Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company has three classes of issued and outstanding shares: Class E subordinate voting shares ("Fixed Shares"), the Class D subordinate voting shares ("Floating Shares") and the Class F multiple voting shares. The Company's Fixed Shares and 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.

Holders

As of April 14, 2024, there were 828 holders of record of the Fixed Shares and 818 holders of record of the Floating Shares, including CDS & Co. and Cede & Co., which are the nominees for holding shares on behalf of brokerage firms in Canada and the U.S., respectively, each as a single holder of record.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

This MD&A should be read in conjunction with the Company's consolidated financial statements and related notes. Financial information presented in this MD&A is presented in thousands of U.S. dollars, unless otherwise indicated.

Management's discussion and analysis of financial condition and results of operations is intended to help provide an understanding of the Company's financial condition, changes in financial condition and results of operations. This discussion is organized as follows:

- Overview—This section provides a general description of the Company's businesses, its strategic objectives, as well as developments that occurred during the years ended December 31, 2023 and 2022 that the Company believes are important in understanding its results of operations and financial condition or to disclose known trends.

- Results of Operations—This section provides an analysis of the Company's results of operations for the years ended December 31, 2023, 2022 and 2021. This analysis is presented on a consolidated basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.

- Liquidity and Capital Resources—This section provides an analysis of the Company's cash flows for the years ended December 31, 2023, 2022, and 2021, as well as a discussion on the Company's outstanding debt and commitments that existed as of December 31, 2023. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund the Company's future commitments and obligations, as well as a discussion of other financing arrangements.

Overview

Acreage Holdings, Inc. ("Acreage" or the "Company"), a vertically integrated, multi-state operator of cannabis licenses and assets in the U.S, was continued into the Province of British Columbia under the *Business Corporations Act* (British Columbia). Acreage Fixed Shares and Floating Shares (as such terms are defined at Note 13 of the consolidated financial statements) are each listed on the Canadian Securities Exchange under the symbols "ACRG.A.U" and "ACRG.B.U", respectively, and are quoted on the OTCQX® Best Market by OTC Markets Group under the symbols "ACRHF" and "ACRDF", respectively and on the Open Market of the Frankfurt Stock Exchange under the symbols "0VZ1" and "0VZ2", respectively. Acreage operates through its consolidated subsidiary High Street Capital Partners, LLC ("HSCP"), a Delaware limited liability company. HSCP, which does business as "Acreage Holdings", was formed on April 29, 2014. The Company became an indirect parent of HSCP on November 14, 2018 in connection with a reverse takeover ("RTO") transaction. The Company's operations include (i) cultivating cannabis plants, (ii) manufacturing branded consumer products, (iii) distributing cannabis flower and manufactured products, and (iv) retailing high-quality, effective cannabis products to patients and consumers. The Company appeals to medical patients and adult-use customers through brand strategies intended to build trust and loyalty.

As of December 31, 2023, Acreage owned and operated a total of twenty-three dispensaries - five in Ohio, four in Maine, four in New York, three in New Jersey, three in Connecticut, two in Massachusetts, and two in Illinois. As of December 31, 2023, Acreage owned and operated a total of eight cultivation and processing facilities, one each in Illinois, Maine, New Jersey, New York, Ohio and Pennsylvania, respectively, and two in Massachusetts.

Strategic Priorities

The Company believes its focused strategy is the key to continued improvements in its financial results and shareholder value. For the past few years, the Company was focused on three key strategic objectives - accelerating growth in its core markets, driving profitability, and strengthening the balance sheet. For 2023 and onwards, the Company has modified its strategic objectives in response to Company and industry developments - focus on cash, accelerate growth in core markets with core brands and prepare for Canopy USA.

Focus on Cash: A combination of economic conditions, lack of regulatory change and industry competition impacting pricing have negatively impacted the Company's ability to generate cash flow to support operational requirements and capital activities. Additionally, these factors have likely limited the additional capital that might be available to the Company. While these factors continue, the Company will focus on maximizing the cash flow generated by operating activities and limit capital expenditures to only those projects that can be funded from existing resources and are expected to generate near-term returns.

Accelerating Growth in Core Markets with Core Brands: Through prior acquisitions and capital expenditures, management believes Acreage is well positioned for future success in several key markets as regulations regarding the use of cannabis continue to evolve. The Company will continue to focus its growth in its core markets where it can take advantage of and expand on the presence already established. Additionally, the Company has developed a portfolio of core brands that resonate with its customers. The Company will focus on ensuring that these core brands feature prominently in the markets where they are available.

Prepare for Canopy USA: During the fourth quarter of 2022, the Company entered into a new strategic arrangement with Canopy Growth that would allow Canopy Growth to acquire 100% of Acreage by (i) waiving its existing Floating Share option and entering into a new Floating Share arrangement agreement dated October 24, 2022 (the "Floating Share Arrangement Agreement"); and (ii) committing to exercise its Fixed Share option, all subject to required approvals and terms of the related agreements. Throughout 2023, the Company has taken steps necessary to prepare for the eventual closing of these transactions, including holding a special meeting of its holders of Floating Shares to authorize and approve the plan of arrangement (the "Floating Share Arrangement") in accordance with the terms of the Floating Share Arrangement Agreement on March 15, 2023 (the "Special Meeting"). The transaction continues to progress and Canopy recently scheduled a special meeting of its shareholders for April 12, 2024 to approve a reorganization of its corporate structure in order to facilitate the closing of the Floating Share Arrangement and Acquisition.

Highlights from the years ended December 31, 2023:

- The Company ended the year with a cash balance of $17,615, including $13,631 of cash and cash equivalents and $3,984 of restricted cash, respectively.
- Adjusted EBITDA for the fiscal year ended December 31, 2023 was $28.3 million, compared to adjusted EBITDA of $34.8 million, respectively during the same period in 2022. This marks twelve consecutive quarters of positive adjusted EBITDA. Refer to section "Non-GAAP Information" for a discussion of Adjusted EBITDA as a non-GAAP measure.

- On January 2, 2023, the Company converted a management services agreements ("MSA") with a third party in Maine to 100% ownership by the Company taking over the cultivation, manufacturing and processing activities and acquiring cultivation, processing and retail operations in Maine from this third party.
- On January 10, 2023, the Company was part of an inaugural group of adult-use retail operators to commence sales in Connecticut at The Botanist store in Montville.
- On January 31, 2023, the Company launched "Fast-Acting Gummies" or "TiME Gummies" under its flagship brand The Botanist in Illinois, Maine, Massachusetts, and Ohio.
- The Floating Share Arrangement was approved at the Special Meeting. Refer to Note 13 of the consolidated financial statements for further discussion.
- On April 11, 2023, the Company sold, for total proceeds of $12,113, the rights to receive certain Employee Retention Tax Credits ("ERTC") with an aggregate receivable value of $14,251.
- On April 28, 2023, the Company reached an agreement with the lenders of the Prime rate credit facilities due January 2026 that would allow it to draw a further $15,000 under its current Credit Agreement, but such funds would be maintained in a segregated account until dispersed and be restricted for use to only eligible capital expenditures. As part of this agreement, the Company has agreed to limit the total amounts outstanding under the Credit Agreement to $140,000.
- On May 4, 2023, our Danbury, CT facility went from medical-only to a hybrid facility allowing us to expand our adult-use operations in Connecticut.
- On September 12, 2023, the Company finalized the sale of CWG Botanicals, Inc, completing our exit of the California market, which is consistent with its overall strategy to focus on its core states.
- On November 7, 2023, Ohio passed a ballot measure legalizing recreational marijuana in the state, presenting an opportunity to expand current operations in the state.
- On December 7, 2023, the Company completed the infrastructure expansion of its Egg Harbor, NJ facility which included a new kitchen and a hydrocarbon extraction lab.
- On December 14, 2023, Pennsylvania passed a bill allowing all licensed medical marijuana grower-processors operating in the state to sell their cannabis products directly to patients as retailers.
- On December 22, 2023 the Company expanded its offerings of the Botanist THC-Infused gummies to New York..
- NYCANNA, a subsidiary of the Company, received regulatory approval from the New York Cannabis Control Board to transition to adult-use operations and enter the adult-use market.
- The Company also continues to be recognized by its peers and the industry for our excellent products through 2023. Our whole flower products received a 1st and 3rd place award from NECANN and High Times, respectively. As well our line of Superflux products continue to receive acclaim with five Top 3 finishes in 2023, including a 1st place finish for our Johnny Apple Seed Live Budder Concentrate at the High Time Cannabis Cup.

Operational and Regulation Overview (all amounts in thousands, except per share amounts)

The Company believes its operations are in material compliance with all applicable state and local laws, regulations and licensing requirements in the states in which it operates. However, cannabis is illegal under U.S. federal law. Substantially all of the Company's revenue is derived from U.S. cannabis operations. For information about risks related to U.S. cannabis operations, please refer to Item 1A of this Form 10-K.

Results of Operations

The following table presents selected financial data derived from the consolidated financial statements of the Company for the years ended December 31, 2023 and 2022. The selected financial information set out below may not be indicative of the Company's future performance.

Summary Results of Operations

in thousands, except per share amounts	Year Ended December 31,			Better/(Worse) 2023 vs. 2022		Better/(Worse) 2022 vs. 2021	
	2023	2022	2021	$	%	$	%
Revenues, net	$ 223,378	$ 237,138	$ 188,859	$ (13,760)	(6)%	$ 48,279	26 %
Net operating loss	(31,125)	(143,093)	(47,071)	111,968	78	(96,022)	(204)
Net loss attributable to Acreage	(69,092)	(139,876)	(63,010)	70,784	51	(76,866)	(122)
Basic and diluted loss per share attributable to Acreage	$ (0.61)	$ (1.28)	$ (0.60)	$ 0.67	52 %	$ (0.68)	(113)%

Revenues, Cost of goods sold and Gross profit

The Company derives its revenues from sales of cannabis and cannabis-infused products through retail dispensary, wholesale and manufacturing and cultivation businesses, as well as from management or consulting fees from entities for whom the Company provides management or consulting services.

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

in thousands	Year Ended December 31,			Better/(Worse) 2023 vs. 2022		Better/(Worse) 2022 vs. 2021	
	2023	**2022**	**2021**	**$**	**%**	**$**	**%**
Retail revenue, net	$ 170,061	$ 181,479	$ 127,306	$ (11,418)	(6)%	$ 54,173	43 %
Wholesale revenue, net	53,234	54,499	58,183	(1,265)	(2)	(3,684)	(6)
Other revenue, net	83	1,160	3,370	(1,077)	(93)	(2,210)	(66)
Total revenues, net	$ 223,378	$ 237,138	$ 188,859	$ (13,760)	(6)%	$ 48,279	26 %
Cost of goods sold, retail	(89,733)	(94,783)	(65,776)	5,050	5	(29,007)	(44)
Cost of goods sold, wholesale	(48,000)	(40,610)	(27,201)	(7,390)	(18)	(13,409)	(49)
Total cost of goods sold	$ (137,733)	$ (135,393)	$ (92,977)	$ (2,340)	(2)%	$ (42,416)	(46)%
Gross profit	$ 85,645	$ 101,745	$ 95,882	$ (16,100)	(16)%	$ 5,863	6 %
Gross margin	38 %	43%	51 %		(5)%		(8)%

Year ended December 31, 2023 vs. 2022

Total revenues for the year ended December 31, 2023 decreased by $13,760, or 6%, compared to the year ended December 31, 2022. Excluding the impact of acquisitions and divestitures, total revenue decreased by $8,047, or 4% for the year ended December 31, 2023, as compared to 2022. Continued competitive pressure across most of the Company's markets was somewhat offset by revenue growth in both New Jersey and Connecticut after the commencement of adult use sales.

Retail revenue for the year ended December 31, 2023 decreased by $11,418, or 6%, compared to the year ended December 31, 2022. Excluding the impact of acquisitions and divestitures, retail revenue decreased by $6,808 or 4% for the year ended December 31, 2023 compared to the year ended December 31, 2022. Revenue decreased due to increased retail competition and pricing pressures in key markets that was partially offset by the commencement of adult use sales in New Jersey in April 2022 and Connecticut in 2023.

Wholesale revenue for the year ended December 31, 2023 decreased by $1,265, or 2%, compared to the year ended December 31, 2022. Excluding the impact of acquisitions and divestitures, wholesale revenue decreased by $162 or less than 1% for the year ended December 31, 2023 compared to the year ended December 31, 2022.

Retail cost of goods sold decreased $5,050, or 5%, for the year ended December 31, 2023 compared to the year ended 2022, which was generally consistent with the 6% decrease in retail revenue. Inflation-driven cost increases were generally offset by cost efficiencies.

Wholesale cost of goods sold increased $7,390, or 18%, for the year ended December 31, 2023 compared to the year ended 2022. The growth in wholesale cost of goods sold contrasted with a 2% decrease in wholesale revenue. Wholesale cost of goods sold increased due to inflation driven cost increases and product mix shifts, which were greater than the cost reductions associated with lower volumes, which ultimately drove the increase in wholesale cost of goods sold.

Gross profit decreased $16,100, or 16%, for the year ended December 31, 2023 to $85,645 from $101,745 in the year ended 2022, and gross margin decreased from 43% of revenue for the year ended December 31, 2022 to 38% of revenue in 2023, or 5%, due to the factors discussed above. Efficiencies gained from further economies of scale were unable to offset (i) overall selling price declines, (ii) cost increases due to inflation, (iii) fixed costs that remain despite lower volumes of production, and (iv) wholesale non-cash inventory adjustments for the year ended December 31, 2023 of $9,624. Excluding the non-cash inventory adjustments, margin improved slightly to 43%.

Year ended December 31, 2022 vs. 2021

Total revenues for the year ended December 31, 2022 grew by $48,279, or 26%, compared with 2021. On a comparative basis, total revenue increased by $49,606 due to the acquisitions of (i) Greenleaf Ohio in October 2021, (ii) certain Maine operations and (iii) CWG in May 2021 and was offset by decreases of $4,790 due to the decreased performance and ultimate divestiture of the Company's operations in Oregon in July 2022 and the divestiture of Acreage Florida in April 2021. Additionally, total revenue for the prior comparative year ended December 31, 2021 included (i) $2,530 of previously unrecognized management fees, some of which related to prior periods and (ii) a bulk wholesale sale transaction of $1,500 that did not recur. Excluding these acquisitions and divestitures/closures, the impact of total revenue declines in the Company's Oregon operations and the non-recurring transactions for the year ended December 31, 2021, total revenue increased by $7,493, or 4%, for the year ended December 31, 2022, as compared to fiscal 2021.

Retail revenue for the year ended December 31, 2022 grew by $54,173, or 43%, compared with 2021. Excluding the impact of acquisitions and divestitures/closures, as well as declines in the Company's Oregon operations prior to their ultimate sale, retail revenue increased by $13,397, or 11%, for the year ended December 31, 2022 compared to the year ended 2021. This organic growth was primarily driven by increased demand and production across various states.

Wholesale revenue for the year ended December 31, 2022 decreased by $3,684, or 6%, compared to fiscal 2021. The modest decline in wholesale revenue was primarily due to price compression and decreased wholesale demand in select markets. Additionally, wholesale revenue for the year ended December 31, 2022 increased by $4,040 due to acquisitions that have occurred over the prior 24 months which were somewhat offset by a bulk wholesale sale transaction of $1,500 in the second quarter of 2021 that did not recur.

Retail cost of goods sold increased $29,007, or 44%, for the year ended December 31, 2022 compared to 2021, which was generally consistent with the 43% increase in retail revenue. Price compression in select markets was offset by cost efficiencies.

Wholesale cost of goods sold increased $13,409, or 49%, for the year ended December 31, 2022 compared to 2021, which outpaced the 6% decrease in wholesale revenue. Wholesale cost of goods sold increased due to $11,145 of non-cash inventory adjustments made in the year ended December 31, 2022 as a result of (i) excess inventory in select markets, (ii) reducing the carrying value of wholesale inventory to reflect the lower of cost and net realizable value and (iii) increased costs due to inflation. Excluding these non-cash inventory adjustments, wholesale costs of goods sold increased $2,264 or 8%. Cost increases and product mix shifts drove the increase in wholesale cost of goods sold.

Gross profit increased $5,863, or 6%, for the year ended December 31, 2022 to $101,745 from $95,882 in 2021, and Gross margin decreased from 51% of revenue for the year ended December 31, 2021 to 43% of revenue in 2022, or (8)%, due to the factors discussed above. Efficiencies gained from further economies of scale were unable to offset overall selling price declines, cost increases due to inflation, and the aforementioned wholesale non-cash inventory adjustments. Excluding the non-cash inventory adjustments, margin decreased to 47%.

<u>Total operating expenses</u>

Total operating expenses consist primarily of recurring general and administrative expenses, compensation expenses, professional fees, which includes, but is not limited to, legal and accounting services, and one-time expenses such as loss on impairments.

Operating expenses				**Better/(Worse)**		**Better/(Worse)**	
in thousands	**Year Ended December 31,**			**2023 vs. 2022**		**2022 vs. 2021**	
	2023	2022	2021	$	%	$	%
General and administrative	$ 31,637	$ 38,248	$ 32,026	$ 6,611	17 %	$ (6,222)	(19)%
Compensation expense	49,522	55,905	45,769	6,383	11	(10,136)	(22)
Equity-based compensation expense	3,299	10,138	19,946	6,839	67	9,808	49
Marketing	2,619	3,204	1,643	585	18	(1,561)	(95)
Impairments, net	22,222	121,706	32,828	99,484	82	(88,878)	(271)
Loss on notes receivable	—	7,219	7,869	7,219	n/m	650	8
Write down (recovery) of assets held-for-sale	3,557	874	(8,616)	(2,683)	(307)	(9,490)	n/m
Legal settlements (recoveries)	—	(335)	372	(335)	n/m	707	n/m
Depreciation and amortization	3,914	7,879	11,116	3,965	50	3,237	29
Total operating expenses	$ 116,770	$ 244,838	$ 142,953	$ 128,068	52 %	$(101,885)	(71)%

n/m - Not Meaningful

Year ended December 31, 2023 vs. 2022

Total operating expenses for the year ended December 31, 2023 were $116,770, a decrease of $128,068, or 52%, compared to the year ended December 31, 2022. The primary drivers of the decrease in operating expenses were as follows:

- General and administrative expense decreased $6,611, or 17%, during the year ended December 31, 2023 as compared to 2022, primarily due to initiatives put in place by management to reduce operating costs across the Company.
- Compensation expense decreased $6,383 during the year ended December 31, 2023 as compared to 2022, primarily due to staffing reductions.
- Equity-based compensation expense decreased $6,839, or 67%, during the year ended December 31, 2023 as compared to 2022, primarily due to staffing reductions and changes made to the Company's long-term incentive compensation plans.
- Impairments, net decreased $99,484 during the year ended December 31, 2023 as compared to 2022. Impairments, net of $22,222 for the year ended December 31, 2023 was primarily driven by $22,506 of impairment charges related to goodwill. Impairments, net of $121,706 for the year ended December 31, 2022 was primarily driven by $100,866 of impairments charges related to intangible assets and $16,590 of impairment charges related to goodwill, respectively during the year ended December 31, 2022.
- Loss on notes receivable decreased $7,219 during the year ended December 31, 2023 as compared to 2022, due to the prior year loss being a one-time determination that the payment for certain notes receivables was doubtful as of prior-year's year-end.
- Write down (recovery) of assets held-for-sale of $3,557 for the year ended December 31, 2023 related to the Company's adult-use cannabis cultivation and processing operations in the state of California which were disposed of in the year ended December 31, 2023. The write downs of assets held-for-sale in the comparative period of 2022 relate to the Company's Oregon operations which were disposed of in the year ended December 31, 2022.
- Depreciation and amortization expenses decreased by $3,965 during the year ended December 31, 2023 compared to 2022, primarily due to an acceleration of the amortization of certain intangible assets as a result of a reduction in the expected useful lives of such assets during the year ended December 31, 2023 and due to the impairment of certain intangible assets in the year ended December 31, 2022.

Year ended December 31, 2022 vs. 2021

Total operating expenses for the year ended December 31, 2022 were $244,838, an increase of $101,885, or 71%, compared with 2021. The primary drivers of the increase in operating expenses were as follows:

- General and administrative expenses increased $6,222 during the year ended December 31, 2022 compared with 2021, primarily due to increases in (i) costs associated with the Company's expanded operations from both organic growth and acquisitions, (ii) professional fees, which was driven by professional and consulting fees incurred and (iii) an increase in the cost of insurance, fees, permits and licenses.
- Compensation expense increased $10,136 during the year ended December 31, 2022 as compared with 2021, primarily due to increased headcount required to manage the Company's expanded operations, including the acquisitions of certain Maine operations, CWG, and Greenleaf during the period, as well as certain non-recurring retention payments made in the current period.

- Equity-based compensation expense decreased $9,808, or 49%, during the year ended December 31, 2022 as compared with 2021, primarily due to benefits associated with reorganization efforts undertaken in prior periods, resulting in the acceleration of restricted share vesting for certain employees and previously issued awards becoming fully vested and cancelled in prior periods. Additionally, no annual grants were issued to employees under the Company's normal long-term incentive plan until July 2022 for the current year-to-date period.
- Impairments, net of $121,706 for the year ended December 31, 2022 was primarily driven by $100,866 of impairments charges related to intangible assets and $16,590 of impairment charges related to goodwill, respectively.
- The loss on notes receivable for the year ended December 31, 2022 and December 31, 2021 is due to the determination that the payment for certain notes receivables were doubtful based on the most recent information available to the Company.
- Write down (recovery) of assets held-for-sale of $874 for the year ended December 31, 2022 related to the Company's Oregon operations, Write down (recovery) of assets held-for-sale of for the year ended December 31, 2021 were due to a recovery that was attributable to the Company agreeing on terms to sell Acreage Florida, and determining that the fair value less costs to sell its Acreage Florida disposal group increased $8,616 in excess of its previously written down value.
- Depreciation and amortization expenses decreased by $3,237 during the three months ended December 31, 2022 compared with 2021, primarily due to an acceleration of the amortization of certain intangible assets as a result of a reduction in the expected useful lives of such assets during the year ended December 31, 2021.

Total other income (loss)

Other income (loss)				**Better/(Worse)**		**Better/(Worse)**	
in thousands	**Year Ended December 31,**			**2023 vs. 2022**		**2022 vs. 2021**	
	2023	2022	2021	$	%	$	%
Income (loss) from investments, net	$ 591	$ 241	$ (3,549)	$ 350	145 %	$ 3,790	n/m
Interest income from loans receivable	10	1,619	4,824	(1,609)	(99)	(3,205)	(66)
Interest expense	(34,740)	(24,036)	(19,964)	(10,704)	(45)	(4,072)	(20)
Other income, net	12,442	6,596	10,408	5,846	89	(3,812)	(37)
Total other loss	$ (21,697)	$ (15,580)	$ (8,281)	$ (6,117)	(39)%	$ (7,299)	(88)%
n/m - Not Meaningful							

Year ended December 31, 2023 vs. 2022

Total other loss for the year ended December 31, 2023 was $21,697, an increase of $6,117 compared to the year ended December 31, 2022. The primary drivers of the increase in Total other loss were as follows:

- Interest expense for the year ended December 31, 2023 of $34,740 increased by $10,704 as a result of the Company having a larger debt balance as compared to 2022 and due to a substantial portion of our debt being variable rate debt that is significantly impacted by rate increases from the Federal Reserve, which increased 525 bps since the beginning of 2022.
- Other income, net for the year ended December 31, 2023 of $12,442, increased by $5,846 as compared to 2022, which was primarily due to income provided from Employee Retention Tax Credits.
- Interest income from loans receivable of $10 for the year ended December 31, 2023 has decreased $1,609 as compared to 2022 due to a reduction in loans receivable outstanding during the comparative period.

Year ended December 31, 2022 vs. 2021

Total other loss for the year ended December 31, 2022 was $15,580, an increase of $7,299 compared with 2021. The primary drivers of the decrease in Total other income (loss) were as follows:

- Income (loss) from investments, net of $241 for the year ended December 31, 2022 has increased $3,790 as compared with 2021 due to improved performance of certain investments held by the Company.
- Interest income from loans receivable of $1,619 for the year ended December 31, 2022 has declined $3,205 as compared with 2021 due to a reduction in loans receivable outstanding during the comparative period.
- Interest expense for the year ended December 31, 2022 of $24,036 increased by $4,072 as a result of the Company having a larger debt balance as compared to 2021.

- Other income, net for the year ended December 31, 2022 of $6,596 decreased by $3,812 as compared with 2021. Other income, net for the year ended December 31, 2022 was primarily related to a gain on the sale of the Company's Oregon operations of $3,189. Other income, net for the year ended December 31, 2021 was primarily related to a gain on the sale of Acreage Florida of $11,682 and was partially offset by the loss on the subsequent sale of notes receivable received as consideration from the buyer of Acreage Florida of approximately $2,000 and by losses related to the disposal of capital assets related to Form Factory.

Net loss

Net loss				**Better/(Worse)**		**Better/(Worse)**	
in thousands	**Year Ended December 31,**			**2023 vs. 2022**		**2022 vs. 2021**	
	2023	2022	2021	$	%	$	%
Net loss	$ (77,963)	$(168,695)	$ (73,157)	$ 90,732	54 %	$ (95,538)	(131)%
Less: net loss attributable to non-controlling interests	(8,871)	(28,819)	$ (10,147)	19,948	69	(18,672)	(184)
Net loss attributable to Acreage Holdings, Inc.	$ (69,092)	$(139,876)	$ (63,010)	$ 70,784	51 %	$ (76,866)	(122)%

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

Non-GAAP Information

This statement includes Adjusted EBITDA, which is a non-GAAP performance measure that we use to supplement our results presented in accordance with U.S. GAAP. The Company uses Adjusted EBITDA to evaluate its actual operating performance and for planning and forecasting future periods. The Company believes that the adjusted results presented provide relevant and useful information for investors because they clarify the Company's actual operating performance, make it easier to compare our results with those of other companies and allow investors to review performance in the same way as our management. Since these measures are not calculated in accordance with U.S. GAAP, they should not be considered in isolation of, or as a substitute for, net loss or our other reported results of operations as reported under U.S. GAAP as indicators of our performance, and they may not be comparable to similarly named measures from other companies.

The Company defines Adjusted EBITDA as net income before interest, income taxes and, depreciation and amortization and excluding the following: (i) income from investments, net (the majority of the Company's investment income relates to remeasurement to net asset value of previously-held interests in connection with our roll-up of affiliates, and the Company expects income from investments to be a non-recurring item as its legacy investment holdings diminish), (ii) equity-based compensation expense, (iii) non-cash impairment losses, (iv) transaction costs, (v) non-cash inventory adjustments and (vi) other non-recurring expenses (other expenses and income not expected to recur).

Adjusted EBITDA				**Better/(Worse)**		**Better/(Worse)**	
in thousands	**Year Ended December 31,**			**2023 vs. 2022**		**2022 vs. 2021**	
	2023	2022	2021	$	%	$	%
Net loss (U.S. GAAP)	**$ (77,963)**	**$(168,695)**	**$ (73,157)**				
Income tax expense	25,141	10,022	17,805				
Interest expense, net	34,730	22,417	15,140				
Depreciation and amortization[1]	12,860	14,818	14,276				
EBITDA (non-GAAP)	**$ (5,232)**	**$(121,438)**	**$ (25,936)**	**$ 116,206**	**96 %**	**$ (95,502)**	**(368)%**
Adjusting items:							
Income from investments, net	(591)	(241)	3,549				
Impairments, net	22,222	121,330	30,698				
Non-cash inventory adjustments	9,624	11,145	—				
Loss on extraordinary events[2]	1,692	376	2,130				
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				
Gain on business divestiture	(2,506)	(4,006)	(11,802)				
Equity-based compensation expense	3,299	10,138	19,946				
Other non-recurring income and expenses[3]	(3,728)	9,786	6,428				
Adjusted EBITDA (non-GAAP)	**$ 28,337**	**$ 34,848**	**$ 24,638**	**$ (6,511)**	**(19)%**	**$ 10,210**	**41 %**

[1] Depreciation and amortization for the years ended December 31, 2023, 2022 and 2021 contains depreciation and amortization included in cost of goods sold.
[2] Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence.
[3] Other non-recurring income and expenses relates to certain compensation, general and administrative, and other miscellaneous income and expenses. The Company excludes these items as they are not expected to recur.

The changes in adjusted EBITDA are driven by the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Sources and uses of cash (all amounts in thousands, except per share amounts)

The Company's primary uses of capital include operating expenses, income taxes, capital expenditures and the servicing of outstanding debt. The Company's primary sources of capital include funds generated by cannabis sales as well as financing activities. Through December 31, 2023, the Company had primarily used private financing as a source of liquidity for short-term working capital needs and general corporate purposes.

As of December 31, 2023, the Company had cash of $17,615, including $13,631 of cash and cash equivalents and $3,984 of restricted cash, respectively, on the Consolidated Statements of Financial Position. The Company's ability to fund its operations, capital expenditures, acquisitions, and other obligations depends on its future operating performance and ability to obtain financing, which are subject to prevailing economic conditions, as well as financial, business and other factors, some of which are beyond the Company's control.

The Company's future contractual obligations include the following:

Leases

As of December 31, 2023, the Company had future operating lease obligations and future finance lease obligations of $29,258 and $15,536, respectively, with $4,149 and $923 payable within the next twelve months, respectively. 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. Refer to Note 8 of the Consolidated Financial Statements for further discussion.

Debt

As of December 31, 2023, the Company had outstanding debt with varying maturities for an aggregate principal amount of $236,942 (net of $11,894 of unamortized discounts and debt issuance costs), with $4,132 payable within the upcoming twelve months. The Company has related future interest payments of $61,279, with $40,710 payable within the upcoming twelve months. In April 2023, the Company reached an agreement with its lenders that would allow it to draw a further $15,000 under its current credit agreement, with such funds being 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 from $150,000 to $140,000. Refer to Notes 10 and 17 of the Consolidated Financial Statements for further discussion.

The Company expects that its Cash and cash equivalents of $13,631 as of December 31, 2023, will be adequate to support the future obligations discussed above as well as the capital needs of the existing operations and expansion plans over the next twelve months.

Going Concern

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.

Cash flows

Cash and cash equivalents and restricted cash were $17,615 as of December 31, 2023, which represents a net decrease of $6,452 for the year ended December 31, 2023 as compared to 2022. The following table details the change in cash, cash equivalents, restricted cash and cash related to assets held for sale for the year ended December 31, 2023 and 2022.

Cash flows				**Better/(Worse)**		**Better/(Worse)**	
in thousands	**Year Ended December 31,**			**2023 vs. 2022**		**2022 vs. 2021**	
	2023	2022	2021	$	%	$	%
Net cash used in operating activities	$ (15,101)	$ (50,095)	$ (40,530)	$ 34,994	70 %	$ (9,565)	(24)%
Net cash provided by (used in) investing activities	(12,967)	(9,609)	43,369	(3,358)	(35)	(52,978)	n/m
Net cash provided by (used in) financing activities	21,616	39,270	(12,977)	(17,654)	(45)	52,247	n/m
Net decrease in cash, cash equivalents, restricted cash, and cash held for sale	$ (6,452)	$ (20,434)	$ (10,138)	$ 13,982	68 %	$ (10,296)	(102)

n/m - Not Meaningful

Net cash used in operating activities

During the year ended December 31, 2023, the Company used $15,101 of net cash in operating activities compared to $50,095 of net cash used in operating activities in the same period for 2022, which represented an improvement of $34,994, or 70%, when compared with 2022. The Company's reported net loss improved by $90,732 during the year ended December 31, 2023 when compared with 2022. Excluding non-cash items such as impairments, equity-based compensation, write-offs and recoveries, gains and losses on disposals and depreciation and amortization, net loss adjusted for non-cash items improved by $4,015 when compared with 2022. Additionally, cash used in operating activities for the year ended December, 2023 benefited from a difference in the timing of tax payments.

During the year ended December 31, 2022, the Company used $50,095 of net cash in operating activities, which represented an increase of $9,565, or 24%, when compared with 2021. Although the reported net loss increased by $95,538 during the year ended December 31, 2022 when compared with 2021, the net loss excluding non-cash items such as impairments, equity-based compensation, write-offs and recoveries, gains and losses on disposals and depreciation and amortization increased by $12,159 when compared with 2021. Additionally, cash used in operating activities for the year ended December, 2021 benefited from a difference in the timing of tax payments.

Net cash provided by (used in) investing activities

During the year ended December 31, 2023, the Company used $12,967 of net cash through investing activities compared to $9,609 of net cash used in investing activities for 2022, which represented an increase of $3,358. Net cash used in investing activities for the year ended December 31, 2023 included (i) $19,004 for the purchase of capital assets and intangibles, which was partially offset by (ii) activity related to the Company's acquisition and divestitures of $2,887, and (iii) collection of notes receivable of $2,650.

During the year ended December 31, 2022, the Company used $9,609 of net cash through investing activities compared to $43,369 of net cash provided by investing activities for 2021, which represented a change of $52,978. Net cash used in investing activities for the year ended December 31, 2022 included (i) $19,382 for the purchase of capital assets and intangibles and (ii) $3,400 paid for short-term investments, which was partially offset by (iii) the collection of notes receivable of $8,356, (iv) $3,400 in proceeds from the disposal of short-term investments, and (v) $1,417 in distributions from investments.

Net cash provided by (used in) financing activities

During the year ended December 31, 2023, the Company had $21,616 of net cash provided through financing activities compared to $39,270 of net cash provided through financing activities for 2022, which represented a reduction of $17,654. Net cash used in financing activities for the year ended December 31, 2023 included (i) $26,621 of net proceeds from financing and was partially offset by (ii) $3,968 of capital distributions to non-controlling interest and (iii) $958 of repayments of debt.

During the year ended December 31, 2022, the Company had $39,270 of net cash provided by financing activities compared to $12,977 of net cash used in financing activities for 2021, which represented a change of $52,247. Net cash provided by financing activities for the year ended December 31, 2022 included (i) $46,685 of net proceeds from financing and was partially offset by (ii) $5,534 of capital distributions to non-controlling interest and (iii) $1,881 of repayments of debt.

Capital Resources

Capital structure and debt

Our debt outstanding as of December 31, 2023 and 2022 is as follows:

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**

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. Refer to Note 6 of the Consolidated Financial Statements for further discussion.

Arrangement with Canopy Growth

On June 19, 2019, the shareholders of the Company and of Canopy Growth separately approved the Prior Plan of Arrangement involving the two companies, which was subsequently amended on September 23, 2020.

During the fourth quarter of 2022, the Company entered into a new strategic arrangement with Canopy Growth that, would allow Canopy Growth to acquire 100% of Acreage by (i) waiving its existing Floating Share option and entering into a new Floating Share acquisition agreement; and (ii) committing to exercise its Fixed Share option, all subject to required approvals and terms of the related agreements.

Refer to Note 13 of the Consolidated Financial Statements for further discussion.

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.

Tax Receivable Agreement

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, certain current and former unit holders of HSCP and, Canopy Growth and Canopy USA 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, consultants of the Company, Canopy Growth and Canopy USA (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.

Concurrently with the execution of the Floating Share Agreement, Canopy, Canopy USA, High Street, USCo and certain individuals party to the Tax Receivable Agreement, amended the Tax Receivable Agreement. Pursuant to the Floating Share Agreement, Canopy, on behalf of Canopy USA agreed to: (i) issue Canopy Shares with a value of approximately $30.5 million due to the participants of a tax receivable agreement (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 TRA; and (ii) fund a payment with a value of approximately $19.5 million to be made by the Company in Canopy Shares to certain eligible participants pursuant to the Bonus Plans, as amended on October 24, 2022, both in order to reduce a potential liability of approximately $121 million under the Tax Receivable Agreement and the Bonus Plans. In connection with the foregoing, Canopy, on behalf of Canopy USA, issued: (i) 5,648,927 Canopy Shares (equivalent to 564,893 Canopy Shares on a post-Canopy Consolidation basis) with a value of $15.2 million to certain Tax Receivable Agreement Members on November 4, 2022 as the first installment; and (ii) 7,102,081 Canopy Shares (equivalent to 710,208 on a post-Canopy Consolidation basis)with a value of $15.2 million to certain Tax Receivable Agreement Members on March 17, 2023, as the second installment, as consideration for the assignment of such Tax Receivable Agreement Members' rights under the Tax Receivable Agreement to Canopy USA. Canopy, on behalf of Canopy USA, also agreed to issue Canopy common shares with a value of approximately US$19.6 million to certain eligible participants pursuant to the Bonus Plans to be issued immediately prior to completion of the Floating Share Arrangement.

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.

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company's applicable subsidiaries ceasing operations. While management of the Company believes that the Company's subsidiaries are in compliance with applicable local and state regulations as of December 31, 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. Refer to Note 13 of the Consolidated Financial Statements for further discussion.

Critical accounting policies and estimates

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

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

Taxes

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

Business combinations

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

Inventory valuation

Inventory is valued at the lower of cost and net realizable value, defined as estimated selling price in the ordinary course of business, less costs of disposal. The valuation of our inventory balances involves calculating the estimated net realizable value of our inventory and assessing it against the cost. A component of this analysis therefore involves determining whether there is excess or obsolete inventory on hand.

When determining whether there is excess or obsolete inventory, management makes assumptions around future demand and production forecasts, which are then compared to current inventory levels. Management also makes assumptions around future pricing, and considers historical experience and the application of the specific identification method for identifying obsolete inventory.

If the assumptions around future demand for our inventory are more optimistic than actual future results, the net realizable value calculated using these assumptions may be overstated, resulting in an overstatement of the inventory balance.

Impairment on notes receivable

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

Impairment of intangible assets

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

Indefinite-lived and long-lived intangible assets are tested at the individual business unit level, which is the lowest level for which identifiable cash flows are largely independent of other assets and liabilities. In testing for impairment, indefinite-lived intangibles and long-lived intangible assets are tested before goodwill. Indefinite-lived intangibles, long-lived assets and goodwill are first assessed qualitatively to determine whether it is more likely than not that the asset is impaired.

If it is determined qualitatively that an asset is likely impaired, a quantitative assessment will be performed. Indefinite-lived intangible assets are assessed quantitatively by determining the present value of discounted cash flows and comparing it to the carrying amount of such assets. Finite-lived intangible assets and other long-lived assets are tested for impairment by determining the undiscounted cash flows expected from the use and eventual disposition of the asset, and comparing it to its carrying amount. Goodwill is tested quantitatively by determining the fair value of the reporting unit and comparing it to the carrying amount, including goodwill, of the reporting unit. If the fair value is greater than the reporting unit's carrying value, the goodwill is not deemed impaired. If the fair value is less than the carrying amount, the implied fair value of goodwill must be determined to compare to the carrying value of the goodwill.

As of December 31, 2023, our goodwill held at our single reportable segment was $13,346.

The Company estimated the recoverable amounts of goodwill and indefinite-lived intangible assets by estimating the higher of their fair value less costs of disposal and value in use, which are Level 3 measurements within the fair value hierarchy. The key assumptions that drove management's determination of the recoverable amounts of the reporting units were:

- Revenue multiples of comparable industry peers.
- Expected proceeds from a sale in an orderly transaction.
- Expected cash flows based on our business plans for the reporting units and underlying assets.
- In order to risk-adjust the cash flow projections in determining value in use, we utilized an after-tax discount rate of approximately 18.24%.

Management assigned value to each input based on past experience and industry expectations. The tests performed through the year ended December 31, 2023 resulted in the impairment of certain finite and indefinite-lived intangible assets. Refer to Note 4 of the Consolidated Financial Statements for further discussion. The Company does not believe a slight change in the key assumptions would cause the recoverable amount of any non-impaired reporting unit to fall below its carrying amount.

Emerging growth company status

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

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

We will remain an emerging growth company until the earliest of (i) the last day of the year in which we have total annual gross revenue of $1.07 billion or more; (ii) the last day of the year following the fifth anniversary of the first sale of common equity securities pursuant to an effective registration under the Securities Act, which is December 31, 2024; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Equity-based compensation

We determine our equity-based compensation in accordance with ASC 718, Compensation—Stock Compensation (ASC 718), which requires the measurement and recognition of compensation expense for all equity-based awards made to employees based on the grant date fair value of the award.

Determining the appropriate fair value model and calculating the fair value of equity-based requires the input of subjective assumptions. We use the Black-Scholes option pricing model to value our equity-based awards. Equity-based compensation expense is calculated using our best estimates, which involve inherent uncertainties and the application of management's judgment. Significant estimates include our expected volatility. If different estimates and assumptions had been used, our equity-based award valuations could be significantly different and related equity-based compensation expense may be materially impacted.

The Black-Scholes option pricing model relies on key inputs such as the risk-free interest rate used, the expected term of awards, the expected volatility of our share price, and our expected dividend yield. If key inputs differ, the fair value of awards will be impacted. A higher fair value of the awards will result in higher share-based compensation expense over the vesting period of the awards. We have never paid and do not anticipate paying any cash dividends in the foreseeable future and, therefore, we use an expected dividend yield of zero in the pricing model, and we account for forfeitures as they occur.

Regulatory Disclosures

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) - *Issuers with U.S. Marijuana-Related Activities*, we have provided in Item 1 of this Form 10-K a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently involved, through High Street , in the cannabis industry. Refer to Item 1 - *Regulatory Framework* for further discussion.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk (presented in thousands, except share amounts).

The Company has exposure to the following risks from its use of financial instruments and other risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market, credit, liquidity, asset forfeiture, banking and interest rate risk.

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

The Company's exposure to non-payment or non-performance by its counterparties is a credit risk. The maximum credit exposure as of December 31, 2023 is the carrying amount of cash and cash equivalents, restricted cash, and accounts, notes and other receivables. The Company does not have significant credit risk with respect to customers. The Company mitigates its credit risk on its notes and other receivables by securing collateral, such as capital assets, and by its review of the counterparties and their businesses. The Company considers a variety of factors when determining interest rates for notes receivable, including the creditworthiness of the counterparty, market interest rates prevailing at the note's origination, and duration and terms of the note. The Company determined expected credit losses to be immaterial due to collateral held. Analysis of collateral held and future expected cash flows within the cannabis industry were considered in its expected credit loss assessment.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company endeavors to ensure that there is sufficient liquidity in order to meet short-term business requirements, after taking into account

the Company's cash holdings. As of December 31, 2023, the Company's financial liabilities consist of accounts payable and accrued liabilities, lease liabilities and long-term debt. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis.

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 reporting period then ended. 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 we will be successful in accomplishing any of our 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 our need to raise additional capital on an immediate basis.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company, its subsidiaries and investee companies, and leaves their cash holdings vulnerable. The Company has banking relationships in all jurisdictions in which it operates.

In addition, 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.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of December 31, 2023, the Company has total debt of $236,942, with $104,605 bearing fixed interest rates, and $132,337 bearing a variable interest rate. A hypothetical 200-basis point increase in interest rates would result in increased interest expense of $3,062 for the year ended December 31, 2023.

Capital risk management

The Company considers its capital structure to include contributed capital, accumulated deficit, non-controlling interests and any other component of equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as

appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year ended December 31, 2023.

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 reporting period then ended. 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 we will be successful in accomplishing any of our 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 our need to raise additional capital on an immediate basis.