* relating to RSUs on the Consolidated Statements of Operations during the years ended December 31, 2023, 2022, and 2021, respectively. The fair value of RSUs vested during the years ended December 31, 2023 and 2022 was $1,496 and $4,816, respectively.

The total weighted average remaining contractual life and aggregate intrinsic value of unvested RSUs as of December 31, 2023 was approximately 0.8 years and $2,194, respectively. Unrecognized compensation expense related to these awards at December 31, 2023 was $9,695 and is expected to be recognized over a weighted average period of approximately 0.7 years.

Stock options

Stock Options (Exercise price expressed in whole dollars)	Fixed Shares Options	Fixed Shares Weighted Average Exercise Price	Floating Shares Options	Floating Shares Weighted Average Exercise Price
Options outstanding, January 1, 2023	7,337	$ 2.75	2,267	$ 3.10
Forfeited	(1,875)	$ 0.66	(131)	$ 3.16
Expired	(919)	$ 0.59	(39)	$ 2.55
Options outstanding, December 31, 2023	**4,543**	$ 4.04	**2,097**	$ 3.10
Options exercisable, December 31, 2023	2,481	$ 6.91	2,097	$ 3.10

Stock options of the Company generally vest over a period of three years and options granted to certain executives vest based on achievement of specific performance conditions. Stock options of the Company have an expiration period of 5 or 10 years from the date of grant. The weighted average contractual life remaining for Fixed Share options outstanding and exercisable as of December 31, 2023 was approximately 4.2 and 4.7 years, respectively. The weighted average contractual life remaining for Floating Share options outstanding and exercisable as of December 31, 2023 was approximately 5.9 years. The Company recorded $521, $1,011, and $3,934 as *Equity-based compensation expense* on Consolidated Statements of Operations during the years ended December 31, 2023, 2022, and 2021, respectively.

As of December 31, 2023, unamortized expense related to stock options totaled $479 and is expected to be recognized over a weighted-average period of approximately 1 year. As of December 31, 2023, the aggregate intrinsic value for unvested options and for vested and exercisable options was nil, respectively.

(in thousands, except per share data)

Black-Scholes inputs	Year Ended December 31, 2021		Year Ended December 31, 2022		Year Ended December 31, 2023	
	Fixed	Floating	Fixed	Floating(1)	Fixed(2)	Floating(2)
Weighted average grant date fair value range	\$2.74 - \$3.77	\$0.26 - \$1.55	0.34	n/a	n/a	n/a
Assumption ranges:						
Risk-free rate	0.60%	0.60% - 0.70%	3.00%	n/a	n/a	n/a
Expected dividend yield	—%	—%	—%	n/a	n/a	n/a
Expected term (in years)	3.50	3.50 - 4.08	3.44	n/a	n/a	n/a
Expected volatility	75%	65%	82%	n/a	n/a	n/a

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

(2) The Company did not issue any fixed or floating options during the year ended December 31, 2023. As a result, the Black-Scholes inputs are not applicable ("n/a").

Equity-based compensation - other

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

13. COMMITMENTS AND CONTINGENCIES

Commitments

The Company provides revolving lines of credit to certain of its portfolio companies. As of December 31, 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 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, on 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) in accordance with the Fixed Exchange Ratio, on the basis of 0.03048 (after giving effect to the Canopy Consolidation) of a Canopy Share for each Fixed Share held at the Acquisition Time, subject to adjustment in accordance with the terms of the Amended Plan of Arrangement (the "Canopy Call Option") including but not limited to the Canopy Consolidation effectuated by Canopy on December 15, 2023. 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 Share, then the number of Canopy 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 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).

Floating Share 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 in accordance with the Floating Share Arrangement for consideration of 0.04500 (after giving effect to the Canopy Consolidation, as further described below) of a Canopy Share in exchange for each Floating Share. At the Special Meeting, the holders of Floating Shares approved the Floating Share Arrangement. On December 15, 2023, Canopy Growth effected the Canopy Consolidation, which triggered an Exchange Ratio Adjustment Event which affected the Floating Share Agreement and the consideration agreed upon between Canopy USA and the Company.

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 the Fixed Exchange Ratio of 0.3048 of a Canopy Share for each Fixed Share. On December 15, 2023, Canopy Growth effected the Canopy Consolidation, which triggered an Exchange Ratio Adjustment Event which affected our Amended Plan of Arrangement and modified the Fixed Exchange Ratio from 0.3048 of a Canopy Share for each Fixed Share to 0.03048 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.

As of the date of this filing, Canopy, Canopy USA and the Company entered into six amendments to the Floating Share Agreement, each time extending the Exercise Outside Date (as defined in the Floating Share Agreement) from the original date of March 31, 2023 to the current Exercise Outside Date of April 30, 2024. After the expiration of the Exercise Outside Date, the Company has the right but not the obligation to terminate the Floating Share Agreement.

Tax Receivable Agreement and Tax Receivable Bonus Plans

The Company is a party to (i) a tax receivable agreement dated November 14, 2018 and subsequently amended (the "Tax Receivable Agreement") between the Company and certain current and former unit holders of HSCP and (ii) tax receivable bonus plans dated November 14, 2018 and subsequently amended (the "Tax Receivable Bonus Plans") between the Company and certain directors, officers and consultants of the Company (together the "Tax Receivable Recipients"). Under the Tax Receivable Agreement and the Tax Receivable Bonus Plans, the Company is required to make cash payments to the Tax Receivable Recipients equal to 85% of the tax benefits, if any, that the Company actually realizes, or in certain circumstances is deemed to realize, as a result of (i) the increases in its share of the tax basis of assets of HSCP resulting from any redemptions or exchanges of Units from the HSCP Members, and (ii) certain other tax benefits related to the Company making payments under the Tax Receivable Agreement and the Tax Receivable Bonus Plan. Although the actual timing and amount of any payments that the Company makes to the Tax Receivable Recipients cannot be estimated, it expects those payments will be significant. Any payments made by the Company to the Tax Receivable Recipients may generally reduce the amount of overall cash flow that might have otherwise been available to it. Payments under the Tax Receivable Agreement are not conditioned on any Tax Receivable Recipient's continued ownership of Units or our shares after the completion of the RTO. Payments under the Tax Receivable Bonus Plan may, at times, be conditioned on the Tax Receivable Recipient's continued employment by the Company. As of December 31, 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 issued: (i) 564,893 common shares with a value of $15.2 million to certain Tax Receivable Agreement Members on November 4, 2022 as the first installment; and (ii) 710,208 common shares with a value of$15.2 million to certain Tax Receivable Agreement Members on March 17, 2023, as the second installment. Canopy also agreed to issue Canopy common shares with a value of approximately $19.6 million to certain eligible participants pursuant to the Bonus Plans to be issued immediately prior to completion of the Floating Share Arrangement.

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.

Advisor fee

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

Surety bonds

The Company has indemnification obligations with respect to surety bonds primarily used as security against non-performance in the amount of $5,000 as of December 31, 2023, for which no liabilities are recorded on the Consolidated Statements of Financial Position.

The Company is subject to other capital commitments and similar obligations. As of December 31, 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 December 31, 2023, the Company has paid $5,375 of the promissory note.

<u>Contingencies</u>

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company's applicable subsidiaries ceasing operations. While management of the Company believes that the Company's subsidiaries are in compliance with applicable local and state regulations as of December 31, 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, 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. High Street and the other remaining Defendants filed motions to reargue the motion to dismiss order on August 14, 2023. The motions were fully briefed on September 13, 2023, and oral argument was held on December 18, 2023. The Court has not yet ruled on these motions to reargue.

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, along with the other Defendants, filed oppositions to EPMMNY's motion for leave to file the amended complaint on August 10, 2023. Oral argument on EPMMNY's motion for leave to amend was also heard at the December 18, 2023 hearing. The Court has not yet ruled on the motion for leave to amend, but in any event directed the parties to file motions to dismiss the proposed amended complaint (which is not technically operative) on February 29, 2024. Defendants plan to do so.

At the December 18, 2023 hearing, the Court ordered that Plaintiff could serve written discovery requests in connection with the remaining claims. On January 25, 2024, the parties agreed to a limited discovery schedule under which Plaintiff and Defendants must serve document requests and interrogatories by March 8, 2024, and the deadline for responses and objections to those requests is April 8, 2024. Defendants served discovery requests on March 8, 2024, but Plaintiff did not serve any discovery requests. Plaintiff also failed to serve any responses and objections to Defendants' requests.

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. An initial mediation was held on October 30, 2023, with no resolution to the matter.

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 years ended December 31, 2023, 2022, and 2021, the Company incurred interest expense attributable to the 6.10% Secured debenture due September 2030 of $3,050, $3,050, and $3,050, respectively.

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 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 affiliated with 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 year ended December 31, 2023, the Company incurred interest expense attributable to Viridescent of $5,741. 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.

(in thousands, except per share data)

15. INCOME TAXES

The domestic and foreign components of loss before income taxes for the years ended December 31, 2023, 2022 and 2021 are as follows:

	Year Ended December 31,		
	2023	2022	2021
Domestic	$ (53,570)	$ (160,533)	$ (56,959)
Foreign	748	1,860	1,607
Loss before income taxes	**$ (52,822)**	**$ (158,673)**	**$ (55,352)**

The provision for income taxes for the years ended December 31, 2023, 2022 and 2021 are as follows:

Income tax provision	Year Ended December 31,		
	2023	2022	2021
Current taxes:			
Federal	$ 18,433	$ 21,570	$ 18,992
Foreign	313	400	—
State	6,449	8,880	7,541
Total current	**25,195**	**30,850**	**26,533**
Deferred taxes:			
Federal	(37)	(14,210)	(5,955)
State	(17)	(6,618)	(2,773)
Total deferred	**(54)**	**(20,828)**	**(8,728)**
Total income tax provision (benefit)	**$ 25,141**	**$ 10,022**	**$ 17,805**

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

Tax provision reconciliation	Year Ended December 31, 2023		Year Ended December 31, 2022		Year Ended December 31, 2021	
	$	%	$	%	$	%
Computed expected federal income tax benefit	**$ (11,092)**	**21.0 %**	**$ (33,322)**	**21.0 %**	**$ (11,624)**	**21.0 %**
Increase (decrease) in income taxes resulting from:						
State taxes	(6,606)	12.5	(15,040)	9.5	(6,119)	11.1
Nondeductible permanent items	22,148	(41.9)	47,117	(29.7)	31,521	(57.0)
Pass-through entities & non-controlling interests	2,759	(5.2)	6,769	(4.3)	5,080	(9.2)
Increase in valuation allowance	4,395	(8.3)	1,789	(1.1)	(209)	0.4
Unrecognized Tax Benefits ("UTBs")	18,462	(35.0)	—	—	—	—
Other	(4,925)	9.3	2,709	(1.7)	(844)	1.5
Actual income tax provision (benefit)	**$ 25,141**	**(47.6)%**	**$ 10,022**	**(6.3)%**	**$ 17,805**	**(32.2)%**

(in thousands, except per share data)

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

Liability on unrecognized tax benefits	**Year Ended December 31,**		
	2023	**2022** [1]	**2021** [1]
Balance at beginning of period	**$ 5,597**	**$ 6,398**	**$ 6,224**
Increase based on tax positions related to current period	14,531	—	—
Increase based on tax positions related to prior period	18,131	461	738
Decrease based on tax positions related to prior period	(203)	(88)	(548)
Decrease related to settlements with taxing authorities	—	(1,174)	(16)
Balance at end of period	**$ 38,056**	**$ 5,597**	**$ 6,398**

[1] December 31, 2022 and 2021 include 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.

Interest and penalties related to unrecognized tax benefits are recorded as components of the provision for income taxes. As of December 31, 2023 and 2022, the Company had interest accrued of approximately $1,803 and $939, respectively. Accrued interest and penalties are included in *Liability on unrecognized tax benefits* in the Consolidated Statements of Financial Position.

The principal components of deferred taxes as of December 31, 2023 and 2022 are as follows:

Deferred taxes	**December 31, 2023**	**December 31, 2022**
Deferred tax assets:		
Net operating/capital loss carryforwards	$ 14,262	$ 11,043
Other	6,462	5,285
Total deferred tax assets	20,724	16,328
Valuation allowance	(20,724)	(16,328)
Net deferred tax asset	**—**	**—**
Deferred tax liabilities:		
Partnership basis difference	(10,584)	(9,623)
Net deferred tax liability	**(10,584)**	**(9,623)**
Net deferred tax liabilities	**$ (10,584)**	**$ (9,623)**

The Company assesses available positive and negative evidence to estimate if it is more likely than not to use certain jurisdiction-based deferred tax assets including net operating loss carryovers. On the basis of this assessment, a valuation allowance was recorded during the years ended December 31, 2023 and 2022.

As of December 31, 2023, the Company has $500 of domestic federal net operating loss carryovers with no expiration date. As of December 31, 2023, the Company has various state net operating loss carryovers that expire at different times, the earliest of which is 2032. The statute of limitations with respect to the Company's federal returns remains open for tax years 2019 and forward.

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

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

(in thousands, except per share data)

On March 27, 2020, the CARES Act was enacted in response to COVID-19 pandemic. Under ASC 740, the effects of changes in tax rates and laws are recognized in the period which the new legislation is enacted. The CARES Act made various tax law changes including among other things (i) increasing the limitation under Section 163(j) of the Internal Revenue Code of 1986, as amended (the "IRC") for 2020 and 2019 to permit additional expensing of interest (ii) enacting a technical correction so that qualified improvement property can be immediately expensed under IRC Section 168(k), (iii) making modifications to the federal net operating loss rules including permitting federal net operating losses incurred in 2020, 2019, and 2018 to be carried back to the five preceding taxable years in order to generate a refund of previously paid income taxes and (iv) enhancing the recoverability of alternative minimum tax credits. Given the Company is subject to 280E, the CARES Act did not have an impact on the financial statements.

16. REPORTABLE SEGMENTS

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

17. EARNINGS PER SHARE

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

Basic and diluted loss per share is as follows:

	Year Ended December 31,		
	2023	2022	2021
Net loss attributable to common shareholders of the Company	$ (69,092)	$ (139,876)	$ (63,010)
Weighted average shares outstanding - basic	113,870	109,690	105,087
Effect of dilutive securities	—	—	—
Weighted average shares - diluted	113,870	109,690	105,087
Net loss per share attributable to common shareholders of the Company - basic	$ (0.61)	$ (1.28)	$ (0.60)
Net loss per share attributable to common shareholders of the Company - diluted	$ (0.61)	$ (1.28)	$ (0.60)

During the year ended December 31, 2023, 5,817 Fixed warrants, 2,524 Floating warrants, 5,882 Fixed Share RSUs, 5,850 Floating Share RSUs, 4,543 Fixed Share stock options, 2,097 Floating Share stock options and 22,698 NCI convertible units were excluded from the calculation of net loss per share attributable to common shareholders of the Company - diluted, as they were anti-dilutive. During the year ended December 31, 2022, 5,817 Fixed warrants, 2,524 Floating warrants, 6,524 Fixed Share RSUs, 527 Floating Share RSUs, 7,337 Fixed Share stock options, 2,267 Floating Share stock options and 22,698 NCI convertible units were excluded from the calculation of net loss per share attributable to common shareholders of the Company - diluted, as they were anti-dilutive.

18. SUBSEQUENT EVENTS

On April 20, 2024 the Company received a notice of default letter from the agents of the Prime rate credit facilities due January 2026, as amended, of the occurrence of certain events of default (the "Default Letter"). The Default Letter contains allegations that there have been three events of default with respect to the credit agreement and the agents and lenders reserved all rights, and that they were in the process of reviewing the appropriate course of action to be taken with respect to the identified events of default. The Default Letter did not identify that there had been any exercise of rights or remedies available to the agents or lenders under Section 9.1 of the credit agreement. The Company is continuing to evaluate the facts surrounding the asserted events of default and the applicable provisions of the Credit Agreement.

Management has reviewed all other events subsequent to December 31, 2023 through the date of issuing these financial statements and determined that no further subsequent events require adjustment or disclosure.