
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-56021

ACREAGE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

British Columbia, Canada

(State or other jurisdiction of incorporation or organization)

98-1463868

(I.R.S. Employer Identification No.)

366 Madison Ave, 14th floor

(Address of Principal Executive Offices)

New York

New York

10017

(Zip Code)

(646) 600-9181

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to section 12(g) of the Act: Class D Subordinate Voting Shares, no par value; Class E Subordinate Voting Shares, no par value.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of voting stock held by non-affiliates of the registrant on June 30, 2023, based on the closing price of \$0.17 and \$0.16 for the registrant’s Class E subordinate voting shares (“Fixed Shares”) and Class D subordinate voting shares (“Floating Shares”), respectively, as reported by the Canadian Securities Exchange, was approximately \$18.0 million in aggregate. Fixed and Floating Shares beneficially owned by each executive officer, director, and holder of more than 10% of our Fixed and Floating Shares have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant has three classes of issued and outstanding shares: the Fixed Shares, the Floating Shares and the Class F multiple voting shares (the “Fixed Multiple Shares”). The Fixed Shares and Floating Shares each entitle the holders to notice of and to attend at any meeting of the shareholders of the registrant, except a meeting of which only holders of another particular class or series of shares of the registrant have the right to vote. Each Fixed Share is entitled to one vote per Fixed Share, each Floating Share is entitled to one vote per Floating Share and each Fixed Multiple Share is entitled to 4,300 votes per Fixed Multiple Share on all matters upon which the holders of shares are entitled to vote. As of April 22, 2024, there were 80,824,907 Fixed shares, 36,030,165 Floating Shares, and 117,600 Fixed Multiple Shares, in each case, issued and outstanding.

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Cautionary Statement Regarding Forward Looking-Statements

This Annual Report of Acreage Holdings, Inc. (“Acreage” or the “Company”) contains statements that include forward-looking information and are forward-looking statements within the meaning of applicable Canadian and United States securities legislation (“forward-looking statements”), including the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. All statements, other than statements of historical fact, included herein are forward-looking statements, including, for greater certainty, the statements regarding the proposed transaction with Canopy Growth Corporation (“Canopy Growth” or “Canopy”), including the anticipated benefits and likelihood of completion thereof.

Generally, forward-looking statements may be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “proposed”, “is expected”, “budgets”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. There can be no assurance that such forward-looking statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking statements.

Forward-looking statements include, but are not limited to, statements with respect to:

- the performance of our business and operations;
- the intention to grow our business, operations and potential activities;
- the expected growth in the number of people using our medical and/or adult-use products;
- expectations of market size and growth in the United States;
- our ability to continue as a going concern;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof;
- expectations regarding the potential success of, and the costs and benefits associated with, our acquisitions, joint ventures, strategic alliances, equity investments and dispositions;
- the completion of the Floating Share Arrangement with Canopy Growth;
- the ability of Canopy Growth, Canopy USA, LLC (Canopy USA”) and Acreage to satisfy, in a timely manner, the closing conditions to the Floating Share Arrangement;
- the receipt of shareholder approval at Canopy’s upcoming special meeting of shareholders;
- the exercise by Canopy Growth of its option pursuant to the Existing Arrangement Agreement to acquire all of the issued and outstanding Fixed Shares (the “Canopy Call Option”);
- the ability of Canopy Growth, Canopy USA and Acreage to satisfy, in a timely manner, the Acquisition Closing Conditions;
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our ability to obtain all required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- the federal legalization of the use of cannabis for medical or adult-use in the United States, the related timing and impact thereof;
- the timing and nature of legislative changes in the U.S. regarding the regulation of cannabis including tetrahydrocannabinol;
- the United States regulatory landscape and enforcement related to cannabis, including political risks;
- anti-money laundering laws and regulation and other governmental and environmental regulation;
- ability to execute on our strategy and the anticipated benefits of such strategy;
- our competitive advantages and business strategies;
- the competitive conditions of the industry;
- the expected growth in the number of customers using our products;
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- our ability to refinance debt as and when required on terms favorable to us and comply with covenants contained in our debt facilities and debt instruments;
- the expansion of our production and manufacturing, the costs and timing associated therewith and the receipt of applicable production and sales licenses;
- the expected growth in our growing, production and supply chain capacities;

- expectations regarding the resolution of litigation and other legal and regulatory proceedings, reviews and investigations;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels and networks;
- the expected methods to be used to distribute and sell our products;
- the anticipated future gross margins of our operations;
- accounting standards and estimates;
- expectations regarding our distribution network;
- expectations regarding the costs and benefits associated with our contracts and agreements with third parties, including under our third-party supply and manufacturing agreements; and
- expectations on price changes in cannabis markets.

Certain of the forward-looking statements contained herein concerning the industries in which we conduct our business are based on estimates prepared by us using data from publicly available governmental sources, market research, industry analysis and on assumptions based on data and knowledge of these industries, which we believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise.

Forward-looking statements reflect Acreage's current beliefs and are based on information currently available to Acreage and on assumptions Acreage believes are reasonable, including:

- management's perceptions of historical trends, current conditions and expected future developments;
- our ability to generate cash flow from operations;
- general economic, financial market, regulatory and political conditions in which we operate;
- our production and manufacturing capabilities and output;
- consumer interest in our products;
- our ability to keep pace with changing consumer preferences;
- competition;
- anticipated and unanticipated costs;
- government regulation of our activities and products;
- the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses;
- our ability to obtain qualified staff, equipment and services in a timely and cost-efficient manner;
- our ability to conduct operations in a safe, efficient and effective manner;
- our ability to realize anticipated benefits, synergies or generate revenue, profits or value from our recent acquisitions into our existing operations;
- our ongoing ability to conduct business in the regulatory environments in which we operate and may operate in the future; and
- other considerations that management believes to be appropriate in the circumstances.

While our management considers these assumptions to be reasonable based on information currently available to management, there is no assurance that such expectations will prove to be correct.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Acreage to be materially different from those expressed or implied by such forward-looking statements. Such risks and other factors may include, but are not limited to:

- the anticipated benefits of the Floating Share Arrangement with Canopy Growth, as defined below;
- risks relating to the value and liquidity of the Floating Shares and the common shares of Canopy Growth;
- Canopy Growth maintaining compliance with the Nasdaq Global Stock Market (the "Nasdaq") and Toronto Stock Exchange listing requirements;
- the rights of the holders of the Floating Shares (the "Floating Shareholders") may differ materially from those of shareholders in Canopy Growth;
- Canopy Growth may not receive shareholder approval for the Canopy Capital Reorganization;
- CBG and Greenstar may not elect to convert the Canopy Shares which they presently hold into Canopy Exchangeable Shares, and if they do not, Canopy will not exercise the Canopy Call Option to acquire all of the issued and outstanding Fixed Shares;
- if Canopy does exercise the Canopy Call Option, the Acquisition Closing Conditions may not be satisfied, and if they are not, Canopy will not complete the Acquisition of the Fixed Shares;
- the successful completion of Canopy USA's acquisition and integration of Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, "Wana") and Lemurian, Inc. ("Jetty");
- expectations regarding future investment, growth and expansion of Acreage's operations;

- if Canopy USA acquires Wana, Jetty, or the Fixed Shares pursuant to the Existing Arrangement Agreement (as defined below) without structural amendments to Canopy Growth's interest in Canopy USA, the listing of the common shares in the capital of Canopy (the "Canopy Shares") on the Nasdaq may be jeopardized;
- the risk of a change of control of either Canopy or Canopy USA;
- restrictions on Acreage's ability to pursue certain business opportunities and other restrictions on Acreage's business;
- the impact of material non-recurring expenses in connection with the Floating Share Arrangement on Acreage's future results of operations, cash flows and financial condition;
- in the event that the Floating Share Arrangement is not completed, but the acquisition by Canopy of the Fixed Shares (the "Acquisition") is completed pursuant to the arrangement agreement between Canopy and Acreage (the "Existing Arrangement Agreement") dated April 18, 2019, as amended and Canopy becomes the majority shareholder in Acreage, the likelihood that the Floating Shareholders will have little or no influence on the conduct of Acreage's business and affairs;
- Acreage's compliance with Acreage's business plan for the fiscal years ending December 31, 2020 through December 31, 2029 pursuant to the Existing Arrangement Agreement;
- in the event that the Floating Share Arrangement is completed, the likelihood of Canopy completing the Acquisition in accordance with the Existing Arrangement Agreement;
- the available funds of Acreage and the anticipated use of such funds;
- the ability of Canopy, Canopy USA and Acreage to leverage each other's respective capabilities and resources;
- risks related to the ability of the Company to finance its business and fund its obligations;
- other expectations and assumptions concerning the transactions contemplated between Canopy, Canopy USA and Acreage;
- the available funds of Acreage and the anticipated use of such funds;
- the availability of financing opportunities for Acreage and Canopy USA and the risks associated with the completion thereof;
- regulatory and licensing risks;
- changes in general economic, business and political conditions, including changes in the financial and stock markets;
- legal and regulatory risks inherent in the cannabis industry;
- risks associated with economic conditions, dependence on management and currency risk;
- risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks;
- risks relating to anti-money laundering laws and regulation;
- other governmental and environmental regulation;
- public opinion and perception of the cannabis industry;
- risks related to contracts with third-party service providers;
- risks related to the enforceability of contracts and lack of access to U.S. bankruptcy protections;
- reliance on the expertise and judgment of senior management of Acreage;
- risks related to proprietary intellectual property and potential infringement by third parties;
- the concentrated voting control of Acreage's founder and the unpredictability caused by Acreage's capital structure;
- risks relating to the management of growth;
- increasing competition in the industry;
- risks inherent in an agricultural business;
- risks relating to energy costs;
- risks associated with cannabis products manufactured for human consumption including potential product recalls;
- reliance on key inputs, suppliers and skilled labor;
- cybersecurity risks;
- ability and constraints on marketing products;
- fraudulent activity by employees, contractors and consultants;
- tax and insurance related risks;
- risks related to the economy generally;
- risk of litigation;
- conflicts of interest;
- risks relating to certain remedies being limited and the difficulty of enforcement judgments and effecting service outside of Canada;
- risks related to future acquisitions or dispositions;
- sales by existing shareholders; and
- limited research and data relating to cannabis.

A description of additional assumptions used to develop such forward-looking statements and a description of additional risk factors that may cause actual results to differ materially from forward-looking statements can be found in Part I, Item 1A of this Annual Report on Form 10-K under the heading "Risk Factors." Although Acreage has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors

is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking statements contained in this Annual Report on Form 10-K are expressly qualified by this cautionary statement. The forward-looking statements contained in this Annual Report on Form 10-K represent the expectations of Acreage as of the date of this Annual Report on Form 10-K and, accordingly, are subject to change after such date. However, Acreage expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.

PART 1

Item 1. Business.

Introduction

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

We are a British Columbia company that began trading on the Canadian Securities Exchange (the “CSE”) on November 15, 2018 following the completion of the reverse takeover transaction (the “RTO”) between us and High Street Capital Partners, LLC (“High Street”), which is an indirect subsidiary of ours, on November 14, 2018. We were originally incorporated under the *Business Corporations Act* (Ontario) on July 12, 1989 as “Applied Inventions Management Inc.”. On August 29, 2014, we changed our name to Applied Inventions Management Corp. We redomiciled from Ontario into British Columbia and changed our name to “Acreage Holdings, Inc.” on November 9, 2018.

High Street is a Delaware limited liability company (an “LLC”), rather than a corporation. Unlike a corporation, generally all profits and losses of the business carried on by an LLC “pass through” to each member of the LLC. LLC members report their respective shares of such profits and losses on their U.S. federal tax returns. Membership equity interests in High Street are represented by units.

Since 2018, we have been, and continue to be, committed to providing access to cannabis’ beneficial properties by creating high quality products and consumer experiences.

Strategy

As of the date of this Annual Report on Form 10-K, Acreage owns and operates cannabis businesses in eight states. Through its subsidiaries, Acreage is engaged in the manufacture, processing, sale or distribution of cannabis in the adult-use or medical cannabis marketplace in Connecticut, Illinois, Maine, Massachusetts, New Jersey, New York, Ohio and Pennsylvania.

Since 2023 and onwards, the Company has modified its strategic objectives in response to Company and industry developments, to focus on three key imperatives:

- 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; 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 fulfilled its necessary conditions to prepare for the eventual closing of these transactions, including holding of a special meeting of shareholders to approve the Floating Share arrangement agreement on March 15, 2023 (the “Special Meeting”), at which shareholder approval was obtained. The transaction continues to progress and Canopy recently scheduled a special meeting of its shareholders for

April 12, 2024 to approve the Canopy Capital Reorganization in order to facilitate the eventual completion of the Floating Share Arrangement and Acquisition

Highlights for the fiscal year 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 under its Credit Agreement 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 only eligible capital expenditures. As part of this agreement, the Company agreed to limit the total borrowing 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 offering 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 Footprint as of December 31, 2023

We have cultivating, processing & manufacturing, wholesaling, and retailing and/or distributing operations in seven states.

We own and operate 8 cultivation/manufacturing or processing facilities in seven states. Manufacturing and processing facilities are generally co-located with cultivation facilities. As of December 31, 2023, Acreage has 136,548 square feet of canopy for cannabis cultivation. Further, we own 23 operational dispensaries in seven states.

Cultivation

We have made it our mission to cultivate the highest quality cannabis. Our commitment to quality is exemplified by Illinois where Acreage is one of the only three cultivators that produce flower that does not need remediation.

Our definition of quality includes being consistent, reliable, and replicable across all product types. Consistently growing high-quality cannabis is one of the most important aspects of our business. We therefore currently grow all our cannabis in indoor and greenhouse facilities, which allows to grow under ideal climate controls and without the use of pesticides. We apply our cultivation expertise to every step of the process that we constantly refine and improve upon, to ensure the plants from our curated, ever-expanding genetic library are nurtured to their full potential.

Processing & Manufacturing

In most states, to best deliver on our commitment to producing the finest cannabis products, we are vertically-integrated and operate state-of-the-art processing and manufacturing centers, co-located with our cultivation facilities, transforming the high-quality cannabis flower we grow into various high-quality form factors for consumer and patient consumption, including pre-rolls (infused and non-infused), concentrated extracts for use in edibles, vapes, and beverages. Our manufacturing and processing facilities are capital intensive, and we may enter into sale and leaseback transactions with a real estate investment trust to finance buildouts of our facilities, when such transactions are advantageous to us and our shareholders.

With our deep technical cannabis expertise supported with an in-house data analytics team, Acreage has an agile product development workflow to continuously produce, test and launch new products. Data-driven decision making informs which products to scale in which markets across our footprint, acknowledging the diversity of markets in the United States. Acreage brands all hold the same consumer promise: that we will deliver the best possible cannabis products across all price points.

Depending on the state, these manufacturing and processing facilities primarily produce our award-winning “House of Brands” products under brand names such as The Botanist, Prime and Superflux.

Wholesale

We aspire to be the best and most trusted organization in cannabis, as considered by our consumers and retail partners in all communities. To deliver on our mission, Acreage is building a repeatable growth model centered on its House of Brands. We are expanding distribution of our brands via selling our flower and branded products at wholesale in states with cultivation and processing operations and where allowable by law. We sell branded products to hundreds of licensed cannabis dispensaries in seven states. We view wholesale operations as a crucial revenue channel strategy to grow both cash flow generation and distribution of our developed brands for long-term brand building success. We believe our focused footprint affords us a competitive advantage to building long-term brand equity.

Retail

Acreage operates licensed retail adult-use and medicinal cannabis dispensaries in seven states.

We design our dispensaries to provide the best possible experience to our customers. Where possible and to the extent permissible under state law, we feature our own cultivated, processed and manufactured products, but also feature other in-demand medicinal and adult-use products from other producers. Our flagship dispensary brand is The Botanist, which first launched in 2018. However, we also operate retail dispensaries under other names. We view retail operations as one of our primary sources of cash flow for the foreseeable future.

Our flagship The Botanist retail concept brings a unique, consistent and scalable retail design and customer experience to cannabis that appeals to a wide range of adult-use and medicinal cannabis customers nationwide. The Botanist looks to deliver a level of education, sense of community, and welcoming experience lacking in most cannabis dispensaries. The staff is highly trained and knowledgeable to help provide insight and guidance to customers and patients as they explore the far-reaching benefits of cannabis.

The following chart sets out, for each of the subsidiaries and other entities through which the Company conducts its operations, the U.S. state(s) in which it operates, the nature of its operations (adult-use/medicinal), whether such activities carried on are direct, indirect or ancillary in nature (as such terms are defined in Staff Notice 51-352), the number of sales, cultivation and other licenses held by such entity and whether such entity has any operational cultivation or processing facilities.

Operations Summary Chart By Entity as of December 31, 2023

State	Entity	Adult-Use / Medicinal	Dispensary Licenses	Cultivation / Processing / Distribution Licenses	Operational Dispensaries	Operational Cultivation / Processing Facilities
Connecticut	D&B Wellness, LLC	Adult-Use / Medicinal	1	—	1	—
	Prime Wellness of Connecticut, LLC	Adult-Use / Medicinal	1	—	1	—
	Thames Valley Relief, LLC	Adult-Use / Medicinal	1	—	1	—
Illinois ¹	In Grown Farms LLC 2	Adult-Use / Medicinal	—	1	—	1
	NCC LLC	Adult-Use / Medicinal	2	—	2	—
Maine	NPG, LLC ²	Adult-Use	4	1	4	1
Massachusetts ³	The Botanist, Inc.	Adult-Use / Medicinal	2	2	2	2
New Jersey	Acreage CCF New Jersey, LLC	Adult-Use / Medicinal	3	1	3	1
New York	NYCANNA, LLC	Medicinal	4	1	4	1
Ohio	Greenleaf Apothecaries, LLC	Medicinal	5	—	5	—
	Greenleaf Therapeutics, LLC ⁴	Medicinal	—	1	—	1
	Greenleaf Gardens, LLC ⁴	Medicinal	—	1	—	1
Pennsylvania	Prime Wellness of Pennsylvania, LLC	Medicinal	—	1	—	1
		Total	23	9	23	9

1. In Grown Farms LLC 2 owns an Adult-Use/Medicinal cultivation and processing license and owns an Industrial HEMP processing license.
2. In January 2023, NPG, LLC merged with Northeast Patients Group, a medicinal operator with whom the Company had a management services agreement. The Company allowed the medicinal license to lapse.
3. Of the two cultivation/processing/distribution licenses held in Massachusetts, one is a marijuana product manufacturer license used for the production of edibles and the other is a cultivation and product manufacturing license.
4. Greenleaf Therapeutics, LLC and Greenleaf Gardens, LLC operate out of the same facility in Middlefield, Ohio.

The above-noted licenses have been entered into in the ordinary course of business. The Company is not substantially dependent on any one such license and, as such, does not consider such licenses as material contracts.

Marketing and Brand Development

Acreage employs full-time, in-house marketing, retail, and product development functions. These functions engage in a range of brand-building activities and strategies, including market research, consumer insights research, new brand development, product innovation, copy and content production, design, packaging, retail operations and sales, to support business performance and growth at the local and national levels.

Acreage employs a focused ‘House of Brands’ approach to target specific consumer needs. Our brand development strategy includes in-house organic development where we see opportunities to add value. Acreage sells its developed, acquired, and licensed branded products in seven states.

Acreage’s portfolio of product brands includes the following:

The Botanist

The Botanist is a retail and product brand created to help wellness seekers. We’re here to listen and help guide guests as they discover cannabis and the power of herbal wellness. *The Botanist* is deeply rooted in health and wellness and focused on the holistic power of cannabis to help people live balanced lifestyles.

All *The Botanist* products (both formulas and devices) undergo rigorous testing and follow state regulations. Many steps are taken to ensure our products are safe for consumption. They are formulated to deliver consistent, repeatable effects through accurate dosing and a passionate legacy of craft cultivation.

Superflux

Superflux embraces cannabis as a catalyst for creativity, culture, and connection. Its innovative line of raw cannabis concentrates products, extracted from fresh plants at the height of their maturity, and curated strain selections deliver the most flavorful, aromatic cannabis experience available - welcoming an entirely new level of access to this connoisseur category.

Prime Wellness

Prime Wellness is a product brand, committed to advancing health and wellness, enabling access to improve the quality of life for patients and caregivers through science and cannabis, and empowering communities with information to better understand the benefits of compassionate and effective use.

Prime Wellness's high-quality products are distributed in nearly all of Pennsylvania's medical dispensaries, one of the largest medical cannabis markets in the country.

Competition

The cannabis industry is highly competitive. We compete on quality, price, brand recognition, and distribution strength. Our cannabis products compete with other products for consumer purchases, as well as shelf space in retail dispensaries and wholesaler attention. We compete with thousands of cannabis producing companies from small "mom and pop" operations to multi-billion-dollar market cap multi-state operators.

Sources and Availability of Production Materials

The principal components in the production of our cannabis consumer packaged goods include cannabis grown internally or acquired through wholesale channels, other agricultural products, and packaging materials (including glass, plastic and cardboard).

Due to the U.S. federal prohibition on cannabis, Acreage must source cannabis within each individual state in which it operates. While there are opportunities for centralized sourcing of some packaging materials, given each state's unique regulatory requirements, multi-state operators do not currently have access to nationwide production solutions and cannot ship any products containing cannabis across state lines.

Government Regulation

Cannabis companies operate in a highly regulated industry. We are subject to the laws and regulations in the states and localities in which we operate, and such laws vary by state and locality. Where we produce products, we are subject to environmental laws and regulations, and may be required to obtain additional permits and licenses to operate our facilities. Where we market and sell products, we may be subject to laws and regulations on brand registration, packaging and labeling, distribution methods and relationships, pricing and price changes, sales promotions, advertising and public relations. We are also subject to rules and regulations relating to changes in officers or directors, ownership or control.

If a product is being marketed as a drug, claiming that the product is intended to have a therapeutic effect such as diagnosing, curing, mitigating or treating a disease, then such product is regulated as a drug, and it generally cannot be sold without FDA approval.

We intend to comply in all material respects with all applicable governmental laws and regulations in the states in which we operate (including the applicable licensing requirements), with the exception of the U.S. federal prohibition of cannabis.

Seasonality

In certain regions, the cannabis industry can be subject to seasonality in some states that allow outdoor grow. Because outdoor grown plants are typically harvested in the late summer or early fall, there can be some deceleration in retail and wholesale sales trends during these months as these private supplies are consumed.

Intellectual Property

As discussed above, we have developed a “House of Brands” that we believe will be valued consumer brands and a key pillar of our business strategy. Accordingly, we protect our brands and trademarks to the extent permissible under applicable law. We have applied for trademarks with the United States Patent and Trademark Office which we believe are protectable under U.S. federal law and have applied for and received trademark protection at the state level. We have also submitted trademark applications in the European Union and Canada.

We hold no patents. We also do not have any patents pending.

Emerging Growth Company

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an emerging growth company, we intend to avail ourselves of exemptions from various requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, 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 stockholder approval of any golden parachute payments not previously approved.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards. As a result, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Circumstances could cause us to lose emerging growth company status. We will qualify as an emerging growth company until the earliest of:

- The last day of our first fiscal year during which we have total annual gross revenues of \$1 billion or more;
- The last day of our fiscal year following the fifth anniversary of the date of our initial public offering, which is December 31, 2024;
- The date on which we have issued more than \$1 billion in non-convertible debt during the prior three-year period; or
- The date on which we qualify as a “large accelerated filer” under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (qualifying as a large accelerated filer means, among other things, having a public float in excess of \$700 million).

Human Capital

As of April 15, 2024, we had approximately 888 employees, 800 of whom were in field operations and 88 of whom were in corporate administration and management. We offer our employees opportunities to grow and develop their careers and provide them with a wide array of company paid benefits and compensation packages which we believe are competitive relative to our peers in the industry.

The Company’s number and levels of employees are continually aligned with the pace and growth of its business and management believes it has sufficient human capital to operate its business successfully.

Acquisitions

As part of our strategy to deliver on our vision and mission, we may from time to time acquire entities or licenses to increase our existing presence in states where we or businesses with which we have agreements already operate or to expand our footprint into new states. The consideration we issue in connection with such acquisitions may include cash, equity in Acreage or High Street, notes payable or a mix of these forms of consideration.

Canopy Growth Corporation Arrangement

Arrangement Agreements

On June 19, 2019, the shareholders of the Company and of Canopy Growth Corporation (“Canopy Growth”) separately approved an arrangement between the two companies, and on June 21, 2019, the Supreme Court of British Columbia granted a

final order approving such arrangement. Effective June 27, 2019, the Articles of the Company were amended to provide Canopy Growth with the option (the Canopy Call Option”) to acquire all of the issued and outstanding shares of the Company (each, an “Acreage Share”), with a requirement to do so upon a change in federal laws in the United States to permit the general cultivation, distribution and possession of marijuana (as defined in the relevant legislation) or to remove the regulation of such activities from the federal laws of the United States, subject to the satisfaction of the conditions (the “Acquisition Closing 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”).

On June 24, 2020, we entered into a proposal agreement (the “Proposal Agreement”) with Canopy Growth which set out the terms and conditions upon which us and Canopy Growth were proposing to enter into an agreement (the “Amending Agreement”), amending the Original Arrangement Agreement as same was amended on September 23, 2020 (the “Amending Agreement”), and the amendment and restatement of the plan of arrangement implemented by us on June 24, 2019 pursuant to the Original Arrangement Agreement (the “Amended Plan of Arrangement”) to implement the arrangement contemplated in the Existing Arrangement Agreement (the “Existing Arrangement”). The effectiveness of the Amending Agreement and the implementation of the Amended Plan of Arrangement was subject to the conditions set out in the Proposal Agreement, which included, among others, approval by: (i) the Supreme Court of British Columbia (the “Court”) at a hearing upon the procedural and substantive fairness of the terms and conditions of the Existing Arrangement; and (ii) our shareholders, as required by applicable corporate and securities laws. The Existing Arrangement was approved by our shareholders at our special meeting held on September 16, 2020 and a final order approving the Existing Arrangement was obtained from the Court on September 18, 2020.

Following the satisfaction of various conditions set forth in the Proposal Agreement, on September 23, 2020, we entered into the Existing Agreement with Canopy Growth and implemented the Amended Plan of Arrangement 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, among other things, Canopy Growth made a cash payment of \$37.5 million (the “Aggregate Amendment Option Payment”), to our shareholders and certain holders of securities convertible or exchangeable into our shares. Holders of our then outstanding Class A subordinate voting shares (the “SVS”), Class B proportionate voting shares (the “PVS”), Class C multiple voting shares (the “MVS”), and certain other parties, received approximately \$0.30 per SVS, being their pro rata portion (on an as-converted to SVS basis) of the Aggregate Amendment Option Payment, based on the number of our outstanding shares and certain holders of securities convertible or exchangeable into our shares, as of the close of business on September 22, 2020, the record date for payment of the Aggregate Amendment Option Payment. The Aggregate Amendment Option Payment was distributed to such holders of record on or about September 25, 2020.

Upon implementation of the Amended Plan of Arrangement, our Articles were amended to, among other things, create three new classes of shares in our authorized share structure, being Fixed Shares, Floating Shares and Class F multiple voting shares (the “Fixed Multiple Shares”), and, in connection with such amendment, we completed a capital reorganization (the “Capital Reorganization”) effective as of the Amendment Time whereby: (i) each then outstanding SVS was exchanged for 0.7 of a Fixed Share and 0.3 of a Floating Share; (ii) each then outstanding PVS was exchanged for 28 Fixed Shares and 12 Floating Shares; and (iii) each then outstanding MVS was exchanged for 0.7 of a Fixed Multiple Share and 0.3 of a Floating Share.

At the Amendment Time, on the terms and subject to the conditions of the Amended Plan of Arrangement, each option, restricted share unit, compensation option and warrant to acquire SVS that was outstanding immediately prior to the Amendment Time was exchanged for a replacement option, restricted stock unit, compensation option or warrant, as applicable, to acquire Fixed Shares (a “Fixed Share Replacement Security”) and a replacement option, restricted stock unit, compensation option or warrant, as applicable, to acquire Floating Shares (a “Floating Share Replacement Security”) in order to account for the Capital Reorganization.

As a condition to implementation of the Existing Arrangement, an affiliate of Canopy Growth advanced the first tranche of \$50 million of a loan of up to \$100 million (the “Hempco Loan”) to Universal Hemp, LLC, an affiliate of the Company that operates solely in the hemp industry in full compliance with all applicable laws (“Universal Hemp”) pursuant to a secured debenture (the “Debenture”) bearing interest at a rate of 6.1% per annum and maturing 10 years from the date thereof. All interest payments made pursuant to the Debenture are payable in cash by Universal Hemp. The Debenture is not convertible and is not guaranteed by Acreage. A further \$50 million advance will be made available upon satisfaction of specified conditions precedent. 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. Refer to Note 5 and Note 10 of the consolidated financial statements for further discussion.

Pursuant to the Amended Plan of Arrangement, Canopy Growth (i) was granted the option to acquire all of the issued and outstanding Fixed Shares (following the mandatory conversion of the Fixed Multiple Shares into Fixed Shares) on the basis of 0.03048 (the “Fixed Exchange Ratio”) (after giving effect to the Canopy Consolidation (as defined below)) of 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 Plan of 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 change in federal laws in the United States to permit the general cultivation, distribution and possession of marijuana (as defined in the relevant legislation) or to remove the regulation of such activities from the federal laws of the United States (the “Triggering Event” and the date on which the Triggering Event occurs, the “Triggering Event Date”). The Acquisition of the Fixed Shares upon exercise of the Canopy Call Option is subject to the satisfaction or waiver of the Acquisition Closing Conditions; and (ii) obtained the right (but not the obligation) (the “Floating Call Option”), exercisable for a period of 30 days following the Triggering Event Date to acquire all of the issued and outstanding Floating Shares for consideration of cash or Canopy Growth Shares or a combination thereof, in Canopy Growth’s sole discretion. If paid in cash, the price per Floating Share was to be equal to the volume-weighted average trading price of the Floating Shares on the CSE (or other recognized stock exchange on which the Floating Shares are primarily traded as determined by volume) for the 30 trading day period prior to the exercise (or deemed exercise) of the Canopy Call Option, subject to a minimum amount of \$6.41 (the “Floating Cash Consideration”). If paid in Canopy Growth Shares, each Floating Share was to be exchanged for a number of Canopy Shares equal to (i) the volume-weighted average trading price of the Floating Shares on the CSE (or other recognized stock exchange on which the Floating Shares are primarily traded as determined by volume) for the 30 trading day period prior to the exercise (or deemed exercise) of the Canopy Call Option, subject to a minimum amount of \$6.41, divided by (ii) the volume-weighted average trading price (expressed in US\$) of the Canopy Shares on the New York Stock Exchange (the “NYSE”) (or such other recognized stock exchange on which the Canopy Shares are primarily traded if not then traded on the NYSE) for the 30 trading day period immediately prior to the exercise (or deemed exercise) of the Canopy Call Option (the “Floating Ratio”). Pursuant to the Existing Agreement, Acreage agreed to submit an Approved Business Plan to Canopy Growth which contains annual revenue and earnings targets for each of Acreage’s fiscal years ending on December 31, 2020 to December 31, 2029 (the “Initial Business Plan”). A number of factors may cause Acreage to fail to meet the Pro-Forma Net Revenue Targets or the Consolidated Adj. EBITDA Targets set forth in the Initial Business Plan. See “Risk Factors”. In the event that Acreage has not satisfied: (i) 90% of the Pro-Forma Net Revenue Target or the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan, measured on a quarterly basis, an Interim Failure to Perform will occur and certain Austerity Measures shall become applicable. For the year ended December 31, 2023, the Company did not exceed the 90% threshold for both the Pro-Forma Net Revenue Target and the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan. Therefore, Canopy Growth could, but has not, required the Company to implement austerity measures (as defined in the Existing Arrangement Agreement) by providing such notice to the Company.

Floating Share Agreement

The Existing Arrangement Agreement contains certain covenants, rights and restrictions in favor of Canopy, which include, among others, the right to nominate a majority of the board of directors of Acreage (the “Acreage Board”), consent rights on Acreage director and officer appointments, preemptive rights, top-up rights, certain audit and inspection rights and restrictions on certain activities, including, but, not limited to, dividend payments, M&A activity, acquisitions, divestitures, debt incurrence, securities issuances and capital raising, in each case without obtaining Canopy’s consent. Acreage is restricted in its pursuit of strategic and other business opportunities under the Existing Arrangement Agreement without obtaining Canopy’s consent. These restrictions, coupled with timing uncertainty with which U.S. federal cannabis legislative initiatives will proceed, impeded both Acreage’s and Canopy’s opportunities in the world’s largest cannabis market. Additionally, the price of the Acreage Shares had the potential to become a barrier to future Acreage capital-raising initiatives over the term of the Existing Arrangement Agreement particularly in light of the various restrictions contained therein.

In light of the foregoing and other strategic considerations that the Acreage Board considered to be relevant, coupled with Acreage’s improved performance since the Existing Arrangement became effective, the Acreage Board determined to make changes to the terms of the Existing Arrangement Agreement in order to remove certain restrictions imposed on Acreage by the restrictive covenants contained in the Existing Arrangement Agreement.

As a result of discussions held among representatives of Canopy, the Acreage Board and a special committee of the Acreage Board formed of independent directors to oversee such negotiations (the “Special Committee”), 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 Floating Shares and the terms and conditions of the Floating Share Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares by way of court-approved plan of arrangement (the “Floating Share Arrangement”) for consideration of 0.04500 of a Canopy Share for each Floating Share (after giving effect to the Canopy Consolidation) (the resulting shares, the “Consideration Shares”). At the Special Meeting, the holders of Floating Shares approved the Floating Share Arrangement.

Concurrently with entering into the Floating Share Agreement, Canopy Growth irrevocably waived the Floating Call Option obtained under the Existing Arrangement Agreement.

Subject to the provisions of the Floating Share Agreement, Canopy Growth has agreed to exercise the Fixed Call Option no later than five business days following the exchange (in the sole discretion of CBG and Greenstar) of all Canopy Shares held by CBG and Greenstar into a new class of non-voting and non-participating exchangeable shares in the capital of Canopy (the “Exchangeable Canopy Shares”) to be created pursuant to the reorganization of Canopy’s share capital to provide for: (i) the creation of an unlimited number of a new class of Exchangeable Canopy Shares, and (ii) the restatement of the rights of the Canopy Shares to provide for a conversion feature whereby each Canopy Share may at any time, at the option of the holder, be converted into one Exchangeable Canopy Share (the “Canopy Capital Reorganization”). The Canopy Capital Reorganization is subject to the approval by special resolution of Canopy Growth Shareholders at a special meeting of Canopy Shareholders.

Upon completion of: (i) the acquisition of the Floating Shares pursuant to the Floating Share Arrangement; and (ii) the Acquisition of the Fixed Shares following the exercise of the Fixed Call Option pursuant to the Existing Arrangement, Canopy USA will own 100% of the issued and outstanding Acreage Shares.

Completion of the Floating Share Agreement is subject to the satisfaction or waiver of certain closing conditions, including receipt of applicable regulatory and court approvals. At the Special Meeting, the Company received the approval of more than (i) 66 $\frac{2}{3}$ % of the votes cast by Floating Shareholders, and (ii) a majority of the votes cast by Floating Shareholders excluding the votes cast by “interested parties” and “related parties” under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“MI 61-101”) of the Canadian Securities Administrators, at the Special Meeting.

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

On December 15, 2023, Canopy Growth effected a 1-for-10 share consolidation (the “Canopy Consolidation”), which triggered an Exchange Ratio Adjustment Event. As a result, upon the closing of the Amended Plan of Arrangement and the Floating Share Arrangement, Canopy shall acquire each Fixed Share for 0.03048 of a Canopy Share and each Floating Share for 0.04500 of a Canopy Share.

During the fiscal year ended December 31, 2023, Canopy, Canopy USA and the Company entered into five 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 March 31, 2024. After the expiration of the Exercise Outside Date, the Company has the right but not the obligation to terminate the Floating Share Agreement.

Company Information

Our website is <http://www.acreageholdings.com>. Our filings with the Securities and Exchange Commission (“SEC”), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are accessible free of charge at <http://investors.acreageholdings.com/docs> as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, such as ourselves, that file electronically with the SEC. The Internet address of the SEC’s site is <http://www.sec.gov>.

We also have adopted a Code of Conduct that applies to all employees, directors and officers. A copy of the Code of Conduct is available without charge to any person desiring a copy of the Code of Conduct. You may request a copy of the Code of Conduct by submitting written request to us at our principal offices at 366 Madison Ave, 14th floor, New York, New York 10017.

Our Board Mandate and the Charters of the Board’s Audit Committee and Compensation and Corporate Governance Committee (which serves as the Board’s compensation and nominating committee) are available on our website. All materials are accessible on our website at investors.acreageholdings.com. Amendments to, and waivers granted to our directors and executive officers under our code of conduct or charters, if any, will be posted in this area of our website. Copies of these materials are available in print to any shareholder who requests them. Shareholders should direct such requests in writing to Investor Relations Department, Acreage Holdings, Inc., 366 Madison Ave, 14th floor, New York, New York 10017, or by emailing our Investor Relations team at investors@acreageholdings.com.

The information regarding our website and its content is for your convenience only. The content of our website is not deemed to be incorporated by reference in this report or filed with the SEC.

Information about Our Executive Officers

The following are the Executive Officers of our Company (as of the date of this filing):

Dennis Curran, Chief Executive Officer and Chairman (age 59): Dennis Curran was promoted to Chief Executive Officer on July 1, 2023 after joining Acreage in March 2022 as the Chief Operating Officer. Mr. Curran has also served as the Chairman of the Board of Directors since August 2023. Mr. Curran brings over 35 years of leadership experience in multiple product categories, sales, trade channels, distributor management, marketing, and business maturity in both domestic and international markets. Before joining Acreage, he was the Chief Customer Officer at GSK Consumer Healthcare and was responsible for delivering sales, profitability, and innovation for the United States, the business' largest market. Prior to GSK, Mr. Curran had a career spanning 29 years with Procter and Gamble (P&G) in both the US and Europe working with some of the world's leading consumer brands. His last role at P&G was Regional Manager and President for P&G's North American Prestige business. Mr. Curran was responsible for overseeing sales, marketing, operations, and communications for various prestige brands with a portfolio worth roughly \$550 million.

Philip Himmelstein, Interim Chief Financial Officer (age 42): Philip Himmelstein was promoted to Chief Financial Officer on January 1, 2024 after serving as Vice President of Financial Planning & Analysis. Mr. Himmelstein joined Acreage with 17 years of experience in health care and financial services before joining the cannabis industry. Philip joined Acreage in September 2020 as the Director of Financial Planning & Analysis (FP&A). Philip built a team of results-oriented finance business partners before being promoted to Vice President – FP&A in January 2022. In this role, Philip focused on enterprise-wide projects such as strategic planning, corporate development, and cost rationalization. Prior to joining Acreage, Philip was a Vice President of FP&A at Blackrock, where he supported the Latin America sales team. Philip has a Master of Business Administration from New York University and a Bachelor's degree from the University of Texas at Austin.

Corey Sheahan, Executive Vice President, General Counsel, Secretary and Director (age 38): Corey Sheahan rejoined Acreage Holdings, Inc. in April 2022 as Executive Vice President, General Counsel and Secretary. Mr. Sheahan has served on the Board of Directors since August 2023. Prior to rejoining the Company, Mr. Sheahan was Executive Vice President – Legal of Ascend Wellness Holdings, Inc., a multi-state operator in the cannabis industry, from September 2020 to March 2022. Before that, he was Corporate Counsel at Acreage from July 2018 to June 2019 and later Deputy General Counsel from June 2019 to September 2020. Before joining Acreage in July 2018, he was an associate in Foley & Lardner LLP's Corporate practice group, where he focused on advising public companies on securities laws, corporate governance and public and private financing transactions, and public and private companies on mergers and acquisitions and other commercial transactions. Mr. Sheahan graduated from the University of Wisconsin-Madison in 2008 with a Bachelor of Arts in Economics and History. He also holds a Juris Doctor degree from Duke University School of Law.

Regulatory Framework

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) - *Issuers with U.S. Marijuana-Related Activities* ("Staff Notice 51-352"), below is 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. High Street is, through its Subsidiaries, engaged in, or has management, consulting services or other agreements in place with license holders to assist in the manufacture, processing, sale or distribution of cannabis in the adult-use or medical cannabis marketplace in Connecticut, Illinois, Maine, Massachusetts, New Jersey, New York, Ohio and Pennsylvania. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation which may have an impact on the Company's license, business activities or operations will be promptly disclosed by the Company.

United States Federal Overview

The United States federal government regulates drugs through the *Controlled Substances Act* (21 U.S.C. § 811) (the “CSA”) which schedules controlled substances, including cannabis, based on their approved medical use and potential for abuse. Cannabis is classified as a Schedule I controlled substance. The U.S. Department of Justice (the “DOJ”) defines Schedule I drugs, substances or chemicals as “drugs with no currently accepted medical use and a high potential for abuse.” The United States Food and Drug Administration (the “FDA”) has not approved cannabis as a safe and effective drug for any condition. The FDA has approved a new drug application for Epidiolex, which contains CBD, a component of cannabis, for certain rare epilepsy indications. As noted above, the FDA’s current position is that it is illegal to put into interstate commerce a food to which CBD has been added, or to market CBD as, or in, a dietary supplement, and no product may be marketed or sold as a drug or with claims of having therapeutic effects without FDA approval.

State laws that permit and regulate the production, distribution and use of cannabis for adult-use or medical purposes are in direct conflict with the CSA, which makes the production, distribution, sale, and possession of cannabis federally illegal. Although certain states and territories of the U.S. authorize medical or adult-use cannabis production, distribution, and sale by licensed or registered entities, under U.S. federal law, the possession, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under any and all circumstances under the CSA. Although the Company’s activities are believed to be compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

As of the date of this Annual Report on Form 10-K, medical use of cannabis is legal, with a doctor's recommendation, in 38 states, four out of five permanently inhabited U.S. territories, and the District of Columbia, with one state pending enactment until a future date. Ten other states have laws that limit THC content, for the purpose of allowing access to products that are rich in cannabidiol (CBD), a non-psychoactive component of cannabis. The recreational use of cannabis is legal in 24 states, the District of Columbia, the Northern Mariana Islands, the U.S. Virgin Islands, and Guam. Another seven states have decriminalized its use. Six recognized Native American tribes have also legalized recreational use of cannabis.

The U.S. administration under President Obama attempted to address the inconsistent treatment of cannabis under state and federal law in the Cole Memorandum which Deputy Attorney General James Cole sent to all U.S. Attorneys in August 2013 that outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum held that enforcing federal cannabis laws and regulations in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations was not a priority for the DOJ. Instead, the Cole Memorandum directed U.S. Attorney’s Offices discretion not to investigate or prosecute state law compliant participants in the medical cannabis industry who did not implicate certain identified federal government priorities, including preventing interstate diversion or distribution of cannabis to minors.

On January 4, 2018, then U.S. Attorney General Jeff Sessions formally issued the Sessions Memorandum, which rescinded the Cole Memorandum effective upon its issuance. The Sessions Memorandum stated, in part, that current law reflects “Congress’ determination that cannabis is a dangerous drug and cannabis activity is a serious crime”, and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles that govern all federal prosecutions when deciding whether to pursue prosecutions related to cannabis activities. As a result, federal prosecutors could, and still can, use their prosecutorial discretion to decide to prosecute actors compliant with their state laws. Although there have not been any identified prosecutions of state law compliant cannabis entities, there can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. Jeff Sessions resigned as U.S. Attorney General on November 7, 2018.

On February 14, 2019, William Barr was confirmed as U.S. Attorney General. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated “I do not intend to go after parties who have complied with state law in reliance on the Cole Memo.” The Department of Justice under Mr. Barr did not take a formal position on federal enforcement of laws relating to cannabis. Mr. Barr has stated publicly that his preference would be to have a uniform federal rule against cannabis, but, absent such a uniform rule, his preference would be to permit the existing federal approach of leaving it up to the states to make their own decisions.

On March 10, 2021, Judge Merrick Garland was confirmed as U.S. Attorney General under President Biden. However, in response to questions from U.S. Senator Charles Grassley made as a nominee, Attorney General Garland stated “I do not think it the best use of the Department’s limited resources to pursue prosecutions of those who are complying with the laws in states that have legalized and are effectively regulating marijuana.” In October 2021, in a letter from U.S. Senators Booker and Elizabeth Warren to Attorney General Garland, the Senators advocated the federal decriminalization of cannabis by removing cannabis from the CSA’s list of controlled substances. To date, Attorney General Garland and the Department of Justice have

not publicly responded to the Senators' letter. Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Although the Cole Memorandum remains rescinded, the sheer size of the cannabis industry, in addition to participation by state and local governments and investors, suggests that a large-scale enforcement operation would more than likely create unwanted political backlash for the DOJ. Regardless, cannabis remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use cannabis, even if state law sanctioned such sale and disbursement. The Company believes, from a purely legal perspective, that the criminal risk today remains similar to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered. If Department of Justice policy under Attorney General Garland were to shift and the Department of Justice began to aggressively pursue financiers or owners of cannabis-related businesses, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis operations, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) the barring of its employees, directors, officers, managers and investors who are not United States citizens from entry into the United States for life. Additionally, under United States federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. While Congress is considering legislation that may address these issues, there can be no assurance that such legislation passes.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued a memorandum on February 14, 2014 (the "FinCEN Memorandum") outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("SAR") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories - cannabis limited, cannabis priority, and cannabis terminated - based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day that the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memorandum") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memorandum has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry, appended to federal appropriations legislation, remains in place. Currently referred to as the "Rohrabacher-Blumenauer Amendment", this so-called "rider" provision has been appended to the Consolidated Appropriations Acts every year since fiscal year 2015. Under the terms of the Rohrabacher-Blumenauer rider, the federal government is prohibited from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. Most recently, the Rohrabacher-Blumenauer Amendment was included in the Consolidated Appropriations Act, 2024 signed into law by President Biden on March 9, 2024 and will remain in effect through the fiscal year, which ends September 30, 2024. There is no guarantee that the Rohrabacher-Blumenauer Amendment will be included in any future omnibus

appropriations packages or continuing budget resolutions once the current Consolidated Appropriations Act, 2024 expires. There can be no assurances that the Rohrabacher-Blumenauer Amendment will be included in future appropriations bills to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law.

On August 29, 2023, after a review process prompted by the Biden Administration, the Department of Health and Human Services (“HHS”) recommended to the Drug Enforcement Administration (“DEA”) that marijuana be rescheduled from Schedule I to Schedule III under the Controlled Substances Act (CSA). Such rescheduling would allow marijuana businesses to deduct business expenses on federal tax filings, as Section 280E of the Internal Revenue Code applies only to activities involving substances in Schedule I or Schedule II. DEA is currently reviewing HHS’s recommendation and there can be no assurance as to when such review will be complete or what action (if any) DEA will recommend.

Despite the legal, regulatory, and political obstacles the cannabis industry currently faces, the industry has continued to grow. It was anticipated that the federal government would eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

Given current political trends, however, these developments are considered unlikely in the near-term. As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company abides by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the requisite age requirements);
- implement policies and procedures to ensure that cannabis products are not distributed to minors;
- implement policies and procedures in place to ensure that funds are not distributed to criminal enterprises, gangs or cartels;
- implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
- ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, and is not engaged in any other illegal activity, or any activities that are contrary to any applicable anti-money laundering statutes; and
- ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Company may (and frequently does) conduct background checks to ensure that the principals and management of its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Company will also conduct ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation. See “*Risk Factors*.”

The Cole Memorandum and the Rohrabacher-Blumenauer Amendment gave medical cannabis operators and investors in states with legal regimes greater certainty regarding federal enforcement as to establish cannabis businesses in those states. Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Despite the expanding market for legal cannabis, traditional sources of financing, including bank lending or private equity capital, are lacking which can be attributable to the fact that cannabis remains a Schedule I substance under the CSA. These traditional sources of financing are expected to remain scarce unless and until the federal government legalizes cannabis cultivation and sales.

Pursuant to Staff Notice 51-352, issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents, such as this Annual Report on Form 10-K. In accordance with the Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this Annual Report on Form 10-K that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Annual Report Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the Company's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	<i>"Business"</i> <i>"Business - Regulatory Framework"</i> <i>"Business - United States Federal Overview"</i>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	<i>"Business - Regulatory Framework"</i> <i>"Business - United States Federal Overview"</i> <i>"Risk Factors - Risks Related to the United States Regulatory System - The Company's business activities, while compliant with applicable state and local U.S. law, are illegal under U.S. federal law"</i>
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the Company conducts U.S. marijuana-related activities.	<i>"Business - Regulatory Framework - United States Federal Overview"</i> <i>"Risk Factors - Risks Related to Regulatory Matters - The Company's Business Activities are Illegal under U.S. Federal Law"</i> <i>"Risk Factors - Risks Related to Regulatory Matters - U.S. State Regulatory Uncertainty"</i>
	Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the Company's ability to operate in the U.S.	<i>"Risk Factors - Risks Related to Regulatory Matters - The Company's Business Activities are Illegal under U.S. Federal Law"</i> <i>"Risk Factors - Risks Related to the Company's Operations - Service Providers"</i>
	Given the illegality of marijuana under U.S. federal law, discuss the Company's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	<i>"Risk Factors - Risks Related to the Company's Operations - Ability to Access Public and Private Capital"</i>
	Quantify the Company's balance sheet and operating statement exposure to U.S. marijuana-related activities.	<i>At the date of this Annual Report on Form 10-K, 100% of the Company's operations are in the United States.</i>
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	<i>The Company and its Subsidiaries have obtained legal advice regarding (a) compliance with applicable state regulatory frameworks, and (b) potential exposure and implications arising from U.S. federal law.</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Annual Report Cross Reference
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the Company operates and confirm how the Company complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	<p><i>“Business”</i></p> <p><i>“Business - State-Level Overview & Compliance Summary”</i></p> <p><i>“Business - The Regulatory Landscape on a U.S. State Level - Connecticut”</i></p> <p><i>“Business - The Regulatory Landscape on a U.S. State Level - Illinois”</i></p> <p><i>“Business - The Regulatory Landscape on a U.S. State Level - Maine”</i></p> <p><i>“Business - The Regulatory Landscape on a U.S. State Level - Massachusetts”</i></p> <p><i>“Business - The Regulatory Landscape on a U.S. State Level - New Jersey”</i></p> <p><i>“Business - The Regulatory Landscape on a U.S. State Level - New York”</i></p> <p><i>“Business - The Regulatory Landscape on a U.S. State Level - Ohio”</i></p> <p><i>“Business - The Regulatory Landscape on a U.S. State Level - Pennsylvania”</i></p>
	Discuss the Company’s program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the Company is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the Company’s license, business activities or operations.	<p><i>“Business - State-Level Overview & Compliance Summary”</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Annual Report Cross Reference
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the Company’s investee(s) operate. Provide reasonable assurance, through either positive or negative statements, that the investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the Company is aware, that may have an impact on the investee’s license, business activities or operations.	<i>“Business - The Regulatory Landscape on a U.S. State Level - Maine”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - Massachusetts”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - New Jersey”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - Ohio”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - Maine”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - Massachusetts”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - New Jersey”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - Ohio”</i>
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	<i>“Business - The Regulatory Landscape on a U.S. State Level - Maine”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - Massachusetts”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - New Jersey”</i> <i>“Business - The Regulatory Landscape on a U.S. State Level - Ohio”</i>

In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess the foregoing disclosure, and any related risks, on an ongoing basis and any supplements or amendments hereto will be reflected in, and provided to, investors in public filings of the Company, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation which may have an material impact on any subsidiary’s licenses, business activities or operations will be promptly disclosed by the Company.

State-Level Overview & Compliance Summary

While the Company and High Street are in compliance with the rules, regulations and license requirements governing each state in which the subsidiaries and contractual parties operate, there are significant risks associated with their business and the business of the subsidiaries and contractual parties. Further, the rules and regulations as outlined below are not a full complement of all the rules that the subsidiaries are required to follow in each applicable state.

Although each state has its own laws and regulations regarding the operation of cannabis businesses, certain of the laws and regulations are consistent across jurisdictions. As a general matter, to operate legally under state law, cannabis operators must obtain a license from the state and in certain states must also obtain local approval. In those states where local approval is required, local authorization is a prerequisite to obtaining state licenses, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The license application and license renewal processes are unique to each state. However, each state’s application process requires a comprehensive criminal history, regulatory history, financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are granted licenses and that licensees continue to operate in compliance with the state regulatory program.

License applicants for each state must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the state’s seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described

and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

As a condition of each state's licensure, operators must consent to inspections of the commercial cannabis facility as well as the facility's books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections and have already commenced both site-visits and compliance inspections for operators who have received state temporary or annual licensure.

To strengthen the communication and transparency between High Street and its subsidiaries, High Street and its subsidiaries utilize a third-party enterprise compliance platform, which facilitates a regulatory document control workflow for each state and can issue alerts for time sensitive information requests for events such as license renewal or an impending inspection. The software features a robust auditing system that allows for both internal as well as third-party compliance auditing, covering all state, municipal, facility and operational requirements. The third-party software facilitates the implementation and maintenance of compliant operations and can track all required licensing maintenance criteria, which includes countdown features and automatically generated reminders for initiating renewals and required reporting. Though the Company and High Street strive to comply with all aspects of the required state regulations, they believe that the core to ensuring a comprehensive compliance program is to weigh the risk of each regulation and ensure on a regular basis that the operators are properly controlling these risks.

The Company monitors the applicable rules and regulations of each state in which it has, indirectly through its subsidiaries, licenses, permits, or operations. Acreage maintains a database and tracks each license or permit held by its subsidiaries, showing the renewal date, inspection schedules, and the results of any regulatory inspection reports. Acreage enhances its compliance program through subscription to a web-based service that provides access to cannabis-related state, county, municipal and federal rules and regulations which organizes the laws into distinct categories (such as taxation, zoning, application and licensing, and packaging and labeling) and sorts them by license type (such as cultivation, dispensary and testing). Acreage will also monitor any action taken by its subsidiaries in response to a change of governing regulations or suggestions from regulators.

The Company's legal compliance team continually monitors and reviews correspondence and changes to, and updates of, rules or regulatory policies impacting Acreage and the operation of the businesses carried on by its subsidiaries in each U.S. state in which it has operations. Acreage has employed an experienced team of legal and compliance professionals with expertise in regulatory and corporate compliance to oversee its activities. The team led by the Company's General Counsel, includes three experienced corporate attorneys and one paralegal. Acreage has a Senior Director of Operational Compliance, Security, and Regulatory Affairs who oversees a team that focuses on state-by-state operational compliance issues. Acreage's legal compliance team has implemented internal policies and procedures at corporate and subsidiary levels designed to mitigate any lapses in its overall infrastructure and facilitate compliance with relevant laws and regulations. Acreage strives to ensure its overall operations are in compliance with U.S. state law and the related licensing framework (see "*Regulatory Framework - The Regulatory Landscape on a U.S. State Level*"). Marijuana remains a Schedule I controlled substance in the U.S. and therefore federally illegal. Acreage has not received any non-compliance citations or notices of violation which may have a material impact on its licenses, business activities or operations.

The Company is classified as having a "direct," "indirect" and "ancillary" involvement in the United States cannabis industry and it, each of its subsidiaries and, to the best of its knowledge, each entity through which it has ancillary involvement in the United States cannabis industry, is in compliance with applicable United States state law and related licensing requirements and the regulatory framework enacted by each of the states in which it has operations. The Company is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory frameworks which may have a material impact on its licenses, business activities or operations. The Company uses reasonable commercial efforts to ensure that its business is in compliance with applicable licensing requirements and the regulatory frameworks enacted by each state, through the advice of its Senior Director of Compliance, Security, and Regulatory Affairs who monitors and reviews its business practices and changes to U.S. federal and state enforcement priorities and rules. The Company's General Counsel and his legal team work with external legal counsel to ensure that the Company is in on-going compliance with applicable state law. These advisors have provided legal advice to the subsidiaries regarding, among other things, (a) compliance with applicable state regulatory frameworks, and (b) potential exposure and implications arising from U.S. federal law. In addition, the Company has designated individuals with responsibility for overseeing day-to-day compliance at each facility in which the Company maintains operational control.

The Company will continue to use reasonable commercial efforts to ensure it is in compliance with applicable licensing requirements and the regulatory framework enacted in states where it conducts business by continuous review of its licenses

and affirmation certifications from management. The Company has engaged state and local regulatory/compliance counsel engaged in jurisdictions in which it operates.

The Company has a commitment to training its personnel on the relevant issues in order to facilitate its overall compliance effort. The Company's training program includes, among other items, the following topics:

- importance of compliance with state and local laws;
- dispensing procedures;
- patient privacy;
- security and safety policies and procedures;
- inventory control;
- quality control;
- cash management and control; and
- transportation procedures.

The Company's training program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery to sale or disposal. Only authorized, properly trained employees are allowed to access the Company's computerized seed- to-sale system. All of the Company's facilities are monitored 24-hours a day, seven days a week. Visitors to the facilities are only permitted in strict accordance with relevant state laws and appropriately monitored and logged in.

The Company's compliance team closely monitors and promptly addresses all compliance notifications from the regulators and inspectors in each market, in an effort to resolve any issues identified on a timely basis. The Company keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

Further, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. The Company maintains records of its inventory at all licensed facilities. Adherence to the Company's standard operating procedures is mandatory and ensures that the Company's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. The Company ensures adherence to standard operating procedures by regularly conducting internal inspections and is committed to ensuring any issues identified are resolved quickly and thoroughly.

In order to comply with industry best practices, despite the rescission of the Cole Memorandum, the Company continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

- Ensure the operations are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, the Company uses its internal Legal Department including its Legal Compliance team and retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;
- The activities relating to cannabis business adhere to the scope of the licensing obtained. For example, in Ohio only medical cannabis is permitted and therefore the products are only sold to patients who have the appropriate recommendation in the state registry and have a valid state-issued medical identification card;
- The Company only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels; and
- The Company conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company's operations strive to be in compliance with all applicable state laws, regulations and licensing requirements, some of such activities remain illegal under United States federal law. For the reasons described above and the risks further described in Risk Factors below, there are significant risks associated with the business of the Company. See "*Risk Factors*".

The Regulatory Landscape on a U.S. State Level

Connecticut Licenses

The CT DCP is responsible for the CT Program and is authorized to issue dispensary and producer/grower licenses.

The table below lists the licenses issued to the Company's indirect subsidiaries operating in Connecticut:

Subsidiary	License number	City	Expiration Date	Description
D&B Wellness, LLC	AMHF.0008268	Danbury	5/13/2024	Adult & Medical Use Dispensary Facility
Prime Wellness of Connecticut, LLC	MMDF.0000004	Vernon	4/10/2025	Adult & Medical-Use Dispensary Facility
Thames Valley Relief, LLC	AMHF.0008251	Uncasville	4/15/2025	Adult & Medical Use Dispensary Facility

Each medical license qualifies a dispensary to purchase medical cannabis in good faith from licensed medical cannabis producers and to dispense cannabis to qualifying patients or primary caregivers that are registered under the CT Program. Dispensary license holders are required to ensure that no cannabis is sold, delivered, transported, or distributed to a location outside of Connecticut. Under the CT Program, dispensary licenses are renewed annually. Renewal applications must be submitted 45 days prior to license expiration and any renewal submitted more than 30 days after expiration will not be renewed.

Recreational marijuana became legal in Connecticut on July 1, 2021, which makes the use and possession of small amounts of recreational marijuana legal for adults. On January 10, 2023 the adult use cannabis market opened in Connecticut and certain hybrid stores were permitted to sell cannabis to adults 21 and over. All of the Company's dispensaries in Connecticut are open for medical and adult use sales.

Connecticut Record-keeping/Reporting

Connecticut mandates use of the Connecticut cannabis analytic tracking system (Biotrack Trace 2.0) as a T&T system by which all dispensary license holders submit data directly to the state. Acreage's license holders, D&B Wellness, LLC, d/b/a The Botanist, Prime Wellness of Connecticut, LLC, d/b/a The Botanist, and Thames Valley Relief, LLC d/b/a The Botanist uses a third-party solution, Dutchie, which pushes data to the Connecticut cannabis analytic tracking system.

The CT Program provides strict guidelines for reporting via the license holder's third-party T&T system. Every cannabis sale must be documented at the point of sale including recording the date and purchaser's signature. At least once per day, all sales must be uploaded via the T&T system to the Connecticut Prescription Monitoring Program which accumulates and tracks medical cannabis purchases across all Connecticut dispensaries. The CT Program requires that records are kept for a minimum of three years.

Connecticut Inventory

Upon receipt of a cannabis product, each product must be cataloged and entered in the dispensary's T&T system. The information required by the CT Program includes the quantity of product received, its lot number, expiration date, and strain. Only registered dispensary pharmacists may accept delivery of cannabis and related products. A delivery receipt for cannabis and cannabis products must be signed by the accepting dispensary pharmacist and be attached to the delivery manifest. Each delivery manifest must be kept on file for three years. Once per week, a count of cannabis product stock is to be conducted by a dispensary pharmacist which includes tracking the producer's name, type and quantity of cannabis, and a summary of inventory findings. Any discrepancies must be rectified and documented. Any unrectified discrepancy must be disclosed to the dispensary manager who, if necessary, will notify the CT DCP. Annual controlled substance inventories are required to be conducted on a date specified by the dispensary manager and to be kept on file for three years.

Connecticut Storage/Security

The CT Program requires that dispensaries adhere to strict cannabis storage and security guidelines to maintain control against diversion, theft, and loss of cannabis or cannabis products. Each dispensary is required to (a) establish a security plan including

approved safes for storage of all cannabis products, (b) maintain daily supplies of product in locked cabinets, (c) install safes accessible only to the dispensary pharmacist or manager, (d) utilize commercial grade motion detectors and video cameras in all areas that contain cannabis, and (e) install cameras directed at all safes, vaults, dispensing and sale areas, or any other area where cannabis is stored or handled.

Furthermore, the CT Act prescribes that dispensaries must retain and present all video upon request of the CT DCP. Specifically, dispensaries must (a) make the latest 24 hours of video readily available for immediate viewing upon request of a state authorized representative, and (b) retain all videos for at least 30 calendar days. Additionally, dispensaries must install strategically placed duress and panic alarms, both silent and audible, that trigger a law enforcement response. Employees are also required to wear panic alarm buttons for an additional level of safety and security.

Connecticut Training & Education

All dispensary staff pharmacists must go through a training program on cannabis and cannabis products. Such training must include covering the chemical components of cannabis and use of ancillary cannabis delivery devices. Pharmacist training should prepare pharmacists how to best assess the needs of qualified patients during required new-patient private consultations. During such consultations, pharmacists are required to educate new patients on their qualified debilitating medical condition, allergies, medication profile, cannabis use, and cannabis delivery methods. Pharmacists have sole responsibility to recommend products based on the patients' individual needs.

Like dispensary staff pharmacists, dispensary technicians and employees also must meet training guidelines as set forth by the CT Program. Dispensary technicians must be trained on professional conduct, ethics, patient confidentiality, and developments in the field of medical cannabis use, among other pertinent topics commensurate with the technician's professional responsibilities. Dispensary employees, among other things, must be trained on the proper use of security measures and controls, procedures for responding to an emergency, and patient confidentiality. A record of all staff training and patient education must be maintained and made available for review at the request of the DPH.

Connecticut Inspections

For the purposes of supervision and enforcement of the CT Program, the Connecticut Commissioner of Consumer Protection is authorized to (i) enter, at reasonable times, any place, including a vehicle, in which marijuana is held, dispensed, sold, produced, delivered, transported, manufactured or otherwise disposed of, (ii) inspect within reasonable limits and in a reasonable manner, such place and all pertinent equipment, finished and unfinished material, containers and labeling, and all things in such place, including records, files, financial data, sales data, shipping data, pricing data, employee data, research, papers, processes, controls and facilities, and (iii) inventory any stock of marijuana therein and obtain samples of any marijuana or marijuana product, any labels or containers for marijuana, paraphernalia, and of any finished and unfinished material.

U.S. Attorney Statements in Connecticut

To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Connecticut.

Illinois

Illinois Legislative history

The Compassionate Use of Medical Cannabis Pilot Program Act (the "IL Medical Act") was signed into law in August 2013 and took effect on January 1, 2014. The IL Medical Act provides medical cannabis access to registered patients who suffer from a list of over 50 medical conditions including epilepsy, cancer, HIV/AIDS, Chronic pain, Crohn's disease and post-traumatic stress disorder. On August 12, 2019, changes to the Compassionate Use of Medical Cannabis Program became effective.

On June 25, 2019, Illinois Gov. J.B. Pritzker signed into law the Cannabis Regulation & Tax Act (the "IL Adult Use Act" and, together with the IL Medical Act, the "IL Acts"), which permits persons 21 years of age or older to possess, use, and purchase limited amounts of cannabis for personal use. The IL Adult Use Act went into effect on January 1, 2020.

In early January 2023, the Illinois legislature finalized changes to the Illinois Department of Financial and Professional Regulation administrative rules relating to social equity applicants and adult-use retail licenses.

Illinois Licenses

Oversight and implementation under the Acts are divided among three Illinois state departments: the Department of Public Health (the “IL DPH”), the Department of Agriculture (the “IL DA”), and the Department of Financial and Professional Regulation (the “IL DFPR”). The IL DPH oversees the following IL Medical Act mandates: (a) establish and maintain a confidential registry of caregivers and qualifying patients authorized to engage in the medical use of cannabis, (b) distribute educational materials about the health risks associated with the abuse of cannabis and prescription medications, (c) adopt rules to administer the patient and caregiver registration program, and (d) adopt rules establishing food handling requirements for cannabis-infused products that are prepared for human consumption.

It is the responsibility of the IL DA to enforce the provisions of the IL Acts relating to the registration and oversight of cultivation centers and the responsibility of the IL DFPR to enforce the provisions of the IL Acts relating to the registration and oversight of dispensing organizations. The IL DPH, IL DA and IL DFPR may enter into inter-governmental agreements, as necessary, to carry out the provisions of the IL Acts.

Illinois has issued a limited amount of dispensary, producer/grower, and processing licenses. NCC LLC (d/b/a Nature’s Care Company) (“NCC”), an indirect Subsidiary of the Company, was awarded both medical and adult-use cannabis dispensary licenses and In Grown Farms, LLC 2 (“IGF”), an indirect Subsidiary of the Company, was awarded both medical and adult-use cultivation/processing licenses as well as a license to process industrial Hemp.

Under the IL Adult Use Act, medical cannabis operators have the ability to apply for “early approval” for adult-use licenses. Medical dispensaries are permitted to apply for one adult-use license at its medical dispensary site and one additional early approval license at a secondary site. NCC received an adult-use license on February 3, 2020 for its Rolling Meadows dispensary. On August 30, 2020, NCC received a second license from the IL DFPR for a Registered Adult Use Dispensing Organization. NCC has opened a second adult only dispensary in Chicago.

The table below lists the licenses issued to the subsidiaries:

Subsidiary	License number	City	Expiration	Description
NCC	DISP.000024	Rolling Meadows	1/22/2025	Medical Cannabis Dispensary Facility
NCC	AUDO.000050	Rolling Meadows	3/31/2026	Registered Adult Use Dispensing Organization
IGF	1503060729	Freeport	3/9/2025	Medical Cannabis Cultivation/Processing Facility
IGF	1503060729-EA	Freeport	3/31/2025	Early Approval Adult Use Cultivation
NCC	AUDO.000064	Chicago	3/31/2026	Registered Adult Use Dispensing Organization
IGF	1204-321	Freeport	12/31/2025	Industrial Hemp Processor

Under the IL Medical Act, dispensary, grower, and processing licenses are valid for one year. After the initial term, licensees are required to submit renewal applications. Pursuant to the IL Act, registration renewal applications must be received 45 days prior to expiration and may be denied if the licensee has a history of non-compliance and penalties.

Illinois Dispensing Limitations

Dispensing organizations may not dispense more than 2.5 ounces of usable cannabis to qualifying patients, provisional patients, or designated caregivers during a period of 14 days, unless pre-approved by the IL DFPR.

Dispensing limitations for adult-use purchasers are as follows:

- Illinois Residents: 30 grams of flower, 500 mg THC in cannabis infused products, and/or 5 grams of cannabis concentrate.
- Non-Illinois Residents: 15 grams of flower, 250 mg THC in cannabis infused products, and/or 250 milligrams of cannabis concentrate.

Illinois Record-keeping/Reporting

Illinois uses the BioTrack THC and Dutchie T&T system to manage the flow of reported data between each licensee and the state. NCC also uses the T&T system to ensure all reporting requirements are met. Information processed through the T&T system must be maintained in a secure location at the dispensing organization for five years.

Licensees are mandated by the IL Acts to maintain records electronically and make them available for inspection by the IL DFPR upon request. Records that must be maintained and made available, as described in the IL Acts, include: (a) operating procedures, (b) inventory records, policies, and procedures, (c) security records, and (d) staffing plans. All dispensing organization records, including business records such as monetary transactions and bank statements, must be kept for a minimum of three years. Records of destruction and disposal of all cannabis not sold, including notification to the IL DFPR and State Police, must be retained at the dispensary organization for a period of not less than five years.

Illinois Inventory/Storage

The IL Acts have similar requirements regarding inventory tracking and storage. An organization's agent-in-charge has primary oversight of the dispensing organization's cannabis inventory control system. Under the IL Acts, a dispensary's inventory control system must be real-time, web-based, and accessible by the IL DFPR 24 hours a day, seven days a week. The T&T system used by NCC complies with such requirements.

The inventory control system of a dispensing organization must record all cannabis sales, waste, and acquisitions. Specifically, the inventory system must track and reconcile through the T&T system each day's cannabis beginning inventory, acquisitions, sales, disposal and ending inventory. Tracked information must include (a) product descriptions including the quantity, strain, variety and batch number of each product received, (b) the name and registry identification number of the permitted cultivation center providing the cannabis, (c) the name and registry identification number of the permitted cultivation center agent delivering the cannabis, (d) the name and registry identification number of the dispensing organization agent receiving the cannabis, and (e) the date of acquisition. Dispensary managers are tasked with conducting and documenting monthly audits of the dispensing organization's daily inventory according to generally accepted accounting principles.

The inventory control system of a cultivator and processing organization must conduct a weekly inventory of cannabis stock, which includes at a minimum, the date of the inventory, a summary of the inventory findings, the name, signature and title of the individuals who conducted the inventory and the agent-in-charge who oversaw the inventory, and the product name and quantity of cannabis plants or cannabis-infused products at the facility. The record of all cannabis sold must include the date of sale, the name of the dispensary facility to which the cannabis was sold and the batch number, product name and quantity of cannabis sold.

In addition, the T&T permits NCC to set up separate sales reports for (i) sales to qualifying patients and (ii) sales to purchasers, and NCC uses such software to generate separate such reports as is required by the IL Adult Use Act.

Storage of cannabis and cannabis product inventory is also regulated by the IL Acts. Inventory must be stored on the dispensary's licensed premises in a restricted access area. Appropriate storage temperatures, containers, and lighting are required to ensure the quality and purity of cannabis inventory is not adversely affected.

Illinois Security

Under the IL Acts, dispensaries must implement security measures to deter and prevent entry into and theft from restricted access areas containing either cannabis or currency. Mandated security measures include security systems, panic alarms, and locked doors or barriers between the facility's entrance and limited access areas. Admission to the limited access areas must be restricted to only purchasers, registered qualifying patients, designated caregivers, principal officers, and agents conducting business with the dispensing organization. Visitors and persons conducting business with the licensee in limited access areas must always wear identification badges and be escorted by a licensee's agent authorized to enter the restricted access area, and such persons must be pre-approved by the IL DFPR. A visitor's log must be kept on-site and be maintained for five years.

The IL Acts provide that 24-hour video surveillance of both a licensee's interior and exterior are required to be taken and kept for at least 90 days. Unless prohibited by law, video of all interior dispensary areas, including all points of entry and exit, safes, sales areas, and storage areas must be kept. Unobstructed video of the exterior perimeter, including the storefront, grow facility and the parking lot, must also be kept. Video surveillance cameras are required to be angled to allow for facial recognition and

the capture of clear and certain identification of any person entering or exiting the dispensary area. Additionally, all video must be taken in lighting sufficient for clear viewing during all times of night or day. The IL Acts also require all security equipment to be inspected and tested within regular 30-day intervals.

Illinois Transportation

Under the IL Acts, cultivation facilities cannot transport cannabis to a craft grower, dispensary, infuser, or laboratory without obtaining a Transporter License from the IL DA. Cultivation facilities may also enter into contracts with licensed transporters.

In general, Illinois transporters cannot transport cannabis or cannabis-infused to any person or entity other than a cultivation center, a craft grower, an infuser, a dispensing organization, or a testing facility. Transporting operations are closely regulated by the IL DA and include numerous restrictions relating to safety and security. The cannabis product must be packed in a cannabis container and transported in an enclosed, locked storage compartment that is secured or affixed to the transportation vehicle. Transporting agents may not open the cannabis container once packed and sealed for delivery, and no person who is not a transporter agent is permitted to be in a transporter vehicle while transporting cannabis goods. Transporter agents must carry their IL DA-issued ID cards on their person and keep the cards visible at all times during the transportation of cannabis or while on the property of a cannabis business establishment.

Transporter vehicles are subject to gross weight limits and cannot bear any markings indicating that the vehicle contains cannabis. The vehicles must be equipped with a GPS-based tracking device that allows the transporter to track the vehicle's whereabouts at all times. Transporter vehicles must have their license plate number and VIN on file with IL DA and are subject to random inspections by IL DA, IL DPH and the Illinois State Police at any time.

Transporter agents must notify local law enforcement, the Illinois State Police, and IL DA within 24 hours after discovery of loss or theft from a transporter vehicle. A record of the theft, loss, or other unaccountability must be created and maintained for at least a 5-year period.

Transporters must maintain a daily inventory of product transported, including the name of the sending and receiving business establishments, the name of the agent who received the container, and the time and location of delivery. Other recordkeeping obligations include bank statements, accounting and tax records, employee records, and purchasing documentation (invoices, bills of lading, etc.). These records must be kept for a minimum of 5 years and must be made available to IL DA (or the Illinois Department of Revenue) upon request.

Illinois Inspections

Dispensing organizations are subject to random and unannounced dispensary inspections and cannabis testing by the IL DFPR and Illinois State Police. The IL DFPR and its authorized representatives may enter any place, including a vehicle, in which cannabis is held, stored, dispensed, sold, produced, delivered, transported, manufactured or disposed of and inspect in a reasonable manner, the place and all pertinent equipment, containers and labeling, and all materials, data and processes, and inventory any stock of cannabis and obtain samples of any cannabis or cannabis product, any labels or containers for cannabis, or paraphernalia.

The IL DFPR may conduct an investigation of an applicant, application, dispensing organization, principal officer, dispensary agent, third party vendor or any other party associated with a dispensing organization for an alleged violation of the IL Acts or to determine qualifications to be granted a registration by the IL DFPR. The IL DFPR may require an applicant or dispensing organization to produce documents, records or any other material pertinent to the investigation of an application or alleged violations of the IL Act.

Cannabis cultivation centers are also subject to random inspections by the IL DA.

Guarantee of Cannabis and Cannabis-Infused Product Variety

The IL Adult Use Act requires that dispensing organizations maintain an assortment of products from various suppliers such that inventory from any one supplier does not represent greater than 40% of the dispensing organization's total inventory available for sale. NCC monitors inventory offered for sale on a weekly basis and ensure that no single cultivator's products comprise more than 40% of the inventory offered for sale at NCC. NCC produces a periodic inventory report from BioTrackTHC to determine the inventory percentages of purchases by cultivator.

The IL Adult Use Act further requires that a dispensing organization have a policy to prioritize serving patients and other medical program participants over purchasers.

U.S. Attorney Statements in Illinois

To the knowledge of management of the Company, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Illinois. See “*Risk Factors - The Company’s Business Activities are Illegal under U.S. Federal Law*”.

Maine

Maine Legislative history

Maine has allowed qualified patients with specific conditions to grow for their own usage and possess limited amounts of medical cannabis since November 1999, but the law lacked any distribution mechanism. On November 3, 2009, Maine voters approved Question 5, which established dispensaries and caregivers are able to grow and dispense up to 2.5 oz. of medical grade cannabis every two weeks to persons with one of 17 debilitating and chronic medical conditions including HIV/AIDS, Crohn’s disease, cancer and post-traumatic stress disorder. The registered dispensaries and caregivers were regulated by the Maine Department of Health and Human Services (“MDHHS”), but oversight was recently shifted to the Maine Department of Administrative and Financial Services (“MDAFS”).

In November 2016, Maine approved cannabis legalization at the ballot. On January 27, 2017, the legislature approved a moratorium on implementing parts of the law regarding retail sales and taxation until at least February 2018, giving time to resolve issues and promulgate rules. The portion of the law that allows persons over 21 years to grow six mature plants and possess, transport and gift up to 2.5 ounces became effective on January 30, 2017 (although this was limited to three mature plants in the 2018 legislation). A 17-member special legislative committee was formed to address the complex issues surrounding full implementation of the law. In April 2018, the Governor of Maine vetoed the bill to legalize cannabis for adult-use. However, in May 2018, Maine lawmakers overrode the Governor’s veto clearing the way for adult-use. In February 2019, MDAFS created the Office of Marijuana Policy (“OMP”) to oversee all aspects of adult-use marijuana. The adult-use regulations were adopted in June 2019. Furthermore, a mandatory “opt-in” mechanism allows municipalities to control whether they want retail cannabis establishments in their communities. The State of Maine first made adult-use applications available on December 5, 2019 and the first conditional licenses were issued on March 13, 2020. The OMP intended to launch adult-use in spring 2020, before the COVID-19 pandemic necessitated the postponement of these plans. The first active licenses were issued to adult-use establishments on Tuesday, September 8, 2020. Actively licensed adult-use marijuana stores were able to begin retail sales to the public on or after October 9, 2020.

Maine Registration Certificates

The Maine Medical Use of Marijuana Program Rules and the enabling statute, the Maine Medical Use of Marijuana Act, govern the Maine Medical Use of Marijuana Program (“MMUMP”). The MDHHS was originally responsible for administering the MMUMP to ensure qualifying patients’ access to safe cannabis for medical use and was responsible for issuing dispensary registration certificates as well as caregiver certificates. The MMUMP through the MDHHS issued eight dispensary registration certificates. However, the MMUMP was transferred to the MDAFS in May 2018, as part of LD 1719, which implemented the adult-use program.

Northeast Patient Group d/b/a Wellness Connection of Maine (“WCM”), a contractual party and debtor of the Company, held four of the eight vertically integrated dispensary certificates of registration. Three out of these four locations in Maine have been converted to adult-use and are owned directly by a subsidiary of Acreage.

The table below lists the certificates issued to our subsidiary, WCM:

Subsidiary	License number	City	Expiration	Description
NPG LLC	AMS338	South Portland	11/22/2024	Adult Use Dispensary
NPG LLC	AMS335	Gardiner	4/30/2025	Adult Use Dispensary
NPG LLC	AMS339	Portland	6/24/2024	Adult Use Dispensary
NPG LLC	ACD334, AMF330	Auburn	10/20/2024	Cultivation and Manufacturing Facility
NPG LLC	AMS1130	Brewer	4/14/2025	Adult Use Dispensary

The Maine vertically integrated dispensary certificate of registration is valid for one year from the date of issuance. Each certificate of registration for dispensaries allows cultivation, processing and dispensing. WCM cultivates and processes at one centralized location for its three operational dispensaries. The cultivation facility and retail site of a dispensary must comply with all requirements and prohibitions of the Maine statutes and regulations. Failure to comply may result in enforcement action including, but not limited to, termination of the registration certificate. The dispensary must receive both state licensing and municipal approval. The South Portland dispensary location is an adult-use dispensary and operates separately from our managed dispensaries in Maine.

The dispensary must submit an application for the renewal of a current registration certificate with all required documentation and the required fees 60 days prior to the expiration date. Failure to submit a timely, complete renewal packet may be grounds for denial of the renewal and may result in expiration of the registration certificate to operate the dispensary. Once the application is received and validated, an inspection is scheduled which is conditional for the renewal. The certificate of registration holders must ensure that no cannabis may be sold, delivered, transported or distributed by a producer from or to a location outside of Maine.

Maine Record-keeping/Reporting

Maine does not yet have a unified, mandatory T&T system, although one will be implemented through the development of the adult-use program. However, WCM tracks seed-to-sale via an integrated platform. Required information is forwarded to the MMUMP through email. The operating documents of a registered dispensary must include procedures to ensure accurate record keeping. Registered dispensaries must maintain at least the following: business records, including records of assets and liabilities, tax returns, contracts, monetary transactions, checks, invoices and vouchers which the dispensary keeps as its books of accounts. Business records also include the sales record that indicates the name of the qualifying patient or primary caregiver to whom cannabis has been distributed, sold or donated, including the quantity and form. The registered dispensary must also keep on file and available for MDHHS (now MDAFS) inspection upon request, a copy of each current patient's registry identification, a copy of the medical provider written certification and the MMUMP approved dispensary designation form. All business records must be available upon request by the MDHHS (now MDAFS) and maintained and retained for six years.

Maine Inventory/Storage

All cultivation facilities for medical use are restricted to cultivating in an enclosed, locked facility or area. Cannabis at a registered dispensary must be kept under double lock and inventoried daily by two cardholders. Each patient's transactions are recorded and controlled in the POS system to prevent any patient to access more than the allowed limit. WCM monitors inventory daily and reports inventory supply monthly.

Maine Security

Cultivation of cannabis for medical use requires implementation of appropriate security measures to discourage theft of cannabis, ensure safety and prevent unauthorized entrance to a cultivation site in accordance with the MMUMP statute and rules. Requirements include but are not limited to an enclosed, locked facility and enclosed outdoor areas must have durable locks to discourage theft and unauthorized entrance.

Registered dispensaries must implement appropriate security measures to deter and prevent unauthorized entrance into areas containing cannabis and the theft of cannabis at the registered dispensary and the grow location for the cultivation of cannabis. Security measures to protect the premises, the public, qualifying patients, primary caregivers and principal officers, board members and employees of the registered dispensary must include, but are not limited to (a) on-site parking, (b) exterior lighting sufficient to deter nuisance activity and facilitate surveillance, (c) devices or a series of devices, including, but not limited to, a signal system interconnected with a radio frequency method such as cellular, private radio signals, or other mechanical or electronic device to detect an unauthorized intrusion, and (d) interior electronic monitoring, video cameras, and panic buttons. Electronic monitoring and video camera recordings must be maintained by the medical dispensary and cultivation facility a minimum of 14 days. Electronic monitoring and video camera recordings must be maintained by the adult-use dispensary and facility a minimum of 45 days.

Maine Inspections

Registered dispensaries, including all retail and cultivation locations, are subject to inspection at least annually by the MDAFS in accordance with this rule and the statute. Submission of an application for a dispensary registration certificate constitutes permission for entry and inspection of dispensary locations. Failure to cooperate with required inspections may be grounds to revoke the dispensary's registration certificate. During an inspection, the MDAFS may identify violations of this rule, the statute and the dispensary's policies and procedures. The dispensary shall receive written notice of the nature of the violations. The dispensary shall notify the MDAFS in writing with a postmark date within ten business days of the date of the notice of violations and identify the corrective actions taken and the date of the correction.

During an inspection, the MDAFS shall (1) collect soil and plant samples, and samples of products containing marijuana prepared at the dispensary, (2) place the dispensary's registration number on each sample container, (3) label the sample containers with the description and quantity of its content, (4) seal sample containers, and (5) have dispensary and MDAFS staff initial each sample container.

U.S. Attorney Statements in Maine

To the knowledge of management of the Company, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Maine. See "*Risk Factors - The Company's Business Activities are Illegal under U.S. Federal Law*".

Massachusetts

Massachusetts Legislative history

The Massachusetts Medical Use of Marijuana Program (the "MA Program") was formed pursuant to the Act for the Humanitarian Medical Use of Marijuana (the "MA ACT"). The MA Program allows registered persons to purchase medical cannabis and applies to any patient, personal caregiver, Medical Marijuana Treatment Center ("MTC"). To qualify for the program, patients must have a debilitating condition as defined by the MA Program. Currently there are over nine conditions that allow a patient to acquire cannabis in Massachusetts, including AIDS/HIV, ALS, cancer and Crohn's disease. The MA Program is administrated by the Cannabis Control Commission ("CCC").

In November 2016, Massachusetts voted affirmatively on a ballot petition to legalize and regulate cannabis for adult-use. The Massachusetts legislature amended the law on December 28, 2016, delaying the date adult-use cannabis sales would begin by six months. The delay allowed the legislature to clarify how municipal land-use regulations would treat the cultivation of cannabis and authorized a study of related issues. After further debate, the state House of Representatives and state Senate approved H.3818 which became Chapter 55 of the Acts of 2017, An Act to Ensure Safe Access to Marijuana, and established the CCC. The CCC consists of five commissioners and regulates the Massachusetts Recreational Marijuana Program as well as the MA Program. Adult-use of cannabis in Massachusetts started in July 2018, and the first adult-use marijuana facilities in Massachusetts began operating in November 2018. The CCC licenses adult-use cultivation, processing and dispensary facilities (collectively, "Marijuana Establishments") pursuant to 935 CMR 500.000 et seq. In August 2022, then-Governor of Massachusetts Charlie Baker signed into law Chapter 180 of the Acts of 2022, An Act Relative to Equity in the Cannabis Industry, a law largely aimed at supporting cannabis ventures led by social equity and empowerment program participants certified by the CCC. This law went into effect on November 9, 2022, and it mandated the CCC to promulgate or amend its medical and adult-use cannabis regulations so as to implement the statute.

Massachusetts Licensing Requirements (Medical)

Under the MA Program, MTCs are heavily regulated. Vertically integrated MTCs grow, process, and dispense their own cannabis. As such, each MTC is required to have a retail facility as well as cultivation and processing operations, although retail operations may be separate from grow and cultivation operations. A MTC's cultivation location may be in a different municipality or county than its retail facility.

The MA Program mandates a comprehensive application process for MTCs. Each MTC applicant must submit a Certificate of Good Standing, comprehensive financial statements, a character competency assessment, and employment and education histories of the senior partners and individuals responsible for the day-to-day security and operation of the MTC. Municipalities

may individually determine what local permits or licenses are required if an MTC wishes to establish an operation within its boundaries.

The table below lists the licenses issued to the subsidiaries and entities operating in Massachusetts with which the Company has a consulting services agreement:

Subsidiary	License Number	City	Expiration Date	Description
The Botanist, Inc.	RMD-905	Sterling	5/17/2024	MTC Cultivation/Processing
The Botanist, Inc.	RMD-905	Worcester	5/17/2024	MTC Dispensary
The Botanist, Inc.	MP281672	Leominster	7/15/2024	RMD - Marijuana Product Manufacturer - Kitchen
The Botanist, Inc.	RMD-1225	Shrewsbury	5/25/2024	RMD Dispensary

Our Shrewsbury and Worcester locations presently operate as adult-use and medicinal dispensaries.

Each Massachusetts dispensary, grower and processor license is valid for one year and must be renewed no later than 60 calendar days prior to expiration. As in other states where cannabis is legal, the CCC can deny or revoke licenses and renewals for multiple reasons, including (a) submission of materially inaccurate, incomplete, or fraudulent information, (b) failure to comply with any applicable law or regulation, including laws relating to taxes, child support, workers compensation and insurance coverage, (c) failure to submit or implement a plan of correction (d) attempting to assign registration to another entity, (e) insufficient financial resources, (f) committing, permitting, aiding, or abetting of any illegal practices in the operation of the MTC, (g) failure to cooperate or give information to relevant law enforcement related to any matter arising out of conduct at an MTC, and (h) lack of responsible MTC operations, as evidenced by negligence, disorderly or unsanitary facilities or permitting a person to use a registration card belonging to another person. Additionally, license holders must ensure that no cannabis is sold, delivered, or distributed by a producer from or to a location outside of this state.

No person or entity may “control,” as that is described in 935 CMR 501.000 et seq., more than three MTC licenses.

Massachusetts Dispensary Requirements (Medical)

A MTC is to follow its written and approved operation procedures in the operation of its dispensary locations. Operating procedures shall include (i) security measures in compliance with the MA Program; (ii) employee security policies including personal safety and crime prevention techniques; (iii) hours of operation and after-hours contact information; (iv) a price list for marijuana; (v) storage protocols in compliance with state law; (vi) a description of the various strains of marijuana that will be cultivated and dispensed, and the forms that will be dispensed; (vii) procedures to ensure accurate recordkeeping including inventory protocols; (viii) plans for quality control; (ix) a staffing plan and staffing records; (x) diversion identification and reporting protocols; and (xi) policies and procedures for the handling of cash on MTC premises including storage, collection frequency and transport to financial institutions. The siting of dispensary locations is expressly subject to local/municipal approvals pursuant to state law, and municipalities control the permitting application process that a MTC must comply with. More specifically, a MTC is to comply with all local requirements regarding siting, provided however that if no local requirements exist, a MTC shall not be sited within a radius of 500 feet of a school, daycare center, or any facility in which children commonly congregate. The 500-foot distance under this section is measured in a straight line from the nearest point of the facility in question to the nearest point of the proposed MTC. The MA Program requires that MTCs limit their inventory of seeds, plants, and useable marijuana to reflect the projected needs of registered qualifying patients. A MTC may only dispense to a registered qualifying patient who has a current valid certification.

Massachusetts Record-keeping/Reporting (Medical)

Massachusetts uses METRC as the T&T system. Individual licensees, whether directly or through a third-party application programming interface (an “API”), are required to push data to the state to meet all reporting requirements. The Botanist uses METRC and Dutchie to capture and send all required data points for cultivation, manufacturing, and retail as required by applicable law.

The MA Program requires that MTC records be readily available for inspection by the Department of Health upon request. Among the records that are required to be maintained and made available are: (a) operating procedures, (b) inventory records, and (c) seed-to-sale tracking records for all cannabis and cannabis infused products.

Massachusetts Inventory/Storage (Medical)

Through the T&T system, MTCs are required to record all actions related to each individual cannabis plant. This robust inventorying requirement includes tracking how each plant is handled and processed from seed and cultivation, through growth, harvest and preparation of cannabis infused products, if any, to final sale of finished products. This system must chronicle every step, ingredient, activity, transaction, and dispensary agent, registered qualifying patient, or personal caregiver who handles, obtains, or possesses the product. To meet this tracking requirement, the inventory tracking process is mandated to utilize unique plant and batch identification numbers. Besides capturing all processes associated with each cannabis plant, MTCs must also establish and abide by inventory controls and procedures for conducting inventory reviews and comprehensive inventories of cultivating, finished, and stored cannabis products. To ensure inventories are accurate, MTCs are not only required to conduct monthly inventories but also to compare monthly inventories to the T&T system records.

The MA Program requires all cannabis and cannabis infused products be securely stored. MTCs must ensure that all safes, vaults, and other equipment or areas used for the production, cultivation, harvesting, processing, or storage of cannabis and cannabis infused products are securely locked and protected against unauthorized entry. The MA Program also specifies that limited access areas, accessible only to authorized personnel, must be established in each dispensary. Furthermore, only the minimum number of employees essential to business operations may be given access to the limited access areas.

Massachusetts Security (Medical)

Adequate security systems that prevent and detect diversion, theft, or loss of cannabis are required of each MTC under the MA Program. Such security systems must utilize commercial grade equipment and are required to include (a) a perimeter alarm on all entry and exit points and perimeter windows, (b) a failure notification system that provides an audible, text, or visual notification of any failure in the surveillance system, and (c) a duress alarm, panic alarm, or holdup alarm connected to local public safety or law enforcement authorities.

To ensure MTCs meet the rigorous security standards laid out by the MA Program, use of surveillance cameras is mandated. MTCs must install video cameras in the following areas: (a) all areas that may contain cannabis, (b) all points of entry and exit, and (c) in any parking lot. Video cameras must be appropriate for the lighting conditions of the area under surveillance. Interior video cameras must be directed at all safes, vaults, sales areas, and areas where cannabis is cultivated, harvested, processed, prepared, stored, handled, or dispensed. Video surveillance is required to be operational 24 hours a day, seven days a week and all recordings must be retained for at least 90 calendar days.

Massachusetts Transportation (Medical)

The MA Program regulates the means and methods by which cannabis is transported. A MTC transporting cannabis must ensure the product is in a secure, locked storage compartment. If a cannabis establishment, pursuant to a cannabis transporter license is transporting cannabis products for more than one cannabis establishment at a time, the cannabis products for each cannabis establishment must be kept in separate locked storage compartments during transportation and separate manifests are required for each cannabis establishment. Vehicles transporting cannabis must be equipped with an approved alarm system and functioning heating and air conditioning systems appropriate for maintaining correct temperatures for storage of cannabis products. Additionally, cannabis products may not be visible from outside the vehicle and MTCs must ensure that all transportation times and routes are randomized. Cannabis and cannabis infused products may not be transported outside Massachusetts.

Massachusetts CCC Inspections (Medical)

The CCC or its agents may inspect a MTC and affiliated vehicles at any time without prior notice. A MTC shall immediately upon request make available to the CCC information that may be relevant to a CCC inspection, and the CCC may direct a MTC to test marijuana for contaminants. Any violations found will be noted in a deficiency statement that will be provided to the MTC, and the MTC shall thereafter submit a Plan of Correction to the CCC outlining with particularity each deficiency and the timetable and steps to remediate the same. The CCC shall have the authority to suspend or revoke a certificate of registration in accordance with 935 CMR 501.510 of the Regulation of adult-use cannabis in Massachusetts.

Massachusetts Licensing Requirements (Adult-Use)

Many of the same application requirements exist for a Marijuana Establishment license as a MTC application, and each owner, officer or member must undergo background checks and fingerprinting with the CCC. Applicants must submit the location and identification of each site, and must establish a property interest in the same, and the applicant and the local municipality must have entered into a host agreement authorizing the location of the adult-use Marijuana Establishment within the municipality, and said agreement must be included in the application. Applicants must include disclosure of any regulatory actions against it by the Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and its owners, officers, principals or members. The application must include the MTC applicant's plans for separating medical and adult-use operations, proposed timeline for achieving operations, liability insurance, business plan, and a detailed summary describing and/or updating or modifying the MTC's existing medical marijuana operating policies and procedures for adult-use including security, prevention of diversion, storage, transportation, inventory procedures, quality control, dispensing procedures, personnel policies, record keeping, maintenance of financial records and employee training protocols.

No person or entity may "control" (as described in 935 CMR 500.000 et seq.) more than three licenses in each Marijuana Establishment class (i.e., marijuana retailer, marijuana cultivator, marijuana product manufacturer). Additionally, there is a limit of 100,000 square foot total cultivation canopy for adult-use and medical licenses.

Massachusetts Dispensary Requirements (Adult-Use)

Marijuana retailers are subject to certain operational requirements in addition to those imposed on marijuana establishments generally. Dispensaries must immediately inspect patrons' identification to ensure that everyone who enters is at least twenty-one years of age. Dispensaries may not dispense more than one ounce of marijuana or five grams of marijuana concentrate per transaction. Point-of-sale systems must be approved by the CCC, and retailers must record sales data. Records must be retained and available for auditing by the CCC and Department of Revenue. Dispensaries must also make patient education materials available to patrons. Such materials must include:

- A warning that marijuana has not been analyzed or approved by the FDA, that there is limited information on side effects, that there may be health risks associated with using marijuana, and that it should be kept away from children;
- A warning that when under the influence of marijuana, driving is prohibited by M.G.L. c. 90, § 24, and machinery should not be operated;
- Information to assist in the selection of marijuana, describing the potential differing effects of various strains of marijuana, as well as various forms and routes of administration;
- Materials offered to consumers to enable them to track the strains used and their associated effects;
- Information describing proper dosage and titration for different routes of administration, with an emphasis on using the smallest amount possible to achieve the desired effect;
- A discussion of tolerance, dependence, and withdrawal;
- Facts regarding substance abuse signs and symptoms, as well as referral information for substance abuse treatment programs;
- A statement that consumers may not sell marijuana to any other individual;
- Information regarding penalties for possession or distribution of marijuana in violation of Massachusetts law; and
- Any other information required by the CCC.

Massachusetts Security and Storage Requirements (Adult-Use)

Each marijuana establishment must implement sufficient safety measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the establishment. Security measures taken by the establishments to protect the premises, employees, consumers and general public shall include, but not be limited to, the following:

- Positively identifying individuals seeking access to the premises of the Marijuana Establishment or to whom or marijuana products are being transported pursuant to 935 CMR 500.105(14) to limit access solely to individuals 21 years of age or older;
- Adopting procedures to prevent loitering and ensure that only individuals engaging in activity expressly or by necessary implication permitted by these regulations and its enabling statute are allowed to remain on the premises;

- Disposing of marijuana in accordance with 935 CMR 500.105(12) in excess of the quantity required for normal, efficient operation as established within 935 CMR 500.105;
- Securing all entrances to the Marijuana Establishment to prevent unauthorized access;
- Establishing limited access areas pursuant to 935 CMR 500.110(4), which shall be accessible only to specifically authorized personnel limited to include only the minimum number of employees essential for efficient operation;
- Storing all finished marijuana products in a secure, locked safe or vault in such a manner as to prevent diversion, theft and loss;
- Keeping all safes, vaults, and any other equipment or areas used for the production, cultivation, harvesting, processing or storage of marijuana products securely locked and protected from entry, except for the actual time required to remove or replace marijuana;
- Keeping all locks and security equipment in good working order;
- Prohibiting keys, if any, from being left in the locks or stored or placed in a location accessible to persons other than specifically authorized personnel;
- Prohibiting accessibility of security measures, such as combination numbers, passwords or electronic or biometric security systems, to persons other than specifically authorized personnel;
- Ensuring that the outside perimeter of the marijuana establishment is sufficiently lit to facilitate surveillance, where applicable;
- Ensuring that all marijuana products are kept out of plain sight and are not visible from a public place without the use of binoculars, optical aids or aircraft;
- Developing emergency policies and procedures for securing all product following any instance of diversion, theft or loss of marijuana, and conduct an assessment to determine whether additional safeguards are necessary;
- Developing sufficient additional safeguards as required by the CCC for marijuana establishments that present special security concerns;
- Sharing the marijuana establishment's security plan and procedures with law enforcement authorities and fire services and periodically updating law enforcement authorities and fire services if the plans or procedures are modified in a material way; and
- Marijuana must be stored in special limited access areas, and alarm systems must meet certain technical requirements, including the ability to record footage to be retained for at least 90 days.

Massachusetts Transportation Requirements (Adult-Use)

Marijuana products may only be transported between licensed marijuana establishments by registered marijuana establishment agents. A licensed marijuana transporter may contract with a licensed marijuana establishment to transport that licensee's marijuana products to other licensed establishments. The originating and receiving licensed establishments shall ensure that all transported marijuana products are linked to the seed-to-sale tracking program. For the purposes of tracking, seeds and clones will be properly tracked and labeled in a form and manner determined by the CCC. Any marijuana product that is undeliverable or is refused by the destination marijuana establishment shall be transported back to the originating establishment. All vehicles transporting marijuana products shall be staffed with a minimum of two marijuana establishment agents. At least one agent shall remain with the vehicle at all times that the vehicle contains marijuana or marijuana products. Prior to the products leaving a marijuana establishment for the purpose of transporting marijuana products, the originating marijuana establishment must weigh, inventory, and account for, on video, all marijuana products to be transported. Within eight hours after arrival at the destination marijuana establishment, the destination establishment must re-weigh, re-inventory, and account for, on video, all marijuana products transported. When videotaping the weighing, inventorying, and accounting of marijuana products before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. Marijuana products must be packaged in sealed, labeled, and tamper or child-resistant packaging prior to and during transportation. In the case of an emergency stop during the transportation of marijuana products, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A marijuana establishment or a marijuana transporter transporting marijuana products is required to ensure that all transportation times and routes are randomized. An establishment or transporter transporting marijuana products shall ensure that all transport routes remain within Massachusetts. All vehicles and transportation equipment used in the transportation of cannabis products or edibles requiring temperature control for safety must be designed, maintained, and equipped as necessary to provide adequate temperature control to prevent the cannabis products or edibles from becoming unsafe during transportation, consistent with applicable requirements pursuant to 21 CFR 1.908(c).

Vehicles used for transport must be owned or leased by the marijuana establishment or transporter, and they must be properly registered, inspected, and insured in Massachusetts. Marijuana may not be visible from outside the vehicle, and it must be transported in a secure, locked storage compartment. Each vehicle must have a global positioning system, and any agent transporting marijuana must have access to a secure form of communication with the originating location.

Massachusetts CCC Inspections

The CCC or its agents may inspect a marijuana establishment and affiliated vehicles at any time without prior notice in order to determine compliance with all applicable laws and regulations. All areas of a marijuana establishment, all marijuana establishment agents and activities, and all records are subject to such inspection. Marijuana establishments must immediately upon request make available to the Commission all information that may be relevant to a CCC inspection, or an investigation of any incident or complaint. A marijuana establishment must make all reasonable efforts to facilitate the CCC's inspection, or investigation of any incident or complaint, including the taking of samples, photographs, video or other recordings by the CCC or its agents, and to facilitate the CCC's interviews of marijuana establishment agents. During an inspection, the CCC may direct a Marijuana Establishment to test marijuana for contaminants as specified by the CCC, including but not limited to mold, mildew, heavy metals, plant-growth regulators, and the presence of pesticides not approved for use on marijuana by the Massachusetts Department of Agricultural Resources.

Moreover, the CCC is authorized to conduct a secret shopper program to ensure compliance with all applicable laws and regulations.

U.S. Attorney Statements in Massachusetts

On July 10, 2018, the U.S. Attorney for the District of Massachusetts, Andrew Lelling, issued a statement regarding the legalization of adult-use marijuana in Massachusetts. Mr. Lelling stated that since he has a constitutional obligation to enforce the laws passed by Congress, he would not immunize the residents of Massachusetts from federal law enforcement. He did state, however, that his office's resources would be primarily focused on combating the opioid epidemic. He stated that considering those factors and the experiences of other states that have legalized adult-use marijuana, his office's enforcement efforts would focus on the areas of (i) overproduction, (ii) targeted sales to minors and (iii) organized crime and interstate transportation of drug proceeds.

In December 2021, when asked if she would prosecute marijuana offenses, given that it is legalized in Massachusetts but not at the federal level, then U.S. Attorney for the District of Massachusetts, Rachel Rollins publicly commented the following: "My intent is to look at significant distributors, massive drug kingpins, with respect to marijuana," she said. "We want to make sure we are focusing on the people who are trafficking [rather than individual users]."

To the knowledge of management of the Company, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Massachusetts. See "*Risk Factors - The Company's Business Activities are Illegal under U.S. Federal Law.*"

New Jersey

New Jersey Legislative history

On January 18, 2010, the governor of New Jersey signed into law S.119, the Compassionate Use Medical Marijuana Act ("CUMMA"), permitting the use of medical cannabis for persons with debilitating conditions including cancer, HIV/AIDS, ALS, Crohn's disease and any terminal illness. In July 2017, the Jake Honig Compassionate Use Medical Cannabis Act (the "NJ Act") was enacted to substantially reform and expand CUMMA. The NJ Act established the New Jersey Cannabis Regulatory Commission ("CRC"), which is responsible for the administration and implementation of the NJ Act. The NJ Act does not permit patients to grow their own cannabis but rather mandates that cannabis must be acquired through Alternative Treatment Centers ("ATCs") licensed by the State. ATCs are non-profit entities and have the exclusive right to produce and sell medical cannabis in New Jersey.

On March 27, 2018 through executive order No. 6 (2018), Governor Phil Murphy expanded the medical cannabis program, announcing the 20-plus recommendations presented by the NJDH on March 23, 2018. The NJDH's recommendations and next steps included certain measures that took effect immediately (e.g. the addition of debilitating conditions and the reduction of registration fees) and other recommendations (e.g. the home delivery model) that required further regulatory or statutory enactment.

In February 2019, the NJDH amended the list of debilitating conditions to include opioid use disorder, which had been accepted as petition by the review panel. To date there are at least 17 approved qualifying medical conditions. The NJDH also implemented measures to streamline the enrollment process for patients, allow physicians to opt out of being listed publicly, and opened the permitting process for up to 24 new ATCs.

In the 2020 general election, New Jersey residents voted two-to-one in favor of recreational cannabis legalization. In February 2021, the state passed the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization (CREAMM) Act which regulates the recreational sale and possession of cannabis. In that same month, Governor Murphy completed his appointments for the five-person CRC.

New Jersey Licenses

The CRC is responsible for administering the NJ Act to ensure qualifying patients’ access to safe cannabis for medical use in New Jersey. The CRC is responsible for issuing permits to entities who will operate an ATC. New Jersey permits ATCs to be vertically integrated. One of the recommendations in executive order No. 6 is to allow existing license holders to have up to two additional dispensaries not attached to the growing facility. The NJDH has issued twelve permits. In 2018, the NJDH previously accepted applications for an additional six vertical permits. The CRC is not accepting applications for ATCs at this time.

ATC permits expire annually. A permit renewal application must be submitted at least 60 days prior to the expiration date. An ATC that seeks to renew its permit must submit to the permitting authority an application for renewal with all required documentation and the required fees. An ATC likewise must update and ensure the correctness of all information submitted in previous applications for a permit or otherwise on file with the CRC. Prior to the issuance of any permit, every principal officer, owner, director and board member of an ATC must certify stating that he or she submits to the jurisdiction of the courts of the State of New Jersey and agrees to comply with all the requirements of the laws of New Jersey pertaining to New Jersey’s Medicinal Marijuana Program. Failure to provide correct and current up-to-date information is grounds for denial of the application for renewal of the permit.

On August 19, 2021, the CRC adopted its initial rules for adult use of cannabis in New Jersey, effective for one year ending on August 19, 2022. The rules focused on the application process and the requirements for owning and operating a cannabis business. Additional rules will be fleshed out through the normal regulatory rule making process during 2022.

Acreage CCF New Jersey, LLC (“CCF”) is a vertically integrated medical and recreational cannabis operator in New Jersey with licenses to conduct growing, processing, wholesale, and dispensary operations in Egg Harbor, New Jersey. On October 4, 2013, the New Jersey Department of Health issued CCF a license to operate its facilities. The license has been renewed without issue. On June 26, 2020 Acreage closed on the purchase of CCF and it is currently a wholly-owned subsidiary.

The table below lists the permit issued to CCF:

Subsidiary	Permit Number	City	Expiration Date	Description
Acreage CCF New Jersey, LLC	MC000003, MM000002	Egg Harbor	12/31/2024	Medicinal Cultivate and Manufacturing
Acreage CCF New Jersey, LLC	C000003, M000002	Egg Harbor	4/17/2025	Recreational Cultivate and Manufacturing
Acreage CCF New Jersey, LLC	MRE000013	Egg Harbor	12/31/2024	Medicinal Dispense
Acreage CCF New Jersey, LLC	RE000013	Egg Harbor	4/20/2025	Recreational Dispense
Acreage CCF New Jersey, LLC	MRE000383	Atlantic City	12/31/2024	Medicinal Dispense
Acreage CCF New Jersey, LLC	MRE000014	Williamstown	12/31/2024	Medicinal Dispense
Acreage CCF New Jersey, LLC	RE000014	Williamstown	4/20/2025	Recreational Dispense

New Jersey Record-keeping/Reporting

New Jersey uses METRC and Dutchie as its T&T system. All information is forwarded to the MMMP through email. The ATC collects and submits to the NJDH for each calendar year statistical data on (a) the number of registered qualified patients and registered primary caregivers, (b) the debilitating medical conditions of the qualified patients, (c) patient demographic data, (d) summary of the patient surveys and evaluation of services and (e) other information as the NJDH may require. The ATC must retain records for at least two years.

The ATC must maintain the following administrative records, as applicable: Organization charts consistent with the job descriptions at N.J.A.C. 17:30A-9.4(a)6; a general description of any facilities to be used as an ATC and a floor plan identifying the square footage available and descriptions of the functional areas of the ATC; a projection of the number of qualified patients to be served by the ATC; projections by the ATC for a two-year period of the ratio of registered qualifying patients-to-demand for usable marijuana and procedures by which the ATC shall periodically review these ratios for consistency with actual patient demand ratios; procedures by which the ATC shall ensure the availability of medicinal marijuana in accordance with projected and actual demand ratios; the name, medical license number, resume, and contact address of the medical director of the ATC, if applicable; the name, resume, and address of the chief administrative officer of the ATC; and the standards and procedures by which the ATC determines the price it charges for usable marijuana and a record of the prices charged.

ATCs must maintain business records including, manual or computerized records of assets and liabilities, monetary transactions, various journals, ledgers, and supporting documents, including agreements, checks, invoices, and vouchers that the ATC keeps as its books of accounts. Business records include sales records that indicate the name of the qualifying patient or primary caregiver to whom marijuana is distributed, the quantity, strength, and form and the cost of the product. The bylaws of the ATC and its affiliates or sub-contractors must contain provisions relative to the disposition of revenues and receipts as may be necessary and appropriate to establish and maintain its nonprofit status, as applicable.

New Jersey Inventory/Storage

An ATC must establish inventory controls and procedures for the conduct of inventory reviews and comprehensive inventories of cultivating, stored, usable and unusable cannabis. The ATC will conduct a monthly inventory of cultivating, stored, usable and unusable cannabis. Through a unified T&T system is not currently in place, an ATC is required to have a T&T system for tracking inventory and dispensing cannabis products to patients. CCF uses METRC and Dutchie as its T&T system. An ATC is authorized to possess two ounces of usable cannabis per registered qualifying patient plus an additional supply, not to exceed the amount needed to enable the alternative treatment center to meet the demand of newly registered qualifying patients.

An ATC, at a minimum, must (a) establish inventory controls and procedures for the conduct of inventory reviews and comprehensive inventories of cultivating, stored, usable and unusable cannabis, (b) conduct a monthly inventory of cultivating, stored, usable and unusable cannabis, (c) perform a comprehensive inventory inspection at least once every year from the date of the previous comprehensive inventory, and (d) promptly transcribe inventories taken by use of an oral recording device. If cannabis is disposed of, the ATC must maintain a written record of the date, the quantity disposed of, the manner of disposal and the persons present during the disposal, with their signatures. ATCs must keep disposal records for at least two years. Results of the inventory inspection should document the date of the inventory review, a summary of the inventory findings and the name, signature and title of the individuals who conducted the inventory inspection.

An ATC is required to limit access to medicinal cannabis storage areas to the absolute minimum number of specifically authorized employees. In the event non-employee maintenance personnel, business guests or visitors to be present in or pass through medical cannabis storage areas, the ATC must have a dedicated person who is specifically authorized by policy or job description to supervise the activity. The ATC must ensure that the storage of usable cannabis prepared for dispensing to patients is in a locked area with adequate security.

New Jersey Security

An ATC is required to implement effective controls and procedures to guard against theft and diversion of cannabis including systems to protect against electronic records tampering. At a minimum, there are 13 minimum security requirements pursuant to the NJ Admin. Code 17:30A-9.7.

A video surveillance system must be installed and operated to clearly monitor all critical control activities of the ATC and must operate in good working order at all times. The ATC must provide two monitors for remote viewing via telephone lines to the NJDH offices. This security system must be approved by State of New Jersey's Medicinal Marijuana Program prior to permit issuance. The original tapes or digital pictures produced by the system must be stored in a safe place for a minimum of 30 days.

New Jersey Transportation

An ATC that is authorized by permit to cultivate medicinal marijuana at one location and to dispense it at a second location shall transport only usable marijuana from the cultivation site to the dispensing site according to a delivery plan submitted to the Department. Each vehicle must be staffed with at least two registered ATC employees. At least one delivery team member

shall remain with the vehicle at all times that the vehicle contains medicinal marijuana. Each delivery team member shall have access to a secure form of communication with the ATC, such as a cellular telephone, at all times that the vehicle contains medicinal marijuana. Each delivery team member must possess their ATC employee identification card at all times and shall produce it to NJDH staff or law enforcement officials upon demand.

Each transport vehicle needs to be equipped with a secure lockbox or locking cargo area, which shall be used for the sanitary and secure transport of medicinal marijuana. Each ATC must maintain current commercial automobile liability insurance on each vehicle used for transport of medicinal marijuana in the amount of one million dollars per incident. Each ATC must ensure that vehicles used to transport medicinal marijuana bear no markings that would either identify or indicate that the vehicle is used to transport medicinal marijuana, and each trip must be completed in a timely and efficient manner, without intervening stops or delays. Each ATC shall maintain a record of each transport of medicinal marijuana in a transport logbook, which must include dates and times of trips, names of employees on the delivery team, relevant facts about the products transported and the signatures of the delivery team.

ATCs must report any vehicle accidents, diversions, losses, or other reportable events that occur during transport to the permitting authority in accordance with New Jersey law.

Home delivery is not permitted under New Jersey law. An ATC may not deliver marijuana to the home or residence of a registered qualifying patient or primary caregiver.

U.S. Attorney Statements in New Jersey

To the knowledge of management of the Company, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in New Jersey. See “*Risk Factors - The Company’s Business Activities are Illegal under U.S. Federal Law*”.

New York

New York Legislative history

In July 2014, the New York Legislature and Governor enacted the Compassionate Care Act (the “CCA”) to provide a comprehensive, safe and effective medical cannabis program. The CCA bill which is part of the Title V-A in Article 33, Title 10, Chapter 13 of the Public Health Law is scheduled to sunset in seven (7) years, in 2021. The CCA provides access to the program to those who suffer from one of 31 qualifying serious conditions including, debilitating or life-threatening conditions including cancer, HIV/AIDS, ALS and chronic pain. Patients must also have one of the following associated or complicating conditions: cachexia or wasting syndrome, severe or chronic pain, severe nausea, seizures, or severe or persistent muscle spasms.

On March 31, 2021, New York enacted the Marijuana Regulation and Taxation Act (the “MRTA”) into law, legalizing adult-use cannabis in the state and establishing a regulatory framework for both medical and adult-use. MRTA Article 3 governs medical cannabis, which Article 4 governs adult use. Six months following the appointment of the Cannabis Control Board (the “CCB”), the CCA was scheduled to be repealed and replaced by MRTA’s medical provisions. Governor Kathy Hochul appointed the final members of the CCB in September 2021. Regulatory oversight of medical cannabis was transferred to Office of Cannabis Management (the “OCM”), with oversight from the CCB.

In February 2023, 9 NYCRR § 113 came into effect. This legislation governs medical cannabis, complementing the MRTA regulations. The conditions for which patients qualify to use medical cannabis have been expanded. The CCA originally provided access to those who suffered from one of 31 qualifying serious conditions including, debilitating or life-threatening conditions including cancer, HIV/AIDS, ALS and chronic pain. Patients were also required to suffer from one of the following associated or complicating conditions: cachexia or wasting syndrome, severe or chronic pain, severe nausea, seizures, or severe or persistent muscle spasms. Under MRTA, the qualifying conditions now include the following: cancer, amyotrophic lateral sclerosis (ALS), Parkinson’s disease, multiple sclerosis, damage to the nervous tissue of the spinal cord with objective neurological indication of intractable spasticity, epilepsy, inflammatory bowel disease, neuropathies, Huntington’s disease, post-traumatic stress disorder (PTSD), pain that degrades health and functional capability where the use of medical cannabis is an alternative to opioid use, substance use disorder, Alzheimer’s, muscular dystrophy, dystonia, rheumatoid arthritis, autism or any other condition certified by the practitioner.

In September 2023, 9 NYCRR § 118-121, 123-125, and 131 were enacted to solidify the framework for adult-use cannabis. These new laws address municipal rulemaking procedure, application and licensure, social and economic equity rules, license-specific requirements, general business requirements, and general operating requirements. From October 2023 to December 2023, OCM accepted applications for certain adult-use license types from the general public for the first time in history. Prior to October 2023, only applications from individuals of diverse backgrounds or nonprofit entities serving diverse individuals were accepted. The landscape of adult-use regulations is still actively developing.

On December 11, 2023, the CCB approved six Registered Organizations (“ROs”) to begin adult-use sales on December 29, 2023. NYCANNA, LLC applied for, and received, approval as a Registered Organization Dispensing licensee and has begun wholesaling into the adult-use market in New York as of January 2024.

New York Licenses

The New York Department of Health (“NYDOH”) has issued licenses to ten registered organizations which hold vertically integrated licenses.

The table below lists the licenses approved to be issued to NYCANNA, LLC (“NYCANNA”), an indirect subsidiary of the Company:

Subsidiary	License number	City	Expiration Date	Description
NYCANNA, LLC	MM0601M	Dewitt	11/16/2025	Acquiring possession, sale, transporting, distributing and dispensing medical marijuana
NYCANNA, LLC	MM0602D	Jamaica	11/16/2025	Acquiring possession, sale, transporting, distributing and dispensing medical marijuana
NYCANNA, LLC	MM0603D	Farmingdale	11/16/2025	Acquiring possession, sale, transporting, distributing and dispensing medical marijuana
NYCANNA, LLC	MM0604D	Buffalo	11/16/2025	Acquiring possession, sale, transporting, distributing and dispensing medical marijuana
NYCANNA, LLC	MM0605D	Wallkill	11/16/2025	Acquiring possession, sale, transporting, distributing and dispensing medical marijuana

The New York dispensary, growing and processing licenses are valid for two years from the date of issuance and the license holders are required to submit a renewal application not be more than six months nor less than four months prior to expiration. License holders must ensure that no cannabis is sold, delivered, transported or distributed by a producer from or to a location outside of New York.

New York Record-keeping/Reporting

ROs for both medicinal and adult-use operations must maintain MRTA required records for a period of five years. Pursuant to MRTA Section 78, licensees are required to purchase and use their own electronic inventory tracking system. Such records must include (i) documentation, including lot numbers where applicable, of all materials used in the manufacturing of the medical cannabis product to allow tracking of the materials, including but not limited to, soil, soil amendment, nutrients, hydroponic materials, fertilizers, growth promoters, pesticides, fungicides, and herbicides; (ii) cultivation, manufacturing, packaging and labeling production records; and (iii) laboratory testing results.

ROs are currently permitted to use any third-party software inventory tracking system. The main requirement is that the tracking system be able to transmit data to OCM’s BioTrack system. All ROs are required to have an inventory tracking system that will transmit data through an application program interface (API) to OCM’s BioTrack system. NYCANNA uses Dutchie to push the data to the CCB to meet all reporting requirements. Each month, each RO is required to file reports with the CCB which provides information showing all products dispensed during the month.

New York Inventory/Storage

A record of all approved cannabis products that have been dispensed must be filed with the CCB electronically through Dutchie no later than 24 hours after the cannabis was dispensed to the certified patient or adult customer. The information filed must include (a) a serial number for each approved cannabis product dispensed to the certified patient or adult customer, (b) an identification number for the RO’s dispensing facility, (c) the patient’s name, date of birth and gender, (d) the patient’s address, including street, city, state and zip code, and (e) the patient’s registry identification card number.

All cannabis that is not part of a finished product must be stored in a secure area or location within the RO to prevent diversion, theft or loss and against physical, chemical and microbial contamination and deterioration. Cannabis must be returned to its secure location immediately after completion of manufacture, distribution, transfer or analysis. All equipment approved for cannabis storage must be securely locked and protected from entry, except for the actual time required to remove or replace cannabis or cannabis products. A separate secure area must be designated for temporary storage of any cannabis or cannabis product that requires disposal. Access to cannabis storage areas must be limited to authorized personnel of the ROs, OCM employees, CCB members, and emergency personnel.

New York Security

MRTA provides, “Manufacturing of medical cannabis by a registered organization shall only be done in a secure facility located in New York state, which may include a greenhouse. The board shall promulgate regulations establishing requirements for such facilities. Dispensing of medical cannabis by a registered organization shall only be done in an indoor, enclosed, secure facility located in New York state. The board shall promulgate regulations establishing requirements for such facilities.” Additionally, 9 NYCRR § 125 sets forth more detailed security requirements. Such requirements include loitering prevention procedures; perimeter doors and windows with functional locks; video surveillance in all areas that contain cannabis as well as all points of entry and exit within the facilities; procedures to deter cannabis loss and theft; secure cash storage, handling, and transportation; lights which illuminate the perimeter of the facilities; and securing all entrances to prevent unauthorized access.

New York Transportation

No RO may transport cannabis products or medical cannabis except in vehicles owned and operated by such RO, licensee or permittee, or hired and operated by such RO, licensee or permittee from a trucking or transportation company permitted and registered with the board. No transporter in New York may knowingly receive for transportation or delivery within the state any cannabis products or medical cannabis unless the shipment is accompanied by a copy of a bill of lading, or other document, showing the name and address of the consignor, the name and address of the consignee, the date of the shipment, and the quantity and kind of cannabis products or medical cannabis contained therein. The CCB will issue special trucking permits to allow for the transportation of cannabis products by a person or entity other than the RO.

New York Inspections

All licensed or permitted premises and all records are subject to inspection by the OCM, by the duly authorized representatives of the CCB, by any peace officer acting pursuant to his or her special duties, or by a police officer. The subject may include ensuring compliance with applicable licenses, permits, regulations, and other applicable state and local building codes, fire, health, and safety regulations.

New York Testing

ROs must contract with an independent laboratory permitted by the CCB to test the medical cannabis produced by the RO. The CCB shall approve the laboratories used by the RO, including sampling and testing protocols and standards used by the laboratories, and may require that the RO use a particular testing laboratory. The CCB is authorized to issue regulations requiring the laboratory to perform certain tests and services. ROs must, based on the findings of an independent laboratory, provide documentation of the quality, safety and clinical strength of the medical cannabis manufactured or dispensed by the RO to the office and to any person or entity to which the medical cannabis is sold or dispensed.

U.S. Attorney Statements in New York

To the knowledge of management of the Company, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in New York. See “*Risk Factors - The Company’s Business Activities are Illegal under U.S. Federal Law*”.

Ohio

Ohio Legislative History

Effective September 8, 2016, House Bill 523 legalized the use of medical cannabis for 21 debilitating conditions as prescribed by a licensed physician. On implementation, the Ohio Medical Marijuana Control Program (“OMMCP”) will allow people with

certain medical conditions including Alzheimer’s disease, HIV/AIDS, ALS, cancer, and traumatic brain injury to legally purchase medical cannabis. On July 8, 2020 Ohio Medical Board added Cachexia to the list of qualifying conditions. Though Ohio was required to implement a fully operational OMMCP by September 8, 2018 with a controlled system for cultivation, laboratory-testing, physician/patient registration and dispensing, the timeline was delayed until November 2018. Regulatory oversight is shared between three offices; (a) the Ohio Department of Commerce with respect to overseeing cultivators, processors and testing laboratories; (b) the Ohio Board of Pharmacy with respect to overseeing retail dispensaries and the registration of patients and caregivers, and (c) the State Medical Board of Ohio with respect to certifying physicians to recommend medical cannabis. The OMMCP will permit limited product types including oils, tinctures, plant materials and edibles. Adult-use and the smoking of cannabis flower are prohibited.

On November 7, 2023, Ohio voters approved Issue 2, which legalized the adult use of marijuana. That law went into effect on December 7, 2023. This will allow our operations to add three (3) dispensing sites throughout the state. We anticipate adult-use sales launching in the fourth quarter of 2024.

Ohio Licenses

Prior to September 8, 2018, the Ohio Board of Pharmacy was permitted to issue up to 60 dispensary provisional licenses. After September 8, 2018, additional provisional licenses are permitted to be issued if the population, the number of patients seeking to use medical cannabis products and the availability of all forms of cannabis products support additional licenses. To be considered for approval of a provisional dispensary or a processing license, the applicant must complete all mandated requirements. To obtain a certificate of operation for a medical cannabis dispensary or processing facility, the prospective licensee must be capable of operating in accordance with Chapter 3796 of the Revised Code, the Medical Marijuana Control Program. Dispensary Certificates of operation carry two-year terms, while certificates of operation for cultivators and processors must be renewed annually.

A certificate of operation will expire on the date identified on the certificate. A licensee will receive written or electronic notice 90 days before the expiration of its certificate of operation. The licensee must submit the renewal information at least 45 days prior to the date the existing certificate expires. The information required for the license renewal includes, but is not limited to, the following: (a) a roster that includes the dispensary’s employees’ names, (b) the history of compliance with regulations, and (c) the number and severity of any violations. If a licensee’s renewal application is not filed prior to the expiration date of the certificate of operation, the certificate of operation will be suspended for a maximum of 30 days. After 30 days, if the dispensary has not successfully renewed the certificate of operation, including the payment of all applicable fees, the certificate of operations will be deemed expired. The original implementation deadline of September 8, 2018 was missed by Ohio, as noted above. Starting in January 2019, Ohio patients were able to purchase medical cannabis.

Greenleaf Apothecaries, LLC (“GLA”) has been issued five dispensary licenses and Greenleaf Therapeutics, LLC (“GLT”) has been issued one provisional processing license. Greenleaf Gardens, LLC (“GLG”) has been issued one provisional grow license. The table below lists the locations of the licenses.

The table below lists the licenses issued to GLA, GLT and GLG:

Subsidiary	License Number	City	Expiration Date	Description
GLA	MMD.0700080	Akron	7/1/2025	Dispensary Facility
GLA	MMD.0700042	Cleveland	7/1/2025	Dispensary Facility
GLA	MMD.0700004	Canton	7/1/2025	Dispensary Facility
GLA	MMD.0700083	Wickliffe	7/1/2025	Dispensary Facility
GLA	MMD.0700043	Columbus	7/1/2025	Dispensary Facility
GLT	MMCPP00064	Middlefield	3/8/2025	Processing
GLG	MMCP00143	Middlefield	12/3/2024	Cultivation

GLA currently has five operational dispensaries, one in each of the cities set out in the table above.

Ohio Record-keeping/Reporting

A holder of a processing license must maintain the following records: (a) samples sent for testing, (b) disposal of products, (c) tracking of inventory, (d) form and types of medical cannabis maintained at the processing facility on a daily basis, (e) production records, including extraction, refining, manufacturing, packaging and labeling, (f) financial records, and (g) purchase invoices, bills of lading, manifests, sales records, copies of bills of sale, and any supporting documents, including the items and/or services purchased, from whom the items were purchased, and the date of purchase.

A holder of a dispensary license must maintain the following records: (a) confidential storage and retrieval of patient information or other medical cannabis records, (b) records of all medical cannabis received, dispensed, sold, destroyed, or used, (c) dispensary operating procedures, (d) a third-party vendor list, (e) monetary transactions, and (f) journals and ledgers. All records relating to the purchase or return, dispensing, distribution, destruction, and sale of medical cannabis must be maintained under appropriate supervision and control to restrict unauthorized access on the licensed premises for a five-year period.

Ohio Inventory/Storage

Ohio has selected METRC as the T&T system. Individual licensees, whether directly or through third-party APIs, are required to push data to the state to meet all reporting requirements. A holder of a processing license must track and submit through the inventory tracking system any information the Ohio Department of Commerce determines necessary for maintaining and tracking medical cannabis extracts and products.

A holder of a processing or cultivation license must conduct weekly inventory of medical cannabis which includes (a) the date of the inventory, (b) net weight of plant material and the net weight and volume of medical cannabis extract, (c) net weight and unit count of medical cannabis products prepared or packaged for sale to a dispensary, and (d) a summary of the inventory findings. On an annual basis and as a condition for renewal of a processing license, a holder of a processing license shall conduct a physical, manual inventory of plant material, medical cannabis extract, and medical cannabis products on hand at the processor and compare the findings to an annual inventory report generated using the inventory tracking system. A holder of a processing license must store plant material, medical cannabis extract, and medical cannabis product inventory on the premises in a designated, enclosed, locked area and accessible only by authorized individuals.

A holder of a dispensary license must use the METRC T&T system to push data to the Ohio Board of Pharmacy on a real-time basis. The following data must be transmitted: (a) each transaction and each day's beginning inventory, acquisitions, sales, disposal and ending inventory, (b) acquisitions of medical cannabis from a licensed processor or cultivator holding a plant-only processor designation, (c) name and license number of the licensed dispensary employee receiving the medical cannabis and, (d) other information deemed appropriate by the Ohio State Board of Pharmacy. A dispensary's designated representative shall conduct the inventory at least once a week. Records of each day's beginning inventory, acquisitions, sales, disposal and ending inventory shall be kept for a period of three years.

The dispensary licensee must restrict access areas and keep stock of medical cannabis in secured area enclosed by a physical barrier with suitable locks and an alarm system capable of detecting entry at a time when licensed dispensary employees are not present. Medical cannabis must be stored at appropriate temperatures and under appropriate conditions to help ensure that its identity, strength, quality and purity are not adversely affected.

Ohio Security

All licensees must have a security system that remains operational at all times and that uses commercial grade equipment to prevent and detect diversion, theft or loss of medical cannabis, including (a) a perimeter alarm, (b) motion detectors, and (c) duress and panic alarms. A dispensary must also employ a holdup alarm, which means a silent alarm signal generated by the manual activation of a device intended to signal a robbery in progress.

Video cameras at a dispensary must be positioned at each point of egress and each point of sale. The cameras must capture the sale, the individuals and the computer monitors used for the sale. Video surveillance recording must operate 24 hours a day, seven days a week. Recording from all video cameras during hours of operation must be made available for immediate viewing by the Ohio State Board of Pharmacy upon request and must be retained for at least six months.

Video cameras at a processing or cultivation facility must be directed at all approved safes, approved vaults, cannabis sales areas, and any other area where plant material, medical cannabis extract, or medical cannabis products are being processed, stored or handled. Video surveillance must take place 24 hours a day, seven days a week. Recordings from all video cameras during hours of operation must be readily available for immediate viewing by the Ohio regulatory bodies upon request and must be retained for at least six months.

Ohio Transportation

Medical marijuana entities must maintain a transportation log containing the names and addresses of the medical marijuana entities sending and receiving the shipment, names and registration numbers of the registered employees transporting the medical marijuana or the products containing medical marijuana, the license plate number and vehicle type that will transport

the shipment, the time of departure and estimated time of arrival, the specific delivery route, which includes street names and distances; and the total weight of the shipment and a description of each individual package that is part of the shipment, and the total number of individual packages. Copies of the log described above must be transmitted to the recipient and to the Ohio Department of Commerce before the close of business the day prior to the trip.

Vehicles transporting medical marijuana or marijuana products must be insured as required by law, store the products in locked compartments, ensure that the products are not visible from outside the vehicle, be staffed with two employees registered with the department (with one remaining with the vehicle at all times) and have access to the 911 emergency system. Vehicles must not be marked with any marks or logos.

Trips must be direct, other than to refuel the vehicle. Drivers must have their employee identification cards at all times and must ensure that delivery times and routes are randomized. A copy of the transportation log must be carried during the trip.

Ohio Inspections

The submission of an application that results in the issuance of a provisional license or certificate of operation for a cultivator or processor irrevocably gives the Ohio Department of Commerce consent to conduct all inspections necessary to ensure compliance with the cultivator's application, state and local law and regulators. An inspector conducting an inspection pursuant to this rule shall be accompanied by a "type 1" key employee during the inspection. The inspector may review and make copies of records, enter any area of a facility, inspect vehicles, equipment, premises, and question employees, among other actions.

Dispensaries in Ohio are subject to random and unannounced dispensary inspections and medical marijuana testing by the Ohio Board of Pharmacy. The Ohio Board of Pharmacy and its representatives may enter facilities and vehicles where medical marijuana is held and conduct inspections in a reasonable manner each place and all pertinent equipment, containers and materials and data. The Ohio Board of Pharmacy may also obtain any medical marijuana or related products from such facility.

U.S. Attorney Statements in Ohio

To the knowledge of management of the Company, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Ohio. See "*Risk Factors - United States Regulatory Uncertainty*".

Pennsylvania

Pennsylvania Legislative History

The Pennsylvania Medical Marijuana Program (the "PA Program") was established by the Pennsylvania Medical Marijuana Act (the "PA Act") on April 17, 2016. The PA Program provides access to medical cannabis for qualified state residents who suffer from 23 specific medical conditions including epilepsy, chronic pain, HIV, AIDS, cancer, and post-traumatic stress disorder. To qualify under the PA Program, medical cannabis patients must both register with the Pennsylvania Department of Health (the "PADOH") and obtain either an identification card or authorization letter from the PADOH. On February 15, 2018, dispensaries licensed under the PA Program began selling medical cannabis to qualified patients. Pennsylvania currently allows sale of medical cannabis to qualified patients in the following forms: pill, oil, topical forms including gels, creams, or ointments, tincture, and liquids. On August 1, 2018, the Pennsylvania Health Secretary approved the sale of dry leaf cannabis.

On December 14, 2023, Governor Shapiro signed a bill into law that allows any non-vertical operators to apply for additional permits which would allow vertical integration. Prime Wellness of Pennsylvania LLC intends to apply for permits to dispense within the Commonwealth. The law would allow Prime Wellness of Pennsylvania LLC to receive one (1) permit, and three (3) dispensing locations.

Pennsylvania Permits

The PA Act allows the PADOH to issue up to 25 grower/processor permits and 50 dispensary permits (each dispensary permit allows the holder to open up to three separate dispensary sites). On June 29, 2017, the PADOH issued 12 cultivation/processing

permits and 27 dispensary permits. Permits are granted to applicants who demonstrate, among other things: (a) the ability to implement and maintain effective security measures and controls to prevent diversion, (b) a clear criminal background free of illegal conduct, (c) compliance with municipality zoning requirements, (d) well-defined standard operating procedures, and (e) a verified diversity plan. Prior to awarding permits, the PA Program requires the PADOH to verify all applicant information including through interviews of principals, operators, financial backers, and employees engaged and to be engaged in the permit applicant’s cannabis operations.

The table below lists the permit issued to Prime Wellness of Pennsylvania LLC (“PWPA”), an indirect Subsidiary of the Company.

Subsidiary	Permit	City	Expiration Date	Description
Prime Wellness of Pennsylvania LLC	GP- 1005-17	Sinking Spring	6/20/2024	Grow/Processing Facility

Dispensary, grower, and processing permits are valid for one year from the date of issuance and permit holders are required to submit renewal applications in accordance with the PA Act. The PADOH must renew a permit unless it determines the applicant is unlikely to maintain effective control against diversion of medical cannabis and the applicant is unlikely to comply with all laws as prescribed under the PA Act. Additionally, permit holders must ensure that no cannabis is sold, delivered, transported, or distributed outside of Pennsylvania.

Pennsylvania Record keeping/Reporting

The PA Act requires each licensed medical cannabis grower/processor or dispensary to report information to the PADOH every three months including, but not limited to, (a) the amount of medical cannabis sold by the grower/processor, (b) the total value and amounts of medical cannabis sold by the grower/processor, (c) the amount of medical cannabis purchased by each dispensary, (d) the cost and amounts of medical cannabis sold to each dispensary, and (e) the total amount and dollar value of medical cannabis sold by each dispensary.

To monitor reporting requirements under the PA Act, the PADOH selected MJ Freeway as the T&T system to implement a seed-to-sale electronic tracking. PWPA also uses MJ Freeway to push data and ensure compliance with all reporting requirements.

Pennsylvania Inventory/Storage

The PA Act requires each medical cannabis grower/processor maintains inventory and storage data in an electronic format through MJ Freeway. The following information is tracked to ensure a compliant cannabis business operation: (a) the number, weight, and type of seeds used, (b) the number of immature medical cannabis plants, (c) the number of mature medical cannabis plants, (d) the number of medical cannabis products ready for sale, and (d) the number of damaged, defective, expired, or contaminated seeds, immature medical cannabis plants, medical cannabis plants and medical cannabis products awaiting disposal.

Robust physical inventory controls and procedures are required of each medical cannabis grower/processor under the PA Act. The following procedures are mandated to ensure physical inventory counts match electronic records: (a) monthly inventory counts of both medical cannabis plants in the process of growing and medical cannabis products that are stored for future sale, (b) comprehensive inventory counts of seeds, immature medical cannabis plants and medical cannabis plants, and (c) written or electronic records created and maintained for each inventory count conducted.

Additionally, each medical cannabis grower/processor must separately store in locked, limited access areas all seeds, immature medical cannabis plants, medical cannabis plants and medical cannabis that is expired, damaged, deteriorated, mislabeled or contaminated.

Pennsylvania Security

The PA Act mandates each medical cannabis grower/processor must use security and surveillance systems including stringent video backup requirements to safeguard their medical cannabis and related products. Security requirements include: (a) alarm systems that cover all facility entrances, exits, areas that contain medical cannabis, safes, and the perimeter of the facility, and (b) professionally-monitored security and surveillance systems that operate 24 hours a day, 7 days a week and record all activity in images capable of clearly revealing facial detail. All images captured by each surveillance camera must be stored for a minimum of two (2) years in a format that may be easily accessed for investigative purposes. Furthermore, all recordings must be kept in a locked cabinet, closet or other secure place to protect them from tampering or theft.

The PA Act also specifies requirements for the alarm system. The alarm system must include: (a) a silent security alarm signal, (b) an audible security alarm signal generated by the manual activation of a device intended to signal a life-threatening or emergency situation requiring law enforcement response, and (c) an electrical, electronic, mechanical, or other device capable of being programmed to send a pre-recorded voice message requesting dispatch, when activated, over a telephone line, radio, or other communication system to a law enforcement, public safety, or emergency services agency.

Pennsylvania Transportation

A medical cannabis grower/processor must transport and deliver medical cannabis to a medical cannabis organization or an approved laboratory within Pennsylvania in accordance with the following: (a) deliveries must be made between 7:00 a.m. and 9:00 p.m., (b) a global positioning system must be used to ensure safe and efficient delivery, (c) medical cannabis may not be visible from outside of the transport vehicle, (d) vehicles must be equipped with a secure cargo area, (e) each transport vehicle must be staffed with at least two individuals and at least one delivery team member must remain with the medical cannabis at all times, and (f) a printed or electronic transport manifest must accompany every delivery.

Pennsylvania Inspections

The PADOH may conduct announced or unannounced inspections or investigations to determine the medical marijuana organization's compliance with its license and Pennsylvania laws and regulations. During an inspection or investigation, the PADOH may review the site, facility, vehicles, books, records, papers, documents, data, and other physical or electronic information. The PADOH may also question employees, officers, investors or similar persons and any other person or entity providing services to the medical marijuana organization.

The PADOH may also conduct an inspection of a grower/processor facility's equipment, instruments, tools and machinery that are used to grow, process and package medical marijuana, including containers and labels. The PADOH and its authorized agents will have free access to review and, if necessary, make copies of books, records, papers, documents, data, or other physical or electronic information that relates to the business of the medical marijuana organization, including financial data, sales data, shipping data, pricing data and employee data.

The PADOH and its authorized agents have the right to access any area within a site or facility and are permitted to collect test samples for testing at an approved laboratory.

Failure of a medical marijuana organization to provide the PADOH and its authorized agents immediate access to any part of a medical marijuana organization's site or facility, requested material, physical or electronic information, or individual as part of an inspection or investigation may result in the imposition of a civil monetary penalty, suspension or revocation of its permit, or an immediate cessation of operations pursuant to a cease and desist order issued by the PADOH.

U.S. Attorney Statements in Pennsylvania

To the knowledge of management of the Company, other than as disclosed in this Annual Report on Form 10-K, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Pennsylvania. See "*Risk Factors - United States Regulatory Uncertainty*".

Item 1A. Risk Factors.

The following discussion of risk factors contains forward-looking statements. These risk factors may be important to understanding other statements in this Form 10-K. The following information should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K.

Below is a summary of the principal factors that make an investment in Acreage speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below, after this summary, and should be carefully considered, together with other information in this Annual Report on Form 10-K and our other filings with the SEC before making an investment decision regarding Acreage.

Such risks and other factors may include, but are not limited to:

- the US Federal Illegality of the Company's Business Activities;
- the anticipated benefits of the Floating Share Arrangement with Canopy Growth;
- the likelihood of Canopy Growth completing the acquisition of the Fixed Shares and/or Floating Shares;
- risks related to the ability to financing Acreage's business and fund its obligations;

- other expectations and assumptions concerning the transactions contemplated between Canopy Growth and Acreage;
- the available funds of Acreage and the anticipated use of such funds;
- the availability of financing opportunities for Acreage and the risks associated with the completion thereof;
- regulatory and licensing risks;
- changes in general economic, business and political conditions, including changes in the financial and stock markets;
- legal and regulatory risks inherent in the cannabis industry;
- risks associated with economic conditions, dependence on management and currency risk;
- risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks;
- risks relating to anti-money laundering laws and regulation;
- other governmental and environmental regulation;
- public opinion and perception of the cannabis industry;
- risks related to contracts with third-party service providers;
- risks related to the enforceability of contracts and lack of access to U.S. bankruptcy protections;
- reliance on the expertise and judgment of senior management of Acreage;
- the risk that the Floating Share Arrangement may not be completed;
- risks related to the completion of the Floating Share Arrangement, including market overhang risk related to the Canopy Shares, risks related to the Nasdaq listing of the Canopy Shares and shareholder consolidation, risks that Canopy is unable to finance Canopy USA;
- Canopy is subject to certain restrictions of the TSX and the Nasdaq, which may constrain its ability to expand its business in the United States;
- if Canopy USA acquires Wana, Jetty or the Fixed Shares of Acreage without structural amendments to Canopy's interest in Canopy USA, the listing of the Canopy Shares on the Nasdaq Stock Market may be jeopardized;
- risks related to proprietary intellectual property and potential infringement by third parties;
- the concentrated voting control of Acreage's founder and the unpredictability caused by Acreage's capital structure;
- the dual structure of the Fixed Shares and Floating Shares;
- risks relating to the management of growth;
- increasing competition in the industry;
- risks inherent in an agricultural business;
- risks relating to energy costs;
- risks associated with cannabis products manufactured for human consumption including potential product recalls;
- reliance on key inputs, suppliers and skilled labor;
- cybersecurity risks;
- ability and constraints on marketing products;
- fraudulent activity by employees, contractors and consultants;
- tax and insurance related risks;
- risks related to the economy generally;
- risk of litigation;
- conflicts of interest;
- risks relating to certain remedies being limited and the difficulty of enforcement judgments and effecting service outside of Canada;
- risks related to future acquisitions or dispositions;
- sales by existing shareholders; and
- limited research and data relating to cannabis.

Risks Specifically Related to Regulatory Matters

The Company's Business Activities are Illegal under U.S. Federal Law.

Cannabis (with the exception of hemp containing no more than 0.3% THC by dry weight) is illegal under U.S. federal law. In those states in which the use of cannabis has been legalized, its use remains a violation of federal law pursuant to the *Controlled Substances Act* of 1990 (the "CSA"). The CSA classifies marijuana (cannabis) as a Schedule I controlled substance, and as such, medical and adult-use cannabis consumption is illegal under U.S. federal law. Unless and until Congress amends the CSA with respect to cannabis (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. If that occurs, the Subsidiaries or other entities in which the Company may have an interest from time to time may be deemed to be producing, cultivating or dispensing cannabis and drug paraphernalia in violation of federal law, or the Company may be deemed to be facilitating the selling or distribution of cannabis and drug paraphernalia in violation of federal law with respect to the Company's investment in the Subsidiaries. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis is a significant risk which would greatly harm the Company's business, prospects, results of operation, and financial condition. As all of our operations are cannabis-related and conducted in the United States, our balance sheet and operating statement exposure to U.S. marijuana related activities is 100% in each case.

As noted above, the FDA's current position is that it is illegal to put into interstate commerce a food to which CBD has been added, or to market CBD as, or in, a dietary supplement, and no product may be marketed sold as a drug or with claims of having therapeutic effects without FDA approval.

The activities of the Subsidiaries are, and will continue to be, subject to evolving regulation by governmental authorities. The Subsidiaries are directly or indirectly engaged in the medical and adult-use cannabis industry in the U.S. where such activities are permitted under state law. The legality of the production, cultivation, extraction, distribution, retail sales, transportation and use of cannabis differs between states in the U.S. Due to the current regulatory environment in the U.S., new risks may emerge, and management may not be able to predict all such risks.

There are 38 states in the U.S., in addition to Washington D.C., Puerto Rico, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands, that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Alaska, Arizona, California, Colorado, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, Ohio, New Jersey, New York, New Mexico, Oregon, Rhode Island, Virginia, Vermont, Washington, Washington, D.C., the Northern Mariana Islands, the U.S. Virgin Islands, and Guam have legalized cannabis for adult-use in some form.

The funding by the Company of the activities of the Subsidiaries involved in the medical and adult-use cannabis industry through equity investments, loans or other forms of investment, may be illegal under the applicable federal laws of the U.S. and other applicable laws. There can be no assurances that the federal government of the U.S. or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business, including its reputation, profitability, the market price of its publicly traded shares, and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

The U.S. administration under President Obama attempted to address the inconsistent treatment of cannabis under state and federal law in the Cole Memorandum which Deputy Attorney General James Cole sent to all U.S. Attorneys in August 2013 that outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum held that enforcing federal cannabis laws and regulations in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations was not a priority for the DOJ. Instead, the Cole Memorandum directed U.S. Attorney's Offices discretion not to investigate or prosecute state law compliant participants in the medical cannabis industry who did not implicate certain identified federal government priorities, including preventing interstate diversion or distribution of cannabis to minors.

On January 4, 2018, then U.S. Attorney General Jeff Sessions formally issued the Sessions Memorandum, which rescinded the Cole Memorandum effective upon its issuance. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles that govern all federal prosecutions when deciding whether to pursue prosecutions related to cannabis activities. As a result, federal prosecutors could, and still can, use their prosecutorial discretion to decide to prosecute actors compliant with their state laws. Although there have not been any identified prosecutions of state law compliant cannabis entities, there can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. Jeff Sessions resigned as U.S. Attorney General on November 7, 2018. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated "I do not intend to go after parties who have complied with state law in reliance on the Cole Memo." Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

The Department of Justice under Mr. Barr did not take a formal position on federal enforcement of laws relating to cannabis. Mr. Barr has stated publicly that his preference would be to have a uniform federal rule against cannabis, but, absent such a uniform rule, his preference would be to permit the existing federal approach of leaving it up to the states to make their own decisions.

On March 10, 2021, Judge Merrick Garland was confirmed as U.S. Attorney General under President Biden. However, in response to questions from U.S. Senator Charles Grassley made as a nominee, Attorney General Garland stated "I do not think it the best use of the Department's limited resources to pursue prosecutions of those who are complying with the laws in states that have legalized and are effectively regulating marijuana." In October 2021, in a letter from U.S. Senators Booker and Elizabeth Warren to Attorney General Garland, the Senators advocated the federal decriminalization of cannabis by removing cannabis from the CSA's list of controlled substances. To date, Attorney General Garland and the Department of Justice have

not publicly responded to the Senators' letter. Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry, appended to federal appropriations legislation, remains in place. Currently referred to as the "Rohrabacher-Blumenauer Amendment", this so-called "rider" provision has been appended to the Consolidated Appropriations Acts every year since fiscal year 2015. Under the terms of the Rohrabacher-Blumenauer rider, the federal government is prohibited from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. Most recently, the Rohrabacher-Blumenauer Amendment was included in the Consolidated Appropriations Act, 2024 signed into law by President Biden on March 9, 2024 and will remain in effect through the fiscal year, which ends September 30, 2024. There is no guarantee that the Rohrabacher-Blumenauer Amendment will be included in any future omnibus appropriations packages or continuing budget resolutions once the current Consolidated Appropriations Act, 2024 expires. There can be no assurances that the Rohrabacher-Blumenauer Amendment will be included in future appropriations bills to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends or repeals the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendment or repeal there can be no assurance), there is a significant risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected.

On August 29, 2023, after a review process prompted by the Biden Administration, the HHS reportedly recommended to the DEA that marijuana be rescheduled from Schedule I to Schedule III under the CSA. Such rescheduling would allow marijuana businesses to deduct business expenses on federal tax filings, as Section 280E of the Internal Revenue Code applies only to activities involving substances in Schedule I or Schedule II. DEA is currently reviewing HHS's recommendation and there can be no assurance as to when such review will be complete or what action (if any) DEA will recommend.

Marijuana (cannabis) remains a Schedule I controlled substance under the CSA, and neither the Cole Memorandum nor its rescission nor the continued passage of the Rohrabacher-Blumenauer Amendment has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use marijuana, even if state law sanctions such sale and disbursement. If the United States federal government begins to enforce United States federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected.

The uncertainty of U.S. federal enforcement practices going forward and the inconsistency between U.S. federal and state laws and regulations presents major risks for the business and operations of the Company, High Street and the Subsidiaries.

Nature of the Business Model

Since the cultivation, processing, production, distribution, and sale of cannabis for any purpose, medical, adult-use or otherwise, remain illegal under U.S. federal law, it is possible that any of the Company, High Street or the Subsidiaries may be forced to cease activities. The United States federal government, through, among others, the DOJ, its sub agency the Drug Enforcement Administration ("DEA"), and the U.S. Internal Revenue Service (the "IRS"), has the right to actively investigate, audit and shut down cannabis growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the property of the Company, High Street or any Subsidiary. Any action taken by the DOJ, the DEA and/or the IRS to interfere with, seize, or shut down the operations of the Company, High Street or any Subsidiary will have an adverse effect on their businesses, operating results and financial condition.

U.S. State Regulatory Uncertainty

There is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and

use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's business or operations in those states or under those laws would be materially and adversely affected. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect the Company, its business and its assets or investments.

Certain U.S. states where medical and/or adult-use cannabis is legal have or are considering special taxes or fees on the cannabis industry. It is uncertain at this time whether other states are in the process of reviewing such additional taxes and fees. The implementation of special taxes or fees could have a material adverse effect upon the businesses, results of operations and financial condition of the Company, High Street and the Subsidiaries.

The Company, High Street and the Subsidiaries are Subject to Applicable Anti-Money Laundering Laws and Regulations

The Company, High Street and the Subsidiaries are subject to a variety of laws and regulations domestically in the U.S. that involve money laundering, financial record-keeping and proceeds of crime, including the *U.S. Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the "Bank Secrecy Act"), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (the "USA Patriot Act"), and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. The Company, High Street and the Subsidiaries are also subject to similar laws and regulations in Canada, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued a memorandum on February 14, 2014 (the "FinCEN Memorandum") outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("SAR") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories - cannabis limited, cannabis priority, and cannabis terminated - based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively.

The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance included in the Cole Memorandum.

The rescission of the Cole Memorandum has not yet affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself.

Although the FinCEN Memorandum remains intact, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum. The DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state including states that have in some form legalized the sale of cannabis. Further, the conduct of the DOJ's enforcement priorities could change for any number of reasons. A change in the DOJ's priorities could result in the DOJ's prosecuting banks and financial institutions for crimes that were not previously prosecuted.

If any of the operations of High Street or any of the Subsidiaries, or any proceeds thereof, any dividend distributions or any profits or revenues derived from these operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds from a crime under one or more of the statutes noted above. This may restrict the ability of the Company, High Street or any of the Subsidiaries to declare or pay dividends or effect other distributions.

Restricted Access to Banking

In February 2014, FinCEN issued the FinCEN Memorandum (which is not law) which provides guidance with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the executive branch. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-

related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. While the United States House of Representatives has passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it remains under consideration by the Senate, and if Congress fails to pass the SAFE Banking Act, the Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Lack of Access to U.S. Bankruptcy Protections; Other Bankruptcy Risks

Because cannabis remains illegal under U.S. federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company, High Street or any of the Subsidiaries were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available, which would have a material adverse effect.

Additionally, there is no guarantee that the Company will be able to effectively enforce its interests in High Street and its underlying Subsidiaries. A bankruptcy or other similar event related to an investment of the Company that precludes a party from performing its obligations under an agreement may have a material adverse effect on the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the Company.

Heightened Scrutiny by Canadian Authorities

Because cannabis is illegal under U.S. federal law, the business, operations and investments of the Company, High Street and the Subsidiaries in the U.S., and any future businesses, operations and investments, may become the subject of heightened scrutiny by securities regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with Canadian public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest or hold interests in other entities in the U.S. or any other jurisdiction, or have consequences for its stock exchange listing or Canadian reporting obligations, in addition to those described herein. See "*The Company's Business Activities are Illegal under U.S. Federal Law*".

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 - *Issuers with U.S. Marijuana-Related Activities* ("Staff Notice 51-352") describing the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

CDS Clearing and Depository Services Inc. ("CDS") is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group, which is the owner and operator of CDS, announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE and the Toronto Stock Exchange confirming that it relies on such exchanges to review the conduct of listed issuers. The MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to the public interest and that the rules of each of the exchanges have been approved by the securities regulators. Pursuant to the MOU, CDS will not ban accepting deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the U.S.

Even though the MOU indicated that there are no plans of banning the settlement of securities of issuers with U.S. cannabis related activities through CDS, there can be no guarantee that the settlement of securities will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Fixed Shares and Floating Shares to make and settle trades. In particular, the Fixed Shares and Floating Shares would become highly illiquid until an alternative (if available) was implemented, and investors would have no ability to effect a trade of the Fixed Shares and Floating Shares through the facilities of a stock exchange.

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies for products containing cannabis or ingredients derived from

cannabis, including but not limited to, the FDA, the United States Department of Agriculture (“USDA”) and state regulatory agencies that may institute new regulatory requirements. The regulatory environment in the United States limits the Company’s ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company’s sales and operating results could be adversely affected.

Reliance on Management or Consulting Services Agreements with Subsidiaries and Affiliates

The Company’s Subsidiaries and other affiliates provide assistance and advice regarding the medicinal cannabis business in certain cases through management services agreements entered into with state-licensed entities. Under such agreements, the Subsidiaries and affiliates perform certain management and operational services. In exchange for providing these services, the subsidiaries and affiliates receive management fees which are a key source of revenue for the Company. Payment of such fees is dependent on the continuing validity and enforceability of the relevant management services agreements. If such agreements are found to be invalid or unenforceable by regulators, whether on the basis that they relate to activities that are illegal under U.S. federal law or otherwise, or are terminated by the counter-party, this could have a material adverse effect on the Company’s business, prospects, financial condition, and operating results.

European Anti-Money Laundering Laws and Regulation

European laws, regulations and their enforcement, particularly those pertaining to anti-money laundering, relating to making and/or holding investments in cannabis-related practices or activities are in flux and vary dramatically from jurisdiction to jurisdiction across Europe (including without limitation, the United Kingdom). The enforcement of these laws and regulations and their effect on shareholders are uncertain and involve considerable risk. In the event that any of the Company’s operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations are found to be in violation of such laws or regulation, such transactions (including holding of shares in the Company) could expose any shareholder(s) in that jurisdiction to potential prosecution and/or criminal and civil sanction.

Tax Risks Related to Controlled Substances

Limits on U.S. deductibility of certain expenses may have a material adverse effect on our financial condition, results of operations and cash flows. Section 280E (“Section 280E”) of the Internal Revenue Code (the “Code”) prohibits businesses from deducting certain expenses associated with the trafficking of controlled substances (within the meaning of Schedule I and II of the CSA). IRS has applied Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E that is favorable to cannabis businesses.

If our tax filing positions were to be challenged by federal, state and local or foreign tax jurisdictions, we may not be wholly successful in defending our tax filing positions. We record reserves for unrecognized tax benefits based on our assessment of the probability of successfully sustaining tax filing positions. Management exercises significant judgment when assessing the probability of successfully sustaining tax filing positions, and in determining whether a contingent tax liability should be recorded and, if so, estimating the amount. If our tax filing positions are successfully challenged, payments could be required that are in excess of reserved amounts or we may be required to reduce the carrying amount of our net deferred tax asset, either of which result could be significant to our financial condition or results of operations.

Emerging Growth Company Status

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

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 Shares and Floating Shares less

attractive because we will rely on these exemptions. If some investors find our Fixed Shares and Floating Shares less attractive as a result, then there may be a less active trading market for our Fixed Shares and 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 the common equity securities pursuant to an effective registration under the Securities Act of 1933, as amended (the “Securities Act”), expected to be 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.

Limited Trademark Protection

The Subsidiaries will not be able to register any U.S. federal trademarks in classes covering their cannabis-related products or services under the current state of federal law. Because producing, manufacturing, processing, possessing, distributing, and selling cannabis is illegal under the CSA, the United States Patent and Trademark Office (USPTO) will not permit the registration of any trademark that does not comply with the CSA. As a result, the Subsidiaries will unlikely be able to protect their cannabis product trademarks beyond the geographic areas in which they conduct business pursuant to the relevant state’s law. The use of such trademarks outside the states in which the Subsidiaries operate by one or more other persons could have a material adverse effect on the value of such trademarks.

Civil Asset Forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any real or personal property owned by participants in the cannabis industry, such as the Company, High Street and the Subsidiaries, which is used in the course of conducting such business, or any property or monies deemed to be proceeds of an illegal cannabis business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture, even in the absence of a criminal charge or conviction.

FDA Regulation

Cannabis containing more than 0.3% THC (tetrahydrocannabinol) remains a Schedule I controlled substance under U.S. federal law. If the federal government reclassifies cannabis to a Schedule II controlled substance, it is possible that the FDA would regulate it under the *Federal Food, Drug, and Cosmetic Act of 1938* or under the Public Health Service Act. Additionally, the FDA may issue rules, regulations or guidance including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis, as well as any medical claims made with respect to cannabis. If regulated by the FDA as a drug, clinical trials would be needed to demonstrate efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations.

In addition, while the FDA has not yet pursued enforcement actions against the cannabis industry, it has sent numerous warning letters to sellers of CBD products concerning its use in food and beverages as well as the making of health claims. The FDA could turn its attention to the cannabis industry especially relating to claims of concern. In the event that some or all of these regulations or enforcement actions are imposed, what the impact this would have on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Subsidiaries are unable to comply with the regulations or registration as prescribed by the FDA, it may have an adverse effect on the business, operating results and financial condition of the Company and/or High Street.

On January 26, 2023 the FDA announced that it would not be promulgating regulations for the use of CBD in foods, beverages or supplements until a new regulatory framework, implemented in tandem with Congress, is established. In its release FDA noted that based upon available evidence, it is not apparent how CBD products could meet safety standards for dietary supplements or food additives, and that therefore it did not intend to pursue rulemaking allowing the use of CBD in dietary supplements or conventional foods. It also noted that FDA would continue to take action against CBD and other cannabis-derived products to protect the public, in coordination with state regulatory partners, and would remain diligent in monitoring the marketplace, identifying products that pose risks and taking appropriate enforcement actions within its authority. FDA has also issued warning letters to companies marketing e-liquids containing CBD and other cannabinoids that have not submitted and obtained premarket authorization for these products.

Laws and Regulations Affecting the Industry in which the Company Operates are Constantly Changing

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect the Company. The current and proposed operations of the Subsidiaries are subject to a variety of local, state and federal medical cannabis laws and regulations relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and

regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require the Company, High Street or the Subsidiaries to incur substantial costs associated with compliance or alter certain aspects of their business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the business plans of the Company, High Street or the Subsidiaries and result in a material adverse effect on certain aspects of their planned operations. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under scrutiny or further scrutiny by the FDA, USDA, DEA, IRS, SEC, the DOJ, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis and related cannabinoid compounds for medical or adult-use purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital. In addition, the Company will not be able to predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to its business. For example, see the “*Risk Factors - Heightened Scrutiny by Canadian Authorities*” related to CDS above.

Limitation on Ownership of Licenses

In certain states, the cannabis laws and regulations limit, not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example, in Massachusetts, no person may have an ownership interest, or control over, more than three license holders in any category - cultivation, processing or dispensing. In Maryland, the Department of Health has taken the position that the law prevents having a material ownership interest in more than one license holder in any one of these three categories. In New Jersey, there are restrictions on overlapping ownership of license holders. In Florida, there are also limitations on owning more than one of the vertically-integrated medical cannabis licenses offered in that state. The Company believes that, where such restrictions apply, it may still capture significant share of revenue in the market through wholesale sales, exclusive marketing relations, provision of management or consulting services, franchising and similar arrangement with other operators. Nevertheless, such limitations on the acquisition of ownership of additional licenses within certain states may limit the Company's ability to grow organically or to increase its market share in such states.

Risks Related to the Company's Operations

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and is expected to continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Subsidiaries and accordingly High Street and the Company. Further, adverse publicity, reports or other media attention regarding cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect.

Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general).

The ability to gain and increase market acceptance of the Subsidiaries' products may require the Company, High Street and/or the Subsidiaries to establish and maintain its brand name and reputation. In order to do so, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful and their failure may have an adverse effect on the Company, High Street and/or the Subsidiaries.

Further, a shift in public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the U.S. or elsewhere. A negative shift in the perception of the public with respect to medical cannabis in the U.S. or

any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on its business, financial condition and results of operations.

Limited Operating History

The Company presently generates losses, and will only start generating profits in future periods if at all, and accordingly, the Company is therefore expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There can be no assurance that the Subsidiaries will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Competition with the Company

The Company faces intense competition from other companies, some of which have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. In addition, the Company will have to establish and leverage best practices, standardize operating procedures and generate operational efficiencies through services shared among the Subsidiaries and other organizational methodologies. Pressure from the Company's competitors may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Competition with the Subsidiaries

The Subsidiaries face intense competition from other companies, some of which have longer operating histories and more financial resources and experience than the Subsidiaries. Currently, the cannabis industry is generally comprised of individuals and small to medium-sized entities; however, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of larger dispensaries, processing plants and cultivation facilities. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. Competition between companies in the cannabis industry also relies heavily on the ability to attract community support.

Because of the early stage of the industry in which the Subsidiaries operate, the Company expects the Subsidiaries to face additional competition from new entrants. To become and remain competitive, the Subsidiaries will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Subsidiaries and, in turn, the Company.

In addition, medical cannabis products compete against other healthcare drugs and a high volume of cannabis continues to be sold illegally on the illicit market.

Dependence on Performance of Subsidiaries

The Company is dependent on the operations, assets and financial health of the Subsidiaries. Accordingly, if the financial performance of any Subsidiary declines this will adversely affect the Company's investment in such Subsidiary, the ability to realize a return on such investment and the financial results of the Company. The Company will conduct due diligence on each new entity prior to making any investment. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through the due diligence or ongoing monitoring that may have an adverse effect on the business, and this could have a material adverse impact on the business, financial condition, results of operations or prospects of the Company.

Competition from Synthetic Production and Technological Advances

The pharmaceutical industry may attempt to dominate the cannabis industry, and in particular, legal cannabis, through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could materially adversely affect the ability of the Company to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future.

Ability to Identify Investments

A key element of the Company's growth strategy will in part involve identifying and making acquisitions of interests in, or the businesses of, entities involved in the legal cannabis industry. The Company's ability to identify such potential acquisition opportunities and make debt and/or equity investments is not guaranteed. Achieving the benefits of future acquisitions will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues.

Risks Associated with Failure to Manage Growth Effectively

The growth of High Street and the Company has placed and may continue to place significant demands on management and their operational and financial infrastructures. As the operations of the Company, High Street and the Subsidiaries grow in size, scope and complexity and as new opportunities are identified and pursued, the Company and High Street may need to increase in scale its infrastructure (financial, management, informational, personnel and otherwise). In addition, the Company will need to effectively execute on business opportunities and continue to build on and deploy its corporate development and marketing assets as well as access sufficient new capital, as may be required. The ability of the Company and High Street to successfully complete the proposed acquisitions and to capitalize on other growth opportunities may redirect the limited resources of the Company and/or High Street and require expansion of its infrastructure. This will require the commitment of financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase.

There can be no assurance that the Company or High Street will be able to respond adequately or quickly enough to the changing demands that its proposed acquisition plans will impose on management, team members and existing infrastructure, and changes to the operating structure of the Company and High Street may result in increased costs or inefficiencies that cannot be anticipated. Changes as the Company and High Street grow may have a negative impact on their operations, and cost increases resulting from the inability to effectively manage its growth could adversely impact its profitability. In addition, continued growth could also strain the ability to maintain reliable service levels for its clients, develop and approve its operational, financial and management controls, enhance its reporting systems and procedures and recruit, train and retain highly-skilled personnel. Failure to effectively manage growth could result in difficulty or delays in servicing clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new products or applications or other operational difficulties, and any of these difficulties could adversely impact the business performance and results of operations of the Company and High Street.

Future Material Acquisitions or Dispositions of Strategic Transactions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business, (ii) distraction of management, (iii) the Company may become more financially leveraged, (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected, (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets. Additionally, the Company or High Street may issue additional equity interests in connection with such transactions, which would dilute a shareholder's holdings in the Company.

Proposed Transactions

The Company's proposed transactions are subject to certain conditions, many of which are outside of the control of the Company and there can be no assurance that they will be completed, on a timely basis or at all. As a consequence, there is a risk that one or more of the proposed transactions will not close in a timely fashion or at all. If one or more of the proposed transactions is not completed for any reason, the ongoing business of the Company may be adversely affected and, without realizing any of the benefits of having completed such transactions, the Company will be subject to a number of risks, including, without limitation, (i) the Company may experience negative reactions from the financial markets, including negative

impacts on the Company's stock price, (ii) in the case of a proposed acquisition, the Company may need to find an alternative use of any capital earmarked for such proposed acquisitions, (iii) in the case of a proposed disposition, the Company will not receive the anticipated proceeds of such disposition and accordingly may not be able to execute on other business opportunities for which such proceeds have been earmarked, and (iv) matters relating to the proposed transactions will require substantial commitments of time and resources by management of the Company which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to the Company.

If one or more of the proposed transactions are not completed, the risks described above may materialize and they may adversely affect the business, results of operations, financial condition and prospects and stock price of the Company.

Ability to Access Public and Private Capital

The Company may require equity and/or debt financing to finance operations, undertake capital expenditures or to undertake acquisitions or other transactions. If the Company is required to access capital markets to carry out its development objectives, the state of capital markets and other financial systems could affect the Company's access to, and cost of, capital. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. The Company's inability to raise financing to finance operations, fund capital expenditures or acquisitions could limit its growth have a material adverse effect upon future profitability, and may adversely affect the business, results of operations, financial condition and prospects and stock price of the Company.

The Company may have access to equity financing from the public capital markets in Canada and the U.S. by virtue of its status as a reporting issuer in each of the provinces of Canada (other than Newfoundland and Labrador, Prince Edward Island and Quebec), and under the Exchange Act. The Company also may have access to equity and debt financing from the prospectus exempt (private placement) markets in Canada and the U.S. The Company also has relationships with sources of private capital (such as funds and high net worth individuals) that could be investigated at a higher cost of capital. While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it currently has access to equity financing through the public and private markets in Canada and the U.S., and to debt financing in the U.S. through certain specialty lenders. Furthermore, the Existing Arrangement Agreement provides that the Company may not issue any equity securities, without Canopy Growth's prior consent, other than: (i) upon the exercise or conversion of convertible securities outstanding as of the Amendment Date; (ii) contractual commitments existing as of the Amendment Date; (iii) the Option Shares; (iv) the issuance of up to \$3,000,000 worth of Fixed Shares pursuant to an at-the-market offering to be completed no more than four times during any one-year period; (v) the issuance of up to 500,000 Fixed Shares in connection with debt financing transactions that are otherwise in compliance with the terms of the Existing Arrangement Agreement; or (vi) pursuant to one private placement or public offering of securities during any one-year period for aggregate gross proceeds of up to \$20,000,000, subject to specific limitations as set out in the Existing Arrangement Agreement.

However, additional equity financing may be dilutive to shareholders of the Company and could involve the sale of securities with rights and preferences superior to those of the Fixed Shares or the Floating Shares. Debt financing may involve restrictions on the Company's financing and operating activities. Debt financing may be convertible into other securities of the Company or involve the issuance of equity fees, either of which may result in immediate or resulting dilution. In either case, additional financing may not be available to the Company on acceptable terms or at all. If the Company is unable to raise additional funds as needed, the scope of its operations or growth may be reduced and, as a result, the Company may be unable to fulfill its long-term goals. In this case, investors may lose all or part of their investment. Any default under such debt instruments could have a material adverse effect on the Company, its business or the results of operations.

Investments May be Pre-Revenue

The Company may make investments in companies with no significant sources of operating cash flow and no revenue from operations. The Company's investment in such companies are subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Company's investment in these pre-revenue companies will not be able to meet anticipated revenue targets or generate no revenue at all. The risk is that underperforming pre-revenue companies may lead to these businesses failing which could have a materially adverse impact on the business, financial condition and operating results of the Company.

Enforceability of Judgments Against Subsidiaries

High Street and the Subsidiaries are organized under the laws of various U.S. states. All of the assets of these entities are located outside of Canada and certain of the experts retained by the Company or its affiliates are residents of countries other than Canada. As a result, it may be difficult or impossible for shareholders of the Company to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability

provisions of applicable Canadian provincial securities laws or otherwise. There is some doubt as to the enforceability in the U.S. by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the U.S. may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the U.S. agrees to hear a claim, it may determine that the local law in the U.S., and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by U.S. law in such circumstances.

Research and Market Development

Although the Company through High Street and the Subsidiaries, will be committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed.

Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products by the Subsidiaries is inherently subject to significant unreliability. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of High Street and the Subsidiaries, and consequently, the Company.

Our sales are difficult to forecast.

As a result of recent and ongoing regulatory and policy changes in the medical and adult use cannabis industries and unreliable levels of market supply, the market data available is limited and unreliable. We must rely largely on our own market research to forecast sales, as detailed forecasts are not generally obtainable from other sources in the states in which our business operates. During the fiscal year ended December 31, 2023, we analyzed our inventory balances, and recorded wholesale inventory adjustments as a result of (i) having excess inventory and (ii) reducing the carrying value to ensure inventory balances are properly recorded at the lower of cost and net realizable value. We recognized \$9,624 of wholesale inventory adjustments within *Cost of goods sold, wholesale* on the Statements of Operations for the fiscal year. Additionally, any market research and our projections of estimated total retail sales, demographics, demand and similar consumer research, are based on assumptions from limited and unreliable market data. A failure in the demand for our products to materialize as a result of competition, technological change or other factors could have a material adverse effect on our business, results of operations and financial condition.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC), and associated terpenoids remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, risks, efficacy, dosing and social acceptance of cannabis, future basic research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Environmental Risk and Regulation

The operations of the Company, High Street and the Subsidiaries are subject to environmental regulation in the various jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the operations of the Company, High Street or the Subsidiaries.

Governmental Approvals and Permits and Laws

Government approvals and permits are currently, and may in the future be, required in connection with the operations of the Company, High Street or the Subsidiaries. To the extent such approvals are required and not obtained, the Company, High Street or any of the Subsidiaries may be curtailed or prohibited from their production of medical and adult-use cannabis or from proceeding with the development of their operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Subsidiaries may be required to compensate those suffering loss or damage by reason of their operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Subsidiaries may not be able to obtain or maintain the necessary licenses, permits, certificates, authorizations or accreditations to operate their respective businesses, or may only be able to do so at great cost. In addition, the Subsidiaries may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, certificates, authorizations or accreditations could result in restrictions on a Subsidiary's ability to operate in the cannabis industry, which could have a material adverse effect on the business, results of operations and financial condition of the Company, High Street and/or the Subsidiaries.

Amendments to current laws, regulations and permits governing the production of medical and adult-use cannabis, or more stringent implementation thereof, could have a material adverse impact on the Company, High Street or any of the Subsidiaries and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Enforceability of Contracts

Since cannabis remains illegal at the federal level, courts in multiple U.S. states have on several occasions found cannabis-related contracts unenforceable due to illegality under federal law, even in the absence of any violation of state law. Therefore, there is uncertainty that the Company, High Street or any of the Subsidiaries will be able to legally enforce their respective material agreements.

Liability and Enforcement Complaints

The participation of the Company, High Street or the Subsidiaries in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company, High Street or any of the Subsidiaries. Litigation, complaints, and enforcement actions could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the future cash flows, earnings, results of operations and financial condition of the Company, High Street or any of the Subsidiaries.

Service Providers

As a result of any adverse change to the approach in enforcement of the U.S. cannabis laws, adverse regulatory or political changes, additional scrutiny by regulatory authorities, adverse changes in the public perception in respect to the consumption of cannabis or otherwise, third-party service providers to the Company, High Street or any of the Subsidiaries could suspend or withdraw their services, which may have a material adverse effect on the business, revenues, operating results, financial condition or prospects of the Company, High Street or any of the Subsidiaries.

Reliance on Management or Consulting Services Agreements with Subsidiaries and Affiliates

The Subsidiaries and other affiliates provide assistance and advice in the medicinal cannabis business in certain cases through management or consulting services agreements entered into with state-licensed entities. Under such agreements, the Subsidiaries and affiliates perform certain operational or administrative services. In exchange for providing these services, the Subsidiaries and affiliates receive management fees which are a source of revenue. Payment of such fees is dependent on the continuing validity and enforceability of the relevant agreements. If such agreements are found to be invalid or unenforceable, or are terminated by the counter-party, this could have a material adverse effect on the business, prospects, revenues, financial condition, and operating results of the Company, High Street or any of the Subsidiaries.

Product Liability

Certain of the Subsidiaries manufacture, process and/or distribute products designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company, High Street and/or the Subsidiaries may be subject to various product liability claims, including, among others, that the products produced by them caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action could result in increased costs, could adversely affect the reputation of the Company, High Street or any of the Subsidiaries, and could have a material adverse effect on the business, results of operations and financial condition of the Company, High Street or any of the Subsidiaries. There can be no assurances that product liability insurance will be obtained or maintained on acceptable terms or with adequate coverage against potential liabilities.

Product Recalls

Cultivators, manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the Subsidiaries are recalled due to an alleged product defect or for any other reason, the Subsidiaries could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall and may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. Additionally, if one of the products produced by a Subsidiary were subject to recall, the image of that product and the Subsidiary and potentially the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by the Subsidiaries and could have a material adverse effect on their results of operations and financial condition as well as those of the Company.

Risks Inherent in an Agricultural Business

Medical and adult-use cannabis is an agricultural product. There are risks inherent in the cultivation business, such as insects, plant diseases and similar agricultural risks. Although we currently grow all of our cannabis in indoor and greenhouse facilities under climate-controlled conditions, with conditions monitored, there can be no assurance that natural elements will not have a material adverse effect on the production of the Subsidiaries' products and, consequentially, on the business, financial condition and operating results of the Company.

Reliance on Key Inputs

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Subsidiaries, and consequently, the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the relevant Subsidiary might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of a Subsidiary, and consequently, the Company.

In addition, cannabis growing operations consume considerable energy, making the Subsidiaries vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Subsidiaries and their ability to operate profitably which may, in turn, adversely impact the Company.

Key Personnel

The success of the Company will depend on the abilities, experience, efforts and industry knowledge of senior management and other key employees of the Company and High Street. If one or more of the executive officers or key personnel of the Company, High Street or the Subsidiaries were unable or unwilling to continue in their present positions, the Company, High Street or the relevant Subsidiary, as applicable, might not be able to replace them easily or at all. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on business, financial condition, results of operations or prospects of the Company. In addition, if any of the executive officers or key employees of the Company, High

Street or the Subsidiaries joins a competitor or forms a competing company, the Company, High Street or the relevant Subsidiary may lose know-how, key professionals and staff members. Further, the hiring of any officer and the nomination of any director to the board of directors of the Company is subject to such proposed officer or director satisfying the criteria agreed to with Canopy Growth in the Existing Arrangement Agreement or otherwise obtaining prior written consent from Canopy Growth.

Talent Pool

As the Company, High Street and the Subsidiaries grow, they will need to hire additional human resources to continue to develop their businesses. However, experienced talent in the areas of medical cannabis research and development, growing cannabis and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable. Additionally, we have incurred and expect to continue to incur increased labor costs and experience staffing challenges. Without adequate personnel and expertise, the growth of the business of the Company, High Street or the Subsidiaries may suffer. There can be no assurance that any of the Company, High Street or the Subsidiaries will be able to effectively manage growth, and any failure to do so could have a material adverse effect on the business, financial condition, results of operations or prospects of the Company, High Street or the Subsidiaries.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Company, High Street and the Subsidiaries are exposed to the risk that any of their employees, independent contractors, consultants or business counterparties may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company, High Street or any Subsidiary that violates, (i) government regulations, (ii) manufacturing standards, (iii) federal and state healthcare fraud and abuse laws and regulations, or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Company, High Street or the Subsidiaries to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company, High Street or the Subsidiaries from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, High Street or any of the Subsidiaries, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business of the Company, High Street or the Subsidiaries, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the operations of the Company, High Street or the Subsidiaries, any of which could have a material adverse effect on the business, financial condition, results of operations or prospects of the Company, High Street or any of the Subsidiaries.

Intellectual Property

The success of the Company will depend, in part, on the ability of the Subsidiaries to maintain and enhance trade secret protection over their existing and potential proprietary techniques and processes. The Subsidiaries may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Subsidiaries, notwithstanding the Subsidiaries' use and enforcement of non-disclosure and non-compete agreements. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions. Failure of the Subsidiaries to adequately maintain and enhance protection over their proprietary techniques and processes could have a materially adverse impact on the business, financial condition and operating results of the Company.

The Company May be Exposed to Infringement or Misappropriation Claims by Third Parties

The Company's success may likely depend on the ability of the Subsidiaries to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot ensure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing intellectual property to the Company do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its products and services.

Insurance Coverage

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal cannabis to post a bond or significant fees when applying for example for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. The Company is not able to quantify at this time the potential scope for such bonds or fees in the states in which it currently or may in the future have operations. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the business of the Subsidiaries and High Street, and consequently, the Company.

The Company's business is subject to numerous risks and hazards generally, including adverse environmental conditions, accidents, labor disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although High Street maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of High Street and the Subsidiaries is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its business, results of operations, financial condition or prospects.

Litigation

Any of the Company, High Street or the Subsidiaries may become party to litigation from time to time in the ordinary course of business which could adversely affect their businesses. Should any litigation in which any of the Company, High Street or the Subsidiaries becomes involved result in a decision or verdict against them, such decision or verdict could materially adversely affect the ability of the Company, High Street or any Subsidiary to continue operating and could materially adversely impact the market price for Fixed Shares and Floating Shares as well as result in the expenditure of significant resources. Even if any of the Company, High Street or the Subsidiaries are involved in litigation and wins, litigation can redirect significant resources from business operations to prosecuting or defending such litigation, which can adversely affect the business, operations or financial condition of the Company, High Street and/or the Subsidiaries, as applicable.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will implement a number of safeguards in efforts to ensure the reliability of its financial reports, including those imposed on the Company under U.S. and Canadian laws, including the Sarbanes-Oxley Act of 2002, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's ability to meet its reporting obligations. If the Company or its auditors discover a material weakness, as we reported in Item 9A. of this Form 10-K, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and adversely affect the trading price of the Fixed Shares and Floating Shares.

We are exposed to potential risks from legislation requiring companies to evaluate internal controls under Section 404(a) of the Sarbanes-Oxley Act of 2002. As an emerging growth company, we will be exempt from auditor attestation requirements concerning any such report so long as we are an emerging growth company. Management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the framework established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Refer to Item 9A. Controls and Procedures for further discussion.

If we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately report our financial condition, results of operations or cash flows, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

Section 404(a) of the Sarbanes-Oxley Act requires us to furnish a report by management on, among other things, an assessment of the effectiveness of our internal control over financial reporting. This assessment needs to include disclosure of any material

weaknesses identified by our management in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control that results in more than a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. As a non-accelerated filer and an emerging growth company, we are currently exempt from auditor attestation requirements concerning any such report. Management conducted an assessment, based on the framework established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and concluded that internal controls over financial reporting were not effective as of December 31, 2023 due to a material weakness in controls. Refer to Item 9A. Controls and Procedures for further discussion and management’s remediation plans.

Failure to remediate the material weakness described in Item 9A at all or within our expected timeframe, or any newly identified material weaknesses could limit our ability to prevent or detect a misstatement of our financial results, lead to a loss of investor confidence, and have a negative impact on the trading price of our common stock.

Operational Risks

The Company, High Street and the Subsidiaries may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Subsidiaries’ properties, dispensary facilities, grow facilities and extraction facilities, personal injury or death, environmental damage, or have an adverse impact on the Subsidiaries’ operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the future cash flows, earnings and financial condition of the Company, High Street or the Subsidiaries. Also, the Subsidiaries may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on future cash flows, earnings, results of operations and financial condition of the Company, High Street or the Subsidiaries.

Conflicts of Interest

Certain of the Company’s directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or investment opportunities where the other interests of these directors and officers conflict with or diverge from the Company’s interests. In accordance with applicable corporate law, directors who have a material interest in or who are a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the best interests of the Company. However, in conflict of interest situations, the Company’s directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Effect of General Economic and Political Conditions

The business of each of the Company, High Street and the Subsidiaries, is subject to the impact of changes in national or North American economic conditions including, but not limited to, recessionary or inflationary trends, equity market conditions, consumer credit availability, interest rates, consumers’ disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout the world that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the business, financial condition, results of operations or prospects of the Company, High Street and the Subsidiaries.

Information Technology Systems and Cyber Security Risk

The Subsidiaries’ use of technology is critical in their respective continued operations. The Subsidiaries are susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. Successful cyber-attacks and/or technological malfunctions affecting the Subsidiaries or their service providers can result in, among other things, financial losses, the inability to process transactions, the unauthorized release of customer information or confidential information and reputational risk.

The Subsidiaries have not experienced any material losses to date relating to cybersecurity attacks or other information breaches. However, there can be no assurance that the Subsidiaries will not incur such losses in the future. As cybersecurity threats continue to evolve, the Subsidiaries may be required to use additional resources to continue to modify or enhance protective measures or to investigate security vulnerabilities.

Security Risks

The business premises of the Company's operating locations may be targets for theft. While the Subsidiaries have implemented security measures at each location and continue to monitor and improve their security measures, their cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and a Subsidiary fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operations of such Subsidiary and, consequentially, the Company and High Street.

As the Subsidiaries' businesses involve the movement and transfer of cash which is collected from dispensaries or patients/customers and deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Subsidiaries have engaged security firms to provide security in the transport and movement of large amounts of cash. While the Subsidiaries have taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Going Concern Risk

The Company will continually monitor its capital requirements based on its capital and operational needs and the economic environment and may raise new capital as necessary. The Company's ability to continue as a going concern will depend on its ability to realize profits from High Street and or the ability to raise additional equity or debt in the private or public markets. While the Company and High Street have been successful in raising equity and debt to date, there can be no assurances that the Company will be successful in completing an equity or debt financing or in achieving profitability in the future.

As reflected in the Company's audited consolidated financial statements for the year ended December 31, 2023 (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. 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 were issued can be alleviated due to, but not limited to, (i) renewed 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.

Indemnification

The Company's Articles provide that the Company will, to the fullest extent permitted by law, indemnify directors and officers for certain liabilities incurred by them by virtue of having been a director or officer of the Company.

The Company may also have contractual indemnification obligations under any future employment agreements with its officers or agreements entered into with its directors. The foregoing indemnification obligations could result in it incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which the Company may be unable to recoup. These provisions and the resulting costs may also discourage it from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by its shareholders against its directors and officers even though such actions, if successful, might otherwise benefit it and its shareholder.

Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers

Certain directors and officers of the Company reside outside of Canada and some or all of the assets of such persons are located outside of Canada. Therefore, it may not be possible for shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for shareholders to effect service of process within Canada upon such persons.

Risks Related to Ownership

Voting Control

As a result of the Class F Multiple Voting Shares (the “Fixed Multiple Shares”) held by Mr. Murphy, the founder and former Chairman and Chief Executive Officer of the Company, he exercises a significant majority of the voting power in respect of our shares. The Fixed Shares and the Floating Shares are each entitled to one vote per share and the Fixed Multiple Shares are entitled to 4,300 votes per share. As a result, Mr. Murphy has the ability to control the outcome of all matters submitted to the Company’s shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Company. This concentrated control could delay, defer, or prevent a change of control of the Company, an arrangement or amalgamation involving the Company or sale of all or substantially all of the assets of the Company that its other shareholders support. Conversely, this concentrated control could allow Mr. Murphy, as the holder of the Fixed Multiple Shares, to cause the Company to consummate such a transaction that the Company’s other shareholders do not support. In addition, the holder of the Fixed Multiple Shares may cause the Company to make long-term strategic investment decisions and take risks that may not be successful and may seriously harm the Company’s business.

Because Mr. Murphy holds most of his economic interest in the Company’s business through High Street, rather than through the Company, he may have conflicting interests with holders of our shares. For example, Mr. Murphy may have different tax positions from the Company, which could influence his decisions regarding whether and when the Company should dispose of assets or incur new or refinance existing indebtedness. In addition, the structuring of future transactions may take into consideration these tax or other considerations even where no similar benefit would accrue to the Company. In addition, the significant ownership of Mr. Murphy in the Company and his resulting ability to effectively control the Company may discourage someone from making a significant equity investment in the Company, or could discourage transactions involving a change in control, including transactions in which holders of our shares might otherwise receive a premium for their shares over the then-current market price.

Unpredictability Caused by Voting Control

Although other companies have dual class or multiple voting share structures, given the unique capital structure of the Company and the concentration of voting control held by the Mr. Murphy, as the sole holder of the Fixed Multiple Shares, this structure and control could result in a lower trading price for, or greater fluctuations in the trading price of, the Fixed Shares and the Floating Shares, or may result in adverse publicity to the Company or other adverse consequences.

Price Volatility of Publicly Traded Securities

In recent years, the cannabis-related securities markets in the U.S. and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price of the Fixed Shares and the Floating Shares will not occur. The market price of the Fixed Shares and the Floating Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Fixed Shares and the Floating Shares.

Dividends

Holders of our shares will not have a right to dividends on such shares unless declared by the Board. It is not anticipated that the Company will pay any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings. The declaration of dividends is at the discretion of the Board, even if the Company has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend will depend on the Company’s financial results, cash requirements, future prospects and other factors deemed relevant by the Board. Furthermore, the Company cannot declare, set aside or pay any dividend in respect of our shares without the prior written consent of Canopy Growth. See “*Canopy Growth Corporation Arrangement*”.

Dilution

The Company and High Street may issue additional securities in the future, which may dilute a shareholder's holdings in the Company and the Company's revenue per share. The Board has discretion to determine the price and the terms of further issuances. Moreover, additional Fixed Shares and Floating Shares will be issued by the Company on the exercise of options under the Company's Omnibus Incentive Plan, upon the exercise of the outstanding warrants and upon the redemption of outstanding Units. Moreover, additional Fixed Shares and Floating Shares will be issued by the Company on the exercise, conversion or redemption of certain outstanding securities of the Company, Acreage Holdings America, Inc. ("USCo"), Acreage Holdings WC, Inc. ("USCo2") and High Street in accordance with their terms. The Company may also issue Fixed Shares and Floating Shares to finance future acquisitions. The Company cannot predict the size of future issuances of Fixed Shares and Floating Shares or the effect that future issuances and sales of Fixed Shares and Floating Shares will have on the market price of the Fixed Shares and the Floating Shares. Issuances of a substantial number of additional Fixed Shares and Floating Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Fixed Shares and the Floating Shares.

Costs of Maintaining a Public Listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Cash Flow From Operations

During the year ended December 31, 2023, the Company sustained net losses from operations and had negative cash flow from operating activities. As of December 31, 2023, the Company's accumulated deficit was approximately \$747.6 million. Additionally, as of December 31, 2023, the Company's cash, cash equivalents, and restricted cash was approximately \$17.6 million. See "*Sufficiency of Capital*".

Sufficiency of Capital

Should the Company's costs and expenses prove to be greater than currently anticipated, or should the Company change its current business plan in a manner that will increase or accelerate its anticipated costs and expenses, the depletion of its working capital would be accelerated. To the extent it becomes necessary to raise additional cash in the future as its current cash and working capital resources are depleted, the Company will seek to raise it through the public or private sale of assets, debt or equity securities, the procurement of advances on contracts or licenses, funding from joint-venture or strategic partners, debt financing or short-term loans, or a combination of the foregoing. The Company may also seek to satisfy indebtedness without any cash outlay through the private issuance of debt or equity securities. The Company cannot guarantee that it will be able to secure the additional cash or working capital it may require to continue our operations. Failure by the Company to obtain additional cash or working capital on a timely basis and in sufficient amounts to fund its operations or to make other satisfactory arrangements may cause the Company to delay or indefinitely postpone certain of its activities, including potential acquisitions, or to reduce or delay capital expenditures, sell material assets, seek additional capital (if available) or seek compromise arrangements with its creditors. The foregoing could materially and adversely impact the business, operations, financial condition and results of operations of the Company.

United States Tax Classification of the Company

Although the Company is and will continue to be a British Columbia company, the Company is also treated as a United States corporation for United States federal income tax purposes under section 7874 of the Code and is subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is, regardless of any application of section 7874 of the Code, to be treated as being resident of Canada under the *Income Tax Act* (Canada) (the "Tax Act"). As a result, the Company will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

Any dividends received by shareholders who are residents of Canada for purposes of the Tax Act will generally be subject to U.S. withholding tax at a 30% rate or such lower rate as provided in an applicable treaty. In addition, a Canadian foreign tax credit or deduction may not be available under the Tax Act in respect of such taxes.

Dividends received by U.S. resident shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax under the Tax Act at a 25% rate or such lower rate as provided in an applicable treaty. Dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. residents will generally be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty.

The Company is treated as a U.S. domestic corporation for U.S. federal income tax purposes under section 7874 of the Code. As a U.S. domestic corporation for U.S. federal income tax purposes, the taxation of the Company's non-U.S. holders of Fixed Shares or the Floating Shares upon a disposition of Fixed Shares or the Floating Shares generally depends on whether the Company is classified as a United States real property holding corporation (a "USRPHC") under the Code. The Company believes that it is not currently, and has never been, a USRPHC. However, the Company has not sought and does not intend to seek formal confirmation of its status as a non-USRPHC from the IRS. If the Company ultimately is determined by the IRS to constitute a USRPHC, its non-U.S. holders of the Fixed Shares and the Floating Shares may be subject to U.S. federal income tax on any gain associated with the disposition of the Fixed Shares and the Floating Shares.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR FACTS AND CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR, INCLUDING, WITHOUT LIMITATION, IN CONNECTION WITH THE COMPANY'S CLASSIFICATION AS A U.S. DOMESTIC CORPORATION FOR UNITED STATES FEDERAL INCOME TAX PURPOSES UNDER SECTION 7874(b) OF THE CODE, THE APPLICATION OF THE CODE, THE APPLICATION OF A U.S. TAX TREATY, THE APPLICATION OF U.S. FEDERAL ESTATE AND GIFT TAXES, THE APPLICATION OF U.S. FEDERAL TAX WITHHOLDING REQUIREMENTS, THE APPLICATION OF U.S. ESTIMATED TAX PAYMENT REQUIREMENTS AND THE APPLICATION OF U.S. TAX RETURN FILING REQUIREMENTS.

Risks Related to the Company's Organizational Structure

Corporate Structure Risks

The Company is a holding company and has no material assets other than its indirect ownership of Units of High Street. As such, the Company has no independent means of generating revenue or cash flow. The Company has determined that High Street will be a variable interest entity (a "VIE") and that it will be the primary beneficiary of High Street. Accordingly, pursuant to the VIE accounting model, the Company will consolidate High Street in its consolidated financial statements. In the event of a change in accounting guidance or amendments to the Amended and Restated LLC Agreement which governs High Street (the "A&R LLC Agreement") resulting in the Company no longer having a controlling interest in High Street, the Company may not be able to consolidate High Street's results of operations with its own, which would have a material adverse effect on the Company's results of operations. Moreover, the Company's ability to pay its taxes and operating expenses or declare and pay dividends in the future, if any, will be dependent upon the financial results and cash flows of High Street and the Subsidiaries and distributions it receives indirectly from High Street. There can be no assurance that any of High Street or the Subsidiaries will generate sufficient cash flow to distribute funds to the Company or that applicable state law and contractual restrictions will permit such distributions.

High Street will continue to be treated as a partnership for U.S. federal income tax purposes and, as such, will not be subject to any entity-level U.S. federal income tax. Instead, taxable income will be allocated to the holders of Units. Accordingly, holders of Units will incur income taxes on their allocable share of any net taxable income of High Street. Under the terms of the A&R LLC Agreement, High Street will be obligated to make tax distributions to holders of Units. USCo intends, as its manager, to cause High Street to make cash distributions to the owners of Units in an amount sufficient to (i) fund their tax obligations in respect of taxable income allocated to them, and (ii) cover the operating expenses of USCo, USCo2 and the Company, including payments under the Tax Receivable Agreement. However, High Street's ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which High Street is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering High Street insolvent. If the Company does not have sufficient funds to pay tax or other liabilities or to fund its operations, it may have to borrow funds, which could materially adversely affect its liquidity and financial condition and subject it to various restrictions imposed by any such lenders. In addition, if High Street does not have sufficient funds to make distributions, the Company's ability to declare and pay cash dividends will also be restricted or impaired.

High Street Tax Receivable Agreement

USCo is a party to the tax receivable agreement originally dated November 14, 2018 (the “Tax Receivable Agreement”) between USCo, High Street and certain executive employees of the Company, whose rights were assigned to Canopy USA (the “Tax Receivable Recipients”) pursuant to the Third Amendment to the Tax Receivable Agreement dated October 24, 2022. Under the Tax Receivable Agreement, USCo is required to make cash payments to the Tax Receivable Recipients equal to 65% of the tax benefits, if any, that USCo 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 High Street resulting from any redemptions or exchanges of Units from the High Street Members, and (ii) certain other tax benefits related to USCo making payments under the Tax Receivable Agreement. Although the actual timing and amount of any payments that USCo makes to the Tax Receivable Recipients under the Tax Receivable Agreement will vary, it expects those payments will be significant. Any payments made by USCo to the Tax Receivable Recipients under the Tax Receivable Agreement may generally reduce the amount of overall cash flow that might have otherwise been available to it. Furthermore, USCo’s future obligation to make payments under the Tax Receivable Agreement could make the Company a less attractive target for an acquisition. 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.

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 Canopy Shares 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 common shares of the Canopy 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.

Payments Made Under the Tax Receivable Agreement

Payments under the Tax Receivable Agreement will be based on the tax reporting positions that USCo determines, and the IRS or another tax authority may challenge all or part of the tax basis increases, as well as other related tax positions USCo takes, and a court could sustain such challenge. If the outcome of any such challenge would reasonably be expected to materially affect a recipient’s payments under the Tax Receivable Agreement, then USCo will not be permitted to settle or fail to contest such challenge without the consent (not to be unreasonably withheld or delayed) of each Tax Receivable Recipient that directly or indirectly owns at least 10% of the outstanding Units of High Street. USCo will not be reimbursed for any cash payments previously made under the Tax Receivable Agreement in the event that any tax benefits initially claimed by USCo and for which payment has been made are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by USCo to a Tax Receivable Recipient will be netted against any future cash payments that USCo might otherwise be required to make under the terms of the Tax Receivable Agreement. However, USCo might not determine that USCo has effectively made an excess cash payment to a Tax Receivable Recipient for a number of years following the initial time of such payment and, if any of USCo tax reporting positions are challenged by a taxing authority, USCo will not be permitted to reduce any future cash payments under the Tax Receivable Agreement until any such challenge is finally settled or determined. As a result, payments could be made under the Tax Receivable Agreement in excess of the tax savings that USCo realizes in respect of the tax attributes with respect to a Tax Receivable Recipient that are the subject of the Tax Receivable Agreement.

Fluctuations in the Company’s tax obligations and effective tax rate and realization of the Company’s deferred tax assets may result in volatility of the Company’s operating results.

The Company will be subject to taxes by the Canadian federal, state, local and foreign tax authorities, and the Company’s tax liabilities will be affected by the allocation of expenses to differing jurisdictions. The Company records tax expenses based on estimates of future earnings, which may include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation

allowances related to certain net deferred tax assets. At any one time, many tax years may be subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these matters. The Company expects that throughout the year there could be ongoing variability in the quarterly tax rates as events occur and exposures are evaluated. The Company's future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of share-based compensation;
- changes in tax laws, regulations or interpretations thereof; or
- future earnings being lower than anticipated in countries where the Company has lower statutory tax rates and higher than anticipated earnings in countries where the Company has higher statutory tax rates.

In addition, the Company's effective tax rate in a given financial statement period may be materially impacted by a variety of factors including but not limited to changes in the mix and level of earnings, varying tax rates in the different jurisdictions in which the Company, High Street and the Subsidiaries operate, fluctuations in valuation allowances, deductibility of certain items, or by changes to existing accounting rules or regulations. Further, tax legislation may be enacted in the future which could negatively impact the Company's current or future tax structure and effective tax rates. The Company, High Street or any Subsidiary may be subject to audits of income, sales, and other transaction taxes by federal, state, local, and foreign taxing authorities. Outcomes from these audits could have an adverse effect on the Company's operating results and financial condition of the Company, High Street or the Subsidiaries.

Under Sections 3(a)(1)(A) and (C) of the United States Investment Company Act 1940 (the "1940 Act"), a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. The Company does not believe it is an "investment company," as such term is defined in either of those sections of the 1940 Act.

The Company indirectly controls and operates High Street. On that basis, the Company believes that its interest in High Street is not an "investment security" as that term is used in the 1940 Act. However, if the Company were to cease participation in the management of High Street, its interest in High Street could be deemed an "investment security" for purposes of the 1940 Act.

The Company and High Street intend to conduct their operations so that the Company will not be deemed an investment company. However, if the Company were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on the Company's capital structure and the Company's ability to transact with affiliates, could make it impractical for the Company to continue its business as contemplated and could have a material adverse effect on the Company's business.

Risks Related to the Acquisition

The Existing Arrangement Agreement contains restrictive covenants which may adversely limit management's discretion in operating our business.

The Existing Arrangement Agreement contains restrictive covenants that may potentially impair the discretion of Acreage's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company to make any material change to the nature of its business, make certain payments, incur additional indebtedness, issue Acreage Shares, create liens or encumbrances not permitted by the Existing Arrangement Agreement and sell or otherwise dispose of certain assets. The restrictive covenants set out in the Existing Arrangement Agreement may significantly impair management's ability to operate Acreage's business. A failure to comply with these terms, if not cured or waived, could result in a breach of the Existing Arrangement Agreement.

Under the Existing Arrangement Agreement, Acreage will be required to comply with the Initial Business Plan.

Under the Existing Arrangement Agreement, we are required to comply with the initial business plan set forth in the Proposal Agreement (the "Initial Business Plan"). The Initial Business Plan sets forth certain Pro-Forma Net Revenue Targets (as defined in the Arrangement Agreement) and Consolidated Adj. EBITDA Targets (as defined in the Existing Arrangement Agreement) for each applicable fiscal year of the Initial Business Plan. For the year ended December 31, 2023, the Company did not exceed

the 90% threshold for both the Pro-Forma Net Revenue Target and the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan. Therefore, Canopy Growth could, but has not, required the Company to implement austerity measures (as defined in the Existing Arrangement Agreement) by providing such notice to the Company.

If, at the end of a fiscal quarter (commencing with the fiscal quarter dated December 31, 2020), our Pro-Forma Revenue (as defined in the Existing Arrangement Agreement) is less than 90% of the Pro-Forma Net Revenue Target set forth in the Initial Business Plan or if our Consolidated EBITDA (as defined in the Existing Arrangement Agreement) is less than 90% of the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan, an Interim Failure to Perform (as defined in the Existing Arrangement Agreement) will be deemed to have occurred and the Austerity Measures (as defined in the Existing Arrangement Agreement) will become applicable. The Austerity Measures place significant restrictions on our ability to take certain actions in the operation of our business. Among other things, the Austerity Measures prevent us from issuing any Fixed Shares, Fixed Multiple Shares or Floating Shares, granting any New Options (as defined in the Existing Arrangement Agreement) or Floating Options (as defined in the Existing Arrangement Agreement), entering into any contract in respect of Company Debt (as defined in the Existing Arrangement Agreement) (other than in the ordinary course of business), or paying any fees owing to members of our Board. The Austerity Measures also prevent us and our subsidiaries from entering into any business combination, merger or acquisition of assets (other than in the ordinary course of business), from making any new capital investments or incurring any new capital expenditures, and from entering into any contract to dispose of any assets (other than in the ordinary course of business). The Austerity Measures will apply until the non-compliance causing the Interim Failure to Perform is cured by us and our subsidiaries, as applicable. However, if an Interim Failure to Perform occurs and the Austerity Measures are implemented, our ability to conduct our business in the ordinary course will be significantly restricted. Accordingly, the occurrence of an Interim Failure to Perform will increase the possibility that a Material Failure to Perform (as defined in the Existing Arrangement Agreement) and/or a Failure to Perform (as defined in the Existing Arrangement Agreement) will occur.

A Material Failure to Perform will be deemed to occur if our Pro-Forma Revenue is less than 80% of the Pro-Forma Net Revenue Target or our Consolidated EBITDA is less than 80% of the Consolidated Adj. EBITDA Target, as determined on an annual basis (commencing in respect of the fiscal year ending December 31, 2021). The occurrence of a Material Failure to Perform is considered a breach of a material term of the Existing Arrangement Agreement incapable of being cured. Consequently, certain restrictive covenants under the Existing Arrangement Agreement which relate to exclusivity and non-competition of Canopy Growth in favor of us, including the restriction preventing Canopy Growth from acquiring a competitor of ours in the United States, will terminate. In addition, the occurrence of a Material Failure to Perform is likely to constitute an event of default under the Debenture, causing the Hempco Loan to become immediately due and payable. If the Hempco Loan is required to be repaid prior to the maturity date, it would have an immediate and lasting material adverse effect on us and our ability to complete the Acquisition.

In addition, if our Pro-Forma Revenue is less than 60% of the Pro-Forma Net Revenue Target or the Consolidated EBITDA is less than 60% of the Consolidated Adj. EBITDA Target for the trailing 12 month period ending on the date that is 30 days prior to the proposed Acquisition Time, a Failure to Perform shall occur and a material adverse impact will be deemed to have occurred for purposes of Section 6.2(2)(h) of the Existing Arrangement Agreement. In the event of a Failure to Perform, Canopy Growth will not be required to complete the Acquisition.

If Canopy Growth fails to complete the Acquisition or the Acquisition is completed on different terms, there could be a material adverse effect on our business.

There can be no assurance that the Acquisition will be completed, or if completed, that it will be completed on the same or similar terms to those set out in the Existing Arrangement Agreement and the Floating Share Agreement. The completion of the Acquisition is subject to the satisfaction of a number of conditions which include, among others, obtaining necessary approvals, including the Acquisition Regulatory Approvals (as defined in the Existing Arrangement Agreement) and performance by us, and Canopy Growth, of our, and its, respective obligations and covenants in the Existing Arrangement Agreement. If these conditions are not fulfilled or waived or the Acquisition is not completed for any other reason, our shareholders will not receive Canopy Shares as consideration for their shares of Acreage. Certain of these conditions, including the approval of the Canopy Capital Reorganization and the exchange of all Canopy Shares held by CBG and Greenstar into Exchangeable Canopy Shares, are outside of our control. There can be no certainty, nor can we provide any assurance, that all conditions precedent will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived and, accordingly, the Acquisition may not be completed.

In addition, if the Acquisition is not completed, our ongoing business may be adversely affected as a result of the costs (including opportunity costs) incurred in respect of pursuing the Acquisition, and we could experience negative reactions from the financial markets, which could cause a decrease in the market price of the Fixed Shares, particularly if the market price reflects market assumptions that the Acquisition will be completed or completed on certain terms. We may also experience negative reactions from our customers and employees and there could be negative impact on our ability to attract

future acquisition opportunities. Failure to complete the Acquisition or a change in the terms of the Acquisition could each have a material adverse effect on Acreage's business, financial condition and results of operations.

Risks Related to the Acquisition by Canopy Growth of the Fixed Shares only and not the Floating Shares

In the event that the Fixed Shares are acquired upon exercise of the Fixed Call Option pursuant to the Existing Arrangement and the Floating Share Arrangement is not completed, notwithstanding that it is proposed that the Floating Shares will remain listed for trading on the CSE, such listing may not provide significant liquidity, and the Floating Shares may not trade at prices advantageous to Floating Shareholders. An active or liquid trading market in the Floating Shares may not continue following the Acquisition Time. It is possible that low demand for the Floating Shares may make it difficult, or impossible, for a Floating Shareholder to sell their Floating Shares. Therefore, the sale of Floating Shares may take more time or require Floating Shareholders to accept a sale at a lower price. In addition, the market price of the Floating Shares may be subject to fluctuation, whether or not due to fluctuations in Acreage's operating results and financial condition, which could, in turn, result in substantial losses being incurred by Floating Shareholders.

The Company will incur substantial transaction-related costs in connection with the Acquisition

The Company expects to incur a number of non-recurring transaction-related costs associated with completing the Acquisition which will be incurred whether or not the Acquisition is completed. Such costs may offset any expected cost savings and other synergies from the Acquisition.

The Canopy Shares to be received by shareholders as a result of the Acquisition will have different rights from the Fixed Shares and the Floating Shares

Following completion of the Acquisition, shareholders will no longer be shareholders of the Company, a corporation governed by the Business Corporations Act (British Columbia) (the "BCBA"), but will instead be shareholders of Canopy Growth, a corporation governed by the *Canada Business Corporations Act* (the "CBCA"). There may be important differences between the current rights of shareholders and the rights to which such shareholders will be entitled as shareholders of Canopy Growth under the CBCA and Canopy Growth's constating documents.

Securing additional financing

The continued development of Acreage's business may require additional financing. In the event that the Floating Share Arrangement is not completed and the Fixed Call Option has not been exercised under the Existing Arrangement prior to the termination of the Floating Share Agreement, Canopy will retain the Fixed Call Option to acquire the Fixed Shares under the Existing Arrangement. There can be no assurance that additional capital or other types of financing will be available or that, if available, the terms of such financing will be favourable to Acreage. In addition, the Existing Arrangement Agreement contains restrictive covenants and consent requirements relating to capital raising activities, incurring indebtedness and other financial and operational matters, which may make it more difficult for Acreage to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Acreage may require additional financing to fund its operations until positive cash flow is achieved. If the Floating Share Arrangement is not completed and the Fixed Call Option is not exercised under the Existing Arrangement as currently proposed, risks may materialize and may materially and adversely affect Acreage's business, financial results and the price of the Floating Shares and the Fixed Shares. This could result in the delay or indefinite postponement of Acreage's current business objectives or Acreage ceasing to carry on business. If Acreage is able to raise additional equity financing through the issuance of Floating Shares and Fixed Shares, such issuances may substantially dilute the interests of Floating Shareholders. If Acreage is able to raise additional debt financing, payment of the associated interest costs is likely to impose a substantial financial burden on Acreage.

Risks Relating to the Floating Share Arrangement

The Floating Share Arrangement may not be completed

There can be no assurance that the Floating Share Arrangement will be completed. The completion of the Floating Share Arrangement is subject to the satisfaction or waiver of a number of conditions which include, among other things: (i) obtaining necessary approvals, including the court approvals, exchange approvals and other regulatory approvals (as defined in the Floating Share Agreement); (ii) performance by Acreage, Canopy and Canopy USA of their respective obligations and covenants in the Floating Share Agreement; and (iii) satisfaction or, if permitted, waiver of the Acquisition Closing Conditions (as defined in the Floating Share Agreement), excluding conditions that by their terms cannot be satisfied until the Acquisition

Effective Time (as defined in the Floating Share Agreement), and the conditions precedent set out in the Floating Share Agreement, including, among others, completion of the Canopy Capital Reorganization (as defined in the Floating Share Agreement) on or prior to March 31, 2024 (or such date as may be agreed to in writing by Acreage Canopy USA and Canopy).

If these conditions are not fulfilled or waived, or the Floating Share Arrangement is not completed for any other reason, Floating Shareholders will not receive the Canopy Shares. Certain of these conditions are outside of the control of Acreage. There can be no certainty, nor can Acreage provide any assurance, that all conditions precedent to the completion of the Floating Share Arrangement will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived and, accordingly, the Floating Share Arrangement may not be completed. In addition, in the event that the Floating Share Arrangement is not completed, Canopy will still retain the right to acquire all of the Fixed Shares pursuant to Fixed Call Option under the Existing Arrangement. If the Fixed Call Option is exercised, it is anticipated Canopy USA will beneficially own approximately 70% of the voting rights attached to all the outstanding Acreage Shares at the Acquisition Time (as defined in the Floating Share Agreement). If the Floating Share Arrangement is not completed and the Acquisition is completed within the anticipated timeframe, thereafter holders of Floating Shares will have little or no influence on the conduct of Acreage's business and affairs, and there may not be an active trading market for the Floating Shares, among other things.

Further, if the Floating Share Arrangement is not completed, the ongoing business of Acreage may be adversely affected as a result of the costs (including opportunity costs) incurred in respect of pursuing the Floating Share Arrangement, and Acreage could experience negative reactions from the financial markets, which could cause a decrease in the market price of the Floating Shares and/or the Fixed Shares. Acreage may also experience negative reactions from its customers and employees, and there could be a negative impact on Acreage's ability to attract future acquisition opportunities. Failure to complete the Floating Share Agreement or a change in the terms of the Floating Share Agreement could each have a material adverse effect on Acreage's business, financial condition and results of operations and its ability to comply with the covenants and conditions set forth in the Existing Arrangement Agreement.

Market overhang risk

Upon completion of the Floating Share Arrangement and assuming completion of the Acquisition, a significant number of additional Canopy Shares will be issued and available for trading in the public market. Such increase in the number of Canopy Shares available for trading in the public market may lead to sales of such Canopy Shares, or the perception that such sales may occur (commonly referred to as "market overhang"), either of which may adversely affect the market for, and the market price of, the Canopy Shares.

Nasdaq listing and share consolidation

The Canopy Shares are listed for trading on the TSX and the Nasdaq. In order to maintain the listing of the Canopy Shares on the Nasdaq, Canopy must comply with the Nasdaq's continued listing requirements and standards, which stipulate that the Canopy Shares must maintain a minimum bid price of at least \$1.00 per share (the "Minimum Share Price Listing Standard"). On December 15, 2023, Canopy completed the Canopy Consolidation, pursuant to which it implemented a 1-for-10 share consolidation (or reverse split) of its issued and outstanding Canopy Shares in order for it to regain compliance with the Minimum Share Price Listing Standard. There can be no assurance that there will be sufficient liquidity of the Canopy Shares, nor that Canopy will be able to continue to meet the Minimum Share Price Listing Standard on an ongoing basis. In the event that the trading price of the Canopy Shares drops below \$1.00 again, Canopy may be required to conduct another share consolidation into a lesser number of issued and outstanding Canopy Shares. This may have a dilutive effect on the Floating Shareholders that receive Canopy Shares pursuant to the Floating Share Arrangement. If Canopy is unable to regain compliance with the Minimum Share Price Listing Standard, the Canopy Shares may be subject to delisting from the Nasdaq.

The Canopy Shares to be received by Floating Shareholders as a result of the Floating Share Arrangement will have different rights from the Floating Shares

Upon completion of the Floating Share Arrangement, Floating Shareholders will no longer be shareholders of Acreage, a company governed by the BCBCA, but will instead be shareholders of Canopy, a corporation governed by the CBCA. There may be important differences between the current rights of Floating Shareholders and the rights to which such shareholders will be entitled as shareholders of Canopy under the CBCA and Canopy's constating documents. Shareholder rights under the CBCA are in many instances comparable to those under the BCBCA; however, there are several differences.

Anticipated benefits of integration with Canopy USA may not materialize

It is anticipated that Canopy USA will exercise its option to acquire 100% of the shares of Jetty (the "Jetty Option") and 100% of the shares of Wana (the "Wana Option"). If such options are exercised, upon completion of the Floating Share Arrangement, it is anticipated that Canopy USA's business will involve the integration of companies that previously operated independently.

Such integration may present challenges for Canopy USA, including the integration of the operations, systems and personnel, and special risks, including possible unanticipated liabilities, unanticipated costs, diversion of time and attention and the loss of key employees. The difficulties Canopy USA may encounter in the transition and integration process could have an adverse effect on the revenues, level of expenses and operating results of Canopy and Canopy USA. If actual results are less favourable than anticipated, the business, results of operations, financial condition and liquidity of Canopy and Canopy USA could be materially adversely impacted.

The ability to realize the benefits of the Floating Share Arrangement may depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on Canopy USA's ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating the businesses of Acreage with Wana and Jetty, in the event the Wana Option and the Jetty Option are exercised.

Operational, strategic and staffing decisions have not yet been made. These decisions, coupled with the integration of Acreage, Wana and Jetty, in the event the options to acquire ownership of these entities is exercised, into Canopy USA's operations, may present challenges, including the integration of systems and personnel, and special risks, including possible unanticipated liabilities, unanticipated costs, and the loss of key employees. The performance of Canopy USA after completion of the Floating Share Arrangement could be adversely affected if Canopy USA cannot attract and retain key employees to assist in its operations. As a result of these factors, it is possible that the expected cost reductions and synergies may not be realized.

It is expected that integration will require the dedication of substantial effort, time and resources, which may divert the focus of Canopy USA and resources from other strategic opportunities following completion of the Floating Share Arrangement, as well as from operational matters. The amount and timing of the synergies hoped to be realized may not occur as planned. In addition, the integration process may result in the disruption of ongoing business that may adversely affect the ability of Canopy USA and Canopy to achieve the anticipated benefits of the Floating Share Arrangement.

The anticipated benefits of the strategy involving Canopy USA may not be realized

Achieving the benefits anticipated through Canopy USA depends in part on the ability of Canopy USA to effectively capitalize on its scale, to realize the anticipated capital and operating synergies, to profitably sequence the growth prospects and to maximize the potential of its growth opportunities. The ability to realize these benefits from the proposed acquisitions of Acreage, Wana and Jetty by Canopy USA may depend, in part, on successfully consolidating certain functions and integrating operations, procedures and personnel in a timely and efficient manner, and on Canopy USA's ability to realize the anticipated growth opportunities and synergies. The integration of Acreage with Wana and Jetty, in the event the Wana Option and Jetty Option are exercised, by Canopy USA will require the dedication of substantial effort, time and resources on the part of Canopy USA which may divert time, focus and resources from other strategic opportunities available to Canopy USA and from operational matters during this process. In addition, the integration process could result in disruption of existing relationships with suppliers, employees, customers and other constituencies of each company. There can be no assurance that Canopy USA will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated.

Operational and strategic decisions with respect to the integration of Acreage with Wana and Jetty, in the event the Wana Option and Jetty Option are exercised, have not yet been made and may present challenges. It is possible that the integration process could result in the inability to attract and retain key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability to maintain relationships with clients, suppliers, employees or to achieve the anticipated benefits. The performance of Canopy USA could be adversely affected if Canopy USA cannot attract and retain key employees. Any inability of Canopy USA to successfully integrate the operations could have a material adverse effect on the business, financial condition and results of operations of Canopy and Canopy USA.

Upon the closing of the Floating Share Arrangement, Shareholders will own shares of Canopy whose management team will not have the ability to direct or manage the operations of Canopy USA

Current Shareholders will not receive shares of Canopy USA as part of the Floating Share Arrangement but only shares of Canopy yet upon the closing of the Floating Share Arrangement, Canopy USA will hold all of the Acreage Shares. Canopy does not have the ability to direct or manage the operations of Canopy USA. The interests of Canopy USA may not coincide with the interests of Canopy and its shareholders and, consequentially, management of Canopy USA may not necessarily act in accordance with the best interests of the shareholders of Canopy. To the extent that conflicts of interests may arise, Canopy USA may act in a manner adverse to Canopy and its shareholders.

Canopy may issue additional equity securities

Canopy may issue equity securities to finance its activities, including in order to finance acquisitions. In addition, if Canopy is successful in negotiating the exchange of certain outstanding promissory notes owed to Greenstar for Exchangeable Canopy Shares (see “Canopy may be unable to renegotiate its debt to Greenstar” above), additional Exchangeable Canopy Shares will be issued, which will be convertible into Canopy Shares. Following any issuance of additional equity securities by Canopy, whether prior to or following the completion of the Floating Share Arrangement, the ownership interest of Floating Shareholders in Canopy upon such completion of the Floating Share Arrangement may be diluted, and some or all of Canopy’s financial measures on a per share basis may be reduced. Moreover, if Canopy’s intention to issue additional equity securities becomes publicly known, the price of the Canopy Shares may be materially adversely affected.

The Acquisition will affect the rights of Floating Shareholders

Following the completion of the Floating Share Arrangement, Floating Shareholders will no longer have an interest in Acreage, its assets, revenues or profits. In the event that the actual value of Acreage’s assets or business as at the Effective Date (as defined in the Floating Share Agreement), exceeds the value of Acreage implied by the exchange ratio of 0.04500 (after giving effect to the Canopy Consolidation) of a Canopy Share to be issued for each Floating Share exchanged pursuant to the Floating Share Arrangement (the “Exchange Ratio”), holders of Floating Shares will not be entitled to additional consideration.

Adverse U.S. federal income tax consequences

For U.S. federal income tax purposes, the Floating Share Arrangement is expected not to qualify as a reorganization under Section 368(a) of the Code and is expected to be a fully taxable transaction. U.S. Holders may be required to pay substantial U.S. federal income taxes in connection with the Floating Share Arrangement. Assuming the Floating Share Arrangement does not qualify as a reorganization under Section 368(a) of the Code, a U.S. Holder that receives Canopy Shares in exchange for Floating Shares would generally recognize a capital gain or loss equal to the difference between the fair market value of the Canopy Shares received and the U.S. Holder’s adjusted tax basis in the Floating Shares exchanged therefor. For additional information, see the section entitled “Certain United States Federal Income Tax Considerations”. Special rules apply to Non-U.S. Holders based on their particular circumstances. There is a risk that such Non-U.S. Holders could be subjected to U.S. federal income tax under certain circumstances.

Canopy is subject to certain restrictions of the TSX and the Nasdaq, which may constrain its ability to expand its business in the United States

The Canopy Shares are currently listed on the TSX and the Nasdaq. So long as Canopy continues to be listed on the TSX and the Nasdaq, Canopy must comply with their requirements and guidelines when conducting business, particularly when pursuing opportunities in the United States.

While the Nasdaq has not issued official rules specific to the cannabis or hemp industry, stock exchanges in the United States, including the Nasdaq, have historically refused to list certain cannabis related businesses, including cannabis retailers, that operate primarily in the United States. Failure to comply with any requirements imposed by the Nasdaq could result in the delisting of the Canopy Shares from the Nasdaq, or the denial of any application to have additional securities listed on the Nasdaq, which could have a material adverse effect on the trading price of the Canopy Shares. See “Regulatory Matters — Stock Exchange Matters”.

A delisting could adversely impact the liquidity of the Canopy Shares

The Canopy Shares are currently listed on the TSX and the Nasdaq. If the Canopy Shares are delisted from the Nasdaq, there may be a reduction in the liquidity of the Canopy Shares. The pool of potential purchasers of Canopy Shares could also become more limited as a result. Accordingly, a purchase or sale of Canopy Shares may take longer to complete unless Canopy was able to list the Canopy Shares on an alternative exchange. Any inability to purchase and sell Canopy Shares on a timely basis in sufficient quantities could have a material adverse effect on the market price of the Canopy Shares or the ability of Canopy to complete future equity financings on terms favorable to it.

Canopy’s ability to meet its debt obligations may have an adverse impact on its capital position, business and operations

Canopy’s publicly available interim financial statements as of and for nine months ended December 31, 2023 reflect a net loss and negative cash flow from operating activities for the nine months ended December 31, 2023. Canopy has approximately C\$85.5 million in debt maturing in 2024. If Canopy is unable or does not have the resources to repay or refinance such debt coming due in 2024, that may have an adverse impact on Canopy’s capital position, business and operations and, consequentially, the liquidity and price of the Canopy Shares.

Risk of a change of control of Canopy USA but not Canopy

There can be no assurance that Canopy will maintain its ownership interest in Canopy USA. If Canopy divests its ownership interest in Canopy USA, whether as a result of a forced divestiture or by voluntary sale, Floating Shareholders will no longer have an interest in Canopy USA or its U.S. cannabis investments previously held by Canopy.

The Reorganization may not be acceptable to certain of Canopy's financial lenders or other capital providers

Although the sale of cannabis is permissible at the state level in a number of states in United States, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act, and the cultivation, distribution, sale and possession of cannabis remains federally illegal in the United States. As such, the Controlled Substances Act may still be enforced against individuals and companies operating in states in which the sale of cannabis is permissible. This poses a risk that certain of Canopy's lenders or other capital providers may choose not to engage in business with Canopy if it is believed that Canopy is in contravention of the Controlled Substances Act. If one or more of such providers terminates its relationship with Canopy as a result of its strategy to accelerate its entry into the United States cannabis industry through the creation of Canopy USA (the "Reorganization"), it could have a material adverse effect on Canopy, including its reputation and ability to conduct business, its financial position, operating results, profitability or liquidity or the market price of its listed securities.

Prior to the Effective Time, Acreage is restricted from taking certain actions pursuant to the Floating Share Arrangement

The Floating Share Agreement restricts Acreage from taking specified actions until the earlier of the (12:00 a.m. (Vancouver time) on the Effective Date (the "Effective Time") and the time that the Floating Share Agreement is terminated in accordance with its terms, including issuing additional Floating Shares subject to certain exceptions, without the consent of Canopy which may adversely affect the ability of Acreage to execute certain business strategies. These restrictions may prevent Acreage from pursuing certain business opportunities that may arise prior to the Effective Time.

Ability to integrate successfully

The Floating Share Arrangement will involve the integration of companies that previously operated independently. The ability to realize the benefits of such transactions will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating Acreage's businesses. Operational and strategic decisions and staffing decisions have not yet been made. The loss of the services of Acreage personnel and key employees following the Effective Date, whether as a direct result of the completion of the transaction, inability to retain such personnel due to a change of job requirements thereafter, or otherwise the inability to successfully integrate, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the ability of Canopy and Canopy USA to execute on the business plan and strategy, and Canopy and Canopy USA may be unable to find adequate replacements on a timely basis, or at all.

Risks if the Floating Share Arrangement is not completed and Canopy acquires the Fixed Shares

Pursuant to the Floating Share Agreement, Canopy has irrevocably waived the Floating Call Option to acquire the Floating Shares pursuant to the Existing Arrangement. If the Floating Share Arrangement is not completed, the Fixed Call Option may have already been exercised pursuant to the Floating Share Agreement. If the Fixed Call Option has not yet been exercised, Canopy will still retain the right to acquire all of the Fixed Shares pursuant to the Fixed Call Option under the Existing Arrangement. If the Fixed Call Option is exercised in either such scenario and Canopy USA acquires the Fixed Shares, it is anticipated that Canopy USA will beneficially own approximately 70% of the voting rights attached to all the outstanding Acreage Shares at the Acquisition Time.

Risks relating to holding Floating Shares in a company with a majority controlling shareholder

In the event that the Floating Share Arrangement is not completed but the Acquisition is completed, following the Acquisition Time until the End Date, the Existing Arrangement Agreement provides that Canopy will have certain rights including, without limitation, the right to nominate a majority of the Acreage Board, pre-emptive rights, top-up rights, approval rights and certain audit and inspection rights. In addition, there will be a number of restrictions imposed on Acreage, including, without limitation, restrictions regarding the payment of dividends, Acreage's merger and acquisition activities, acquisitions, divestitures, amendments to constating documents, the issuance of certain securities and entering into any agreements that limit Acreage's ability to compete, in each case without the consent of Canopy. Floating Shareholders will have little or no influence on the conduct of Acreage's business and affairs.

By virtue of becoming the controlling shareholder of Acreage, together with the rights and restrictions in the Existing Arrangement Agreement, Canopy will have the power to exercise decisive influence over Acreage. There are no guarantees that Canopy's interests will align with the interests of Acreage or the interests of its Floating Shareholders. As a result, Acreage could be prevented from entering into transactions that could be beneficial to Acreage or its Floating Shareholders, and third parties will likely be discouraged from making a take-over bid for all of the Floating Shares as a result of the existence of a controlling shareholder. Any such transaction would likely involve payment of an amount of consideration per Floating Share less than would have been received by the holders pursuant to the Floating Share Arrangement. If a third-party were to offer to acquire all of the Fixed Shares from Canopy, holders of Floating Shares would have no "coattail rights" which would oblige such a third-party to offer to acquire the Floating Shares on the same terms. In addition, any sale of a substantial number of Floating Shares by a controlling shareholder could cause the market price of the Floating Shares to decline.

There may not be an active trading market for the Floating Shares

In the event that the Fixed Shares are acquired upon exercise of the Fixed Call Option pursuant to the Existing Arrangement and the Floating Share Arrangement is not completed, notwithstanding that it is proposed that the Floating Shares will remain listed for trading on the CSE, such listing may not provide significant liquidity, and the Floating Shares may not trade at prices advantageous to Floating Shareholders. An active or liquid trading market in the Floating Shares may not continue following the Acquisition Time. It is possible that low demand for the Floating Shares may make it difficult, or impossible, for a Floating Shareholder to sell their Floating Shares. Therefore, the sale of Floating Shares may take more time or require Floating Shareholders to accept a sale at a lower price. In addition, the market price of the Floating Shares may be subject to fluctuation, whether or not due to fluctuations in Acreage's operating results and financial condition, which could, in turn, result in substantial losses being incurred by Floating Shareholders.

Limited ability to pursue strategic and organic growth opportunities without Canopy's consent

The Existing Arrangement Agreement includes certain covenants in favor of Canopy that will apply following the Acquisition Time until the End Date. Such covenants include, among other things, the right to nominate a majority of the Acreage Board, preemptive rights, top-up rights, approval rights and certain audit and inspection rights. In addition, during such time there will be a number of restrictions imposed on Acreage, including, without limitation, restrictions regarding the payment of dividends, Acreage's merger and acquisition activities, acquisitions, divestitures, amendments to Acreage's constituting documents, the issuance of certain securities and entering into any agreements that limit Acreage's ability to compete, in each case without the consent of Canopy.

As a result, following the Acquisition Time, Acreage will be subject to a number of constraints. Acreage is not permitted to pursue various strategic and other business opportunities without obtaining Canopy's consent. In the event Canopy does not provide its consent, Acreage may fail to execute on its business objectives and may not be able to pursue strategic and organic growth opportunities, which may have a material adverse effect on Acreage's business, financial condition, results of operations and prospects.

Canopy USA may compete or divert opportunities to its other investees that participate in the U.S. cannabis industry

Canopy USA may compete with the business of Acreage. There is a risk that there will be situations when the interests of Canopy USA conflict with the interests of Acreage or Canopy Shareholders. Any increased competitive pressure against Acreage from Canopy, its Subsidiaries, Canopy USA or any investee companies after the Acquisition Time may have a material adverse effect on Acreage's business, financial condition, results of operations and prospects.

Additional risks and uncertainties, including those currently unknown or considered immaterial by Acreage, Canopy and Canopy USA, may also adversely affect the business of Acreage or Canopy following completion of the Acquisition.

Risks Related to the Fixed Shares and Floating Shares

We cannot guarantee returns on our Fixed Shares or Floating Shares.

There is no guarantee that either the Fixed Shares or the Floating Shares will earn any positive return in the short term or long term. A holding of Fixed Shares or Floating Shares is speculative and involves a high degree of risk and should be undertaken only by holders whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. A holding of Fixed Shares or Floating Shares is appropriate only for holders who have the capacity to absorb a loss of some or all of their investment.

Our Fixed Shares and Floating Shares may have a volatile market price.

The market price of the Fixed Shares and Floating Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control. This volatility may affect the ability of holders of Fixed Shares or Floating Shares to sell their securities at an advantageous price. Market price fluctuations in the Fixed Shares or Floating Shares may be due to our operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by us or our competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Fixed Shares or Floating Shares.

Financial markets historically at times have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Fixed Shares or Floating Shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, our operations could be adversely impacted, and the trading price of the Fixed Shares or Floating Shares may be materially adversely affected.

Lowered market price of the Floating Shares

The current price of the Floating Shares may reflect a market assumption that the transactions contemplated pursuant to the Floating Share Agreement will occur. A failure to complete the transactions contemplated pursuant to the Floating Share Agreement may result in a material decline in the price of the Floating Shares. Financial markets may experience significant price and volume fluctuations that affect the market prices of equity securities of companies that are unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Floating Shares may decline even if Shareholder Approval is obtained. There can be no assurance that continuing fluctuations in price and volume will not occur before the Floating Share Arrangement is completed.

Our security holders resident in the United States may have difficulty settling trades because we operate in the cannabis sector.

Given the heightened risk profile associated with cannabis in the United States, capital markets participants may be unwilling to assist with the settlement of trades for U.S. resident security holders of companies with operations in the United States cannabis industry which may prohibit or significantly impair the ability of security holders in the United States to trade the Fixed Shares or Floating Shares. In the event residents of the United States are unable to settle trades of the Fixed Shares or Floating Shares, this may affect the pricing of the Fixed Shares or Floating Shares in the secondary market, the transparency and availability of trading prices and the liquidity of these securities.

There can be no assurance as to the liquidity of the trading market for our Fixed Shares or Floating Shares.

Our shareholders may be unable to sell significant quantities of Fixed Shares or Floating Shares into the public trading markets without a significant reduction in the price of their Fixed Shares or Floating Shares, or at all. There can be no assurance that there will be sufficient liquidity of the Fixed Shares or Floating Shares on the trading market, or that we will continue to meet the listing requirements of one or more of the CSE, OTCQX or FRA or achieve listing on any other public listing exchange.

Our Fixed Shares may trade at a price that is not indicative of our performance or at a discount to the Fixed Exchange Ratio.

There is no guarantee that the Fixed Shares will trade at a price that reflects our performance or at a price relative to the trading price of the Canopy Shares based upon the Fixed Exchange Ratio of 0.03048 (after giving effect to the Canopy Consolidation) of a Canopy Share for each Fixed Share exchanged pursuant to the Existing Arrangement, subject to adjustment in accordance with the Existing Arrangement and the Existing Arrangement Agreement. Given the uncertainties regarding the completion of the Acquisition, it is possible the Fixed Shares will trade at a significant discount to the Fixed Exchange Ratio.

Floating Shares may not trade at prices that reflect the Exchange Ratio and will not trade at an intrinsic value.

Until the Effective Date, there is no guarantee that the Floating Shares will trade at a price that reflects the performance of Acreage or at a price relative to the trading price of the Canopy Shares based upon the Exchange Ratio. Given the uncertainties regarding the completion of the Floating Share Arrangement, it is possible the Floating Shares will trade at a significant discount to the Exchange Ratio. Moreover, the intrinsic value of the Floating Shares is indeterminate.

Our credit agreements contain restrictive covenants which may adversely limit management's discretion in operating our business.

Our credit agreements and the Debenture contain restrictive covenants that limit the discretion of management with respect to certain limited matters. A failure to comply with these terms could result in an event of default which, if not cured or waived, could result in accelerated repayment and may have a material and adverse consequence on our business, operations or financial condition, on a consolidated basis.

If certain U.S. states do not legalize recreational cannabis use within a proximate timeframe, we may not be able to comply with the Initial Business Plan which may result in significant restrictions on the operation of our business and Canopy Growth may not be required to complete the Acquisition.

The Initial Business Plan has been prepared based on the assumption that certain regulatory initiatives legalizing recreational cannabis will be approved in Connecticut, Massachusetts, New York, Pennsylvania, Illinois, New Jersey, Maine and Ohio within a proximate timeframe. If some or all of the anticipated regulatory initiatives do not occur in the foregoing states within the contemplated timeline, or at all, it will have a significant adverse impact on our ability to meet the Pro-Forma Net Revenue Targets and Consolidated Adj. EBITDA Targets prescribed in the Initial Business Plan, which will likely result in an Interim Failure to Perform that could lead to a Material Failure to Perform and ultimately, a Failure to Perform.

Risks Related to our Articles

Our Articles contain a forum selection provision under Article 30, which, among other things, identifies the Supreme Court of British Columbia and the Court of Appeal of British Columbia as the exclusive forum for certain litigation. Given that, under United States law, investors cannot waive compliance by us with U.S. federal securities laws, it is uncertain whether the forum selection provision applies to actions arising under U.S. federal securities laws, and if it does, whether a British Columbia Court would enforce such provision. It is also uncertain whether a breach of U.S. securities law in and of itself would give rise to a direct cause of action in British Columbia, although indirect causes of action may arise thereunder as a result of, without limitation, breach, misrepresentation or the like. In the event it was determined that the forum selection provision applies to actions arising under U.S. federal securities laws or, if it did, a British Columbia court refused to enforce such provision or a breach of U.S. securities law did not give rise to a cause of action in British Columbia, there is a risk that we would be required to litigate any such breach in a jurisdiction which is less favorable to us, which could result in additional costs and financial losses that could have a material adverse effect on our business.

Risks Related to the United States Regulatory System

Our employees, directors, officers, managers and/or investors could face detention, denial of entry or lifetime bans from the United States for their business associations with us.

Because cannabis remains illegal under United States federal law, those investing in Canadian companies with operations in the United States cannabis industry could face detention, denial of entry or lifetime bans from the United States for their business associations with United States cannabis businesses. Entry happens at the sole discretion of U.S. Customs and Border Protection (“CBP”) officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-United States citizen or foreign national. The government of Canada warns travelers on its website that previous use of cannabis, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. Business or financial involvement in the cannabis industry in the United States could also be reason enough for United States border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada’s legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal may affect admissibility to the United States. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States who are not United States citizens face the risk of being barred from entry into the United States for life.

Uncertainty regarding the regulations under the U.S. 2018 Farm Bill, and undeveloped shared state-federal regulations over hemp cultivation and production, may impact our hemp business.

The Agriculture Improvement Act of 2018, otherwise known as the Farm Bill was signed into law on December 20, 2018. Under Section 10113 of the Farm Bill, state departments of agriculture must consult with the state’s governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the USDA. A state’s plan to license and regulate

hemp can only commence once the Secretary of USDA approves that state's plan. The USDA has constructed a regulatory program under which hemp cultivators in those states without their own regulatory plan must apply for licenses and comply with a federally-run program. Even if a state creates a plan in conjunction with its governor and chief law enforcement officer, the Secretary of the USDA must approve such plan. There can be no guarantee that any state plan will be approved. Review times may be extensive. USDA published a final rule on January 19, 2021 that provided regulations for the production of hemp in the United States and which became effective on March 22, 2021. There may be future amendments and the resulting amended plans, if approved by the states and the USDA, may materially limit our hemp business depending upon the scope of the regulations.

Laws and regulations affecting our industry governing operations under the Farm Bill are evolving.

There will likely be a constant evolution of laws and regulations affecting the hemp industry that could detrimentally affect our operations. Local, state and federal hemp laws and regulations may be subject to changing interpretations. These changes may require us to incur substantial costs associated with legal and compliance fees and ultimately require us to alter our business plan. Furthermore, violations of these laws, or alleged violations, could disrupt our business and result in a material adverse effect on our operations. In addition, we cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to our business.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management

The Company has processes for assessing, identifying, and managing material risks from cybersecurity threats. These processes are integrated into the Company's overall risk management systems. These processes also include overseeing and identifying risks from cybersecurity threats associated with the use of third-party service providers. The Company has established monitoring procedures in its effort to mitigate risks related to data breaches or other security incidents originating from third parties. The Company, from time-to-time, may engage third-party consultants, legal advisors, and audit firms to evaluate and test the Company's risk management systems and assess and remediate certain potential cybersecurity incidents, as appropriate.

Governance

As part of our enterprise risk management program, the Board of Directors (the "Board") meets with our senior management team, which includes our Chief Executive Officer, Chief Financial Officer, and General Counsel to address risks associated with cybersecurity threats on a regular basis. The Board receives prompt and timely information regarding any cybersecurity incident that meets established reporting thresholds, as well as ongoing updates regarding any such incident until it has been resolved.

Cybersecurity threats are one of the Company's most critical risks, with our Senior Director of Technology assigned as the executive risk owner. Our Senior Director of Technology, in coordination with our senior management team, works collaboratively across the Company to implement a program designed to protect the Company's information systems from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with the Company's incident response and recovery plans. Multidisciplinary teams throughout the Company are deployed to address cybersecurity threats and to respond to cybersecurity incidents. Through ongoing communications with these teams, the Senior Director of Technology and the senior management team monitor the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time and report such threats and incidents to the Board, when appropriate.

Our Senior Director of Technology boasts over ten years of experience spearheading technology operations for organizations with a keen emphasis on cybersecurity. His extensive background has been pivotal in shaping our cybersecurity policies, implementing our cybersecurity program, and supervising information governance and compliance measures.

During the year ended December 31, 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite the capabilities, processes, and other security measures we employ that we believe are designed to detect, reduce, and mitigate the risk of cybersecurity incidents, we may not be aware of all vulnerabilities or might not accurately assess the risks of incidents, and such preventative measures cannot provide absolute security and may not be sufficient in all circumstances or mitigate all potential risks.

See "Item 1 A. Risk Factors" for more information on the Company's cybersecurity-related risks.

Item 2. Properties.

Our corporate headquarters are located at 366 Madison Ave, 14th floor, New York, New York, 10017. The following table sets forth our owned and leased locations by geographic location as of December 31, 2023. The Company has entered into sale-and-leaseback transactions with GreenAcreage Real Estate Corp. and will continue to enter into such transactions with real estate investment trusts when deemed beneficial to the Company's strategy. As a result, the Company's real estate profile may continue to shift to leased properties.

The tables and footnotes below summarize the Company's real estate profile as of December 31, 2023:

Retail Facilities:

Regions	Operational	In Development	Owned	Leased
Connecticut	4	—	—	4
Maine	4	—	—	4
Massachusetts	2	—	—	2
New Jersey	3	—	—	3
New York	4	—	—	4
Illinois	2	—	1	1
Ohio	5	—	—	5
Total	24	—	1	23

Cultivation/Processing Facilities

Regions	Operational	In Development	Owned	Leased
Maine	1	—	—	1
Massachusetts	2	—	—	2
New Jersey	1	—	—	1
New York	1	—	—	1
Pennsylvania	1	—	—	1
Illinois	1	—	1	—
Ohio	1	—	1	—
Total	8	—	2	6

Item 3. Legal Proceedings.

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). Defendants filed motions to dismiss the inoperative complaint on February 29, 2024. The motions to dismiss the inoperative complaint have not been fully briefed.

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 was 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 to 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 (the "Plymouth Action"). High Street Capital Partners, LLC ("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 "BLS Action"). In the Plymouth Action, the Company and MA RMD SVCS, LLC moved to partially dismiss the claims asserted against them. The Court heard oral argument on February 1, 2024, and the motion is currently under advisement. Meanwhile, in the BLS Action, Mr. Westort filed a motion to dismiss the civil action in its entirety, and, on April 8, 2024, the Court denied this motion and allowed all of High Street's claims to move forward. On April 24, 2024, Mr. Westort filed an Answer and asserted a counterclaim against High Street for breach of a representation and warranty within the Membership Interest Purchase Agreement. High Street is currently assessing its response to this counterclaim.

Following the Court's ruling in the Plymouth Action, the Company and High Street intend to seek consolidation of the Plymouth Action with the BLS Action, and will vigorously defend all claims asserted against them, and diligently prosecute their claims against Mr. Westort and HCI.

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.

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)		Better/(Worse)	
	2023 vs. 2022			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)		Better/(Worse)	
	2023 vs. 2022			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%.

Total operating expenses

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)	
	Year Ended December 31,			2023 vs. 2022		2022 vs. 2021	
	2023	2022	2021	\$	%	\$	%
in thousands							
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)	
	Year Ended December 31,			2023 vs. 2022		2022 vs. 2021	
	2023	2022	2021	\$	%	\$	%
in thousands							
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	Year Ended December 31,			Better/(Worse)		Better/(Worse)	
	in thousands			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)	
	Year Ended December 31,			2023 vs. 2022		2022 vs. 2021	
	2023	2022	2021	\$	%	\$	%
in thousands							
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 in thousands	Year Ended December 31,			Better/(Worse) 2023 vs. 2022		Better/(Worse) 2022 vs. 2021	
	2023	2022	2021	\$	%	\$	%
	Net cash used in operating activities	\$ (15,101)	\$ (50,095)	\$ (40,530)	\$ 34,994	70 %	\$ (9,565)
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.

Item 8. Financial Statements and Supplementary Data.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Acreage Holdings, Inc. (the “Company”) as of December 31, 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.

ACREAGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Year Ended December 31,		
	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				Non-controlling Interests	Total Equity (Deficit)
			Share Capital	Treasury Stock	Accumulated Deficit	Shareholders' 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

(in thousands)	Year Ended December 31,		
	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	<u>\$ (15,101)</u>	<u>\$ (50,095)</u>	<u>\$ (40,530)</u>
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

ACREAGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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)	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.

(in thousands)	Year Ended December 31,		
	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

ACREAGE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

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, 14th floor, New York, New York in the U.S. The Company’s registered and records office address is Suite 2800, Park Place, 666 Burrard Street, Vancouver, British Columbia in Canada.

The RTO transaction

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

Canopy Growth Corporation transaction

On June 27, 2019, the Company and Canopy Growth Corporation (“Canopy Growth” or “CGC”) implemented the Prior Plan of Arrangement (as defined in Note 13) contemplated by the Original Arrangement Agreement (as defined in Note 13). Pursuant to the Prior Plan of Arrangement, Canopy Growth was granted an option to acquire all of the issued and outstanding shares of the Company in exchange for the payment of 0.5818 of a common share in the capital of Canopy Growth for each Class A subordinate voting share (each, a “SVS”) held (with the Class B proportionate voting shares (the “PVS”) and Class C multiple voting shares (the “MVS”) being automatically converted to SVS immediately prior to consummation of the Acquisition (as defined in Note 13), which original exchange ratio was subject to adjustment in accordance with the Original Arrangement Agreement. Canopy Growth was required to exercise the option upon a change in federal laws in the United States to permit the general cultivation, distribution and possession of marijuana (as defined in the relevant legislation) or to remove the regulation of such activities from the federal laws of the United States (the “Triggering Event”) and, subject to the satisfaction or waiver of certain closing conditions set out in the Original Arrangement Agreement, Canopy Growth was required to acquire all of the issued and outstanding SVS (following the mandatory conversion of the PVS and MVS into SVS).

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

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

“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.

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Use of estimates

Preparation of financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the dates presented and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates. Significant estimates inherent in the preparation of the accompanying 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.

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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.

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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.

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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

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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.

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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.

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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.

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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)

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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.

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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)

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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	<u>\$ —</u>	<u>\$ —</u>

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.

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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

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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.

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

Statement of Operations Information	Classification	Year Ended December 31,		
		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

Statement of Cash Flows Information	Classification	Year Ended December 31,		
		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

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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,

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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

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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

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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.

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.

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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.

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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		Floating Shares	
	RSUs	Weighted Average Grant Date Fair Value	RSUs	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		Floating Shares	
	Options	Weighted Average Exercise Price	Options	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.

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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.

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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.

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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.

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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.

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.

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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

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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.

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(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		Year Ended		Year Ended	
	December 31, 2023		December 31, 2022		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)%

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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

ACREAGE HOLDINGS, INC.
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members pursuant to the Company's tax receivable bonus plan. The Company will retain the remaining 15% of the realized tax benefits.

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

16. REPORTABLE SEGMENTS

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

17. EARNINGS PER SHARE

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

Basic and diluted loss per share is as follows:

	Year Ended December 31,		
	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.

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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.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, and due to the material weakness in internal controls over financial reporting described below, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were not effective for the period ending December 31, 2023 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Inherent Limitations Over Internal Controls

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including the Company's Principal Executive Officer and Principal Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report on Internal Control Over Financial Reporting

Management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the framework established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management has determined that our internal control over financial reporting as of December 31, 2023, was not effective due to a material weakness in internal controls over financial reporting.

Material Weaknesses in Internal Control Over Financial Reporting

A material weakness in internal controls over financial reporting is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The review, testing and evaluation of key internal controls over financial reporting completed by the Company resulted in the Company's principal executive officer and principal financial officer concluding that a material weakness in the Company's internal controls over financial reporting remained present as of December 31, 2023. Specifically, as a result of turnover and the availability of resources with the appropriate level of technical capabilities (including the impacts on staffing and recruiting and the general global labor shortage brought about by the global COVID-19 pandemic), the Company did not have effective

staffing levels and adequate segregation of duties within several finance and accounting processes, including the ability to adequately assess the impairment of goodwill and intangible assets, and cutoff over inventory.

Further, and as a result of this material weakness, the Company's financial disclosures for the quarterly period ending June 30, 2021 incorrectly disclosed certain debt that was due 11 months after the balance sheet date as long-term rather than as current liabilities. This debt was correctly classified and disclosed as of September 30, 2021. Additionally, and as a result of this material weakness, the Company's financial disclosures for the quarterly and annual periods ended June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021, June 30, 2021, and September 30, 2021 incorrectly reported the weighted average shares outstanding which resulted in an incorrect determination of earnings per share and diluted earnings per share. The calculation of earnings per share and diluted earnings per share were corrected and disclosed as of December 31, 2021.

The Company has begun to address the material weaknesses described above through the following actions. Although the Company previously believed the material weaknesses would be addressed by the second half of 2023, due to continued staff turnover and the availability of resources with appropriate levels of technical capabilities, the Company now expects to complete these actions in 2024:

- a. Engaging third-party consultants with appropriate expertise to assist the finance and accounting department on an interim basis until key roles are filled;
- b. Assessing finance and accounting resources to identify the areas and functions that lack sufficient personnel and recruiting for experienced personnel to assume these roles;
- c. Further centralization of key accounting processes to enable greater segregation of duties;
- d. Developing further training on segregation of duties; and
- e. Designing and implementing additional compensating controls where necessary.

The Company is working diligently to remediate this material weakness and will continue to evaluate the staffing requirements of the Company as the landscape and needs of the Company continue to evolve. However, there is no assurance that this material weakness will be fully remediated by December 31, 2024, given continuing lasting impacts of COVID-19 on staffing and labor for companies within our industry and otherwise. A material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

During the third quarter of 2023, we implemented a new Enterprise Resource Planning ("ERP") system. As a result of this implementation, we revised existing internal controls, processes, and procedures where necessary.

Other than the changes discussed above in connection with our implementation of a new ERP system and remediation plan relating to our material weakness, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recent quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated by reference to the Company's Proxy Statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

Ethical Business Conduct

The directors of the Company have adopted a formal written code of ethics and business conduct (the “Code of Conduct”) in addition to compliance with applicable governmental laws, rules and regulations. The Code of Conduct is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- avoidance of conflicts of interest with the interests of the Company;
- protection and proper use of corporate assets and opportunities;
- compliance with applicable governmental laws, rules and regulations;
- the prompt reporting of any violations of the Code of Conduct to an appropriate person or person identified in the Code of Conduct; and
- accountability for adherence to the Code of Conduct.

The Code of Conduct sets the minimum standards expected to be met or exceeded in all business and dealings of the Company and provides guidelines to help address new situations. The directors of the Company expect the Company’s employees, officers, directors and representatives to act with honesty and integrity and to avoid any relationship or activity that might create, or appear to create, a conflict between their personal interest and the interests of the Company.

A copy of our Code of Conduct is available without charge to any person desiring a copy of the Code of Conduct. You may request a copy of the Code of Conduct by submitting written request to us at our offices at 366 Madison Avenue, 14th Floor, New York, New York, 10017.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the Company’s Proxy Statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is incorporated by reference to the Company’s Proxy Statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is incorporated by reference to the Company’s Proxy Statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference to the Company’s Proxy Statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

- (a) Documents filed as part of this report
- (1) All Financial Statements

Our consolidated financial statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.

- (2) Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements and notes thereto included in this Form 10-K.

(3) Exhibits Required by Item 601 of Regulation S-K

Exhibit No.	Description of Document	Exhibit Index				Filed or Furnished Herewith
		Schedule Form	File Number	Exhibit/Form	Filing Date	
2.1	Arrangement Agreement between Canopy Growth Corporation and Acreage Holdings Inc. dated April 18, 2019. †	6-K	000-56021	99.2	4/30/2019	
2.2	First Amendment to Arrangement Agreement between Canopy Growth Corporation and Acreage Holdings, Inc., dated May 15, 2019.	6-K	000-56021	99.2	6/20/2019	
2.3	Agency Agreement, between Canaccord Genuity Corp. and Acreage Holdings, Inc., dated February 10, 2020.	8-K	000-56021	1.1	2/13/2020	
2.4	Second Amendment to Arrangement Agreement between Canopy Growth Corporation and Acreage Holdings, Inc., dated September 23, 2020. †	8-K	000-56021	10.1	9/28/2020	
2.5	Proposal Agreement Between Canopy Growth Corporation and Acreage Holdings Inc. dated June 24, 2020	8-K	000-56021	2.1	6/30/2020	
2.6	Arrangement Agreement, dated October 24, 2022, by and among Acreage Holdings, Inc., Canopy Growth Corporation and Canopy USA, LLC.	8-K	000-56021	10.1	10/31/2022	
2.7	First Amendment to Arrangement Agreement, dated March 17, 2023, by and among Acreage Holdings, Inc., Canopy Growth Corporation and Canopy USA, LLC.	8-K	000-56021	10.1	3/21/2023	
2.8	Second Amendment to the Arrangement Agreement dated May 31, 2023 by and among Acreage Holdings, Inc., Canopy Growth Corporation and Canopy USA, LLC	8-K	000-56021	10.1	6/5/2023	
2.9	Third Amendment to Arrangement Agreement, dated August 31, 2023, by and among Acreage Holdings, Inc., Canopy Growth Corporation and Canopy USA, LLC	8-K	000-56021	10.1	9/6/2023	
2.10	Fourth Amendment to Arrangement Agreement, dated October 31, 2023, by and among Acreage Holdings, Inc., Canopy Growth Corporation and Canopy USA, LLC	8-K	000-56021	10.1	11/3/2023	
2.11	Fifth Amendment to Arrangement Agreement, dated December 29, 2023, by and among Acreage Holdings, Inc., Canopy Growth Corporation and Canopy USA, LLC	8-K	000-56021	10.1	12/29/2023	
2.12	Sixth Amendment to Arrangement Agreement, dated March 29, 2024, by and among Acreage Holdings, Inc., Canopy Growth Corporation and Canopy USA, LLC	8-K	000-56021	10.1	3/29/2024	

Exhibit No.	Description of Document	Incorporated by Reference				Filed or Furnished Herewith
		Schedule Form	File Number	Exhibit/Form	Filing Date	
2.13	Seventh Amendment to Arrangement Agreement, dated April 25, 2024, by and among Acreage Holdings, Inc., Canopy Growth Corporation and Canopy USA, LLC					X
3.1	Articles of Incorporation.	8-A	000-56071	3.1	9/23/2020	
4.1	Form of Indenture.	F-10	333-232313	7.1	6/24/2019	
4.2	Special Warrant Indenture, between Acreage Holdings, Inc. and Odyssey Trust Company, dated February 10, 2020.	8-K	000-56021	4.2	2/13/2020	
4.3	Warrant Indenture, between Acreage Holdings, Inc. and Odyssey Trust Company, dated February 10, 2020.	8-K	000-56021	4.3	2/13/2020	
4.4	Description of Securities					X
10.1	Acreage Holdings, Inc. Omnibus Incentive Plan, as amended and restated September 23, 2020.+	S-1	333-252828	10.1	2/8/2021	
10.2	Form of Stock Option Award Agreement.+	S-1	333-252828	10.2	2/8/2021	
10.3	Form of Restricted Stock Award Agreement.	S-1	333-252828	10.3	2/8/2021	
10.4	Form of Indemnity Agreement.	10-K	000-56021	10.4	5/29/2020	
10.5	Third Amended and Restated Limited Liability Agreement of High Street Capital Partners, LLC, dated November 14, 2018.	40-F	000-56021	99.42	1/29/2019	
10.6	First Amendment to Third Amended and Restated Limited Liability Agreement of High Street Capital Partners, LLC, dated May 10, 2019.	10-K	000-56021	10.6	5/29/2020	
10.7	Second Amendment to Third Amended and Restated Limited Liability Agreement of High Street Capital Partners, LLC, dated June 27, 2019.	10-K	000-56021	10.7	5/29/2020	
10.8	Third Amendment to Third Amended and Restated Limited Liability Agreement of High Street Capital Partners, LLC, dated September 23, 2020.	S-1	333-252828	10.7	2/8/2021	
10.9	Fourth Amendment to Third Amended and Restated Limited Liability Agreement of High Street Capital Partners, LLC, dated October 24, 2022.	8-K	000-56021	10.5	10/31/2022	
10.10	Tax Receivables Agreement, by and among Acreage Holdings America, Inc., High Street Capital Partners, LLC and the members of the High Street Capital Partners, LLC, dated November 14, 2018.	40-F	000-56021	99.43	1/29/2019	
10.11	Third Amendment to Tax Receivables Agreement, by and among Acreage Holdings America, Inc., High Street Capital Partners, LLC and the members of the High Street Capital Partners, LLC, dated November 14, 2018.**	8-K	000-56021	10.4	10/31/2022	
10.12	Coattail Agreement, between Acreage Holdings, Inc. and Odyssey Trust Fund, dated November 14, 2018.	40-F	000-56021	99.41	1/29/2019	
10.13	Support Agreement, between Acreage Holdings, Inc. and Acreage Holdings WC, Inc., dated November 14, 2018.	40-F	000-56021	99.44	1/29/2019	

Exhibit No.	Description of Document	Incorporated by Reference				Filed or Furnished Herewith
		Schedule Form	File Number	Exhibit/Form	Filing Date	
10.14	Support Agreement, by and among Acreage Holdings, Inc., Acreage Holdings America, Inc. and High Street Capital Partners, dated November 14, 2018.	40-F	000-56021	99.45	1/29/2019	
10.15	Debenture issued to Universal Hemp, LLC to 11065220, dated as of September 23, 2020	8-K	000-56021	10.2	9/28/2020	
10.16	Amendment to Warrant Indenture between Acreage Holdings, Inc. and Odyssey Trust Company, dated as of September 23, 2020.	8-K	000-56021	10.4	9/28/2020	
10.17	Loan Agreement, dated September 28, 2020.**	8-K	000-56021	10.1	9/30/2020	
10.18	Form of Voting Support and Lock-Up Agreement.	8-K	000-56021	1.1	8/19/2020	
10.19	Credit Agreement by and among High Street Capital Partners, LLC, Acreage Holdings, Inc., other loan parties listed therein, AFC Agent LLC and VRT Agent LLC dated December 16, 2021	8-K	000-56021	10.1	12/22/2021	
10.20	First Amendment to Credit Agreement and Incremental Increase Activation Notice, dated October 24, 2022, by and among High Street Capital Partners, LLC, Acreage Holdings, Inc., each lender identified on the signature pages thereto, AFC Agent LLC, as co-agent for the lenders, and VRT Agent LLC, as co-agent for the lenders**	8-K	000-56021	10.3	10/31/2022	
10.21	Second Amendment to Credit Agreement, dated April 28, 2023, by and among High Street Capital Partners, LLC, Acreage Holdings, Inc., each lender identified on the signature pages thereto, AFC Agent LLC, as co-agent for the lenders, and VRT Agent LLC, as co-agent for the lenders. +	8-K	000-56021	10.1	5/4/2023	
10.22	Amendment No.1 dated December 16, 2021, to the Loan Agreement dated September 28, 2020, by and among HSCP CN Holdings II ULC, High Street Capital Partners, LLC and the Lender	8-K	000-56021	10.2	12/22/2021	
10.23	Form of Voting Support Agreement dated October 24, 2022.	8-K	000-56021	10.2	10/31/2023	
10.24	Secured Promissory Note between CF Bliss LLC, as the Borrower, and High Street Capital Partners, LLC, as the Lender, in the amount of \$5,850,000 dated July 1, 2022.	8-K	000-56021	10.1	7/8/2022	
10.25	Bonus Letter Agreement, dated July 11, 2022, between Acreage Holdings, Inc. and Peter Caldini.+	8-K	000-56021	10.1	7/15/2022	
10.26	Bonus Letter Agreement, dated July 11, 2022, between Acreage Holdings, Inc. and Steve Goertz.+	8-K	000-56021	10.2	7/15/2022	
10.27	Offer of Employment Letter, dated February 15, 2021, by and between Acreage Holdings, Inc. and Steve Goertz +	8-K	000-56021	10.1	2/26/2021	
10.28	Offer of Employment Letter, dated February 15, 2021, by and between Acreage Holdings, Inc. and Dennis Curran +	8-K	000-56021	10.1	3/4/2022	

Exhibit No.	Description of Document	Incorporated by Reference				Filed or Furnished Herewith
		Schedule Form	File Number	Exhibit/Form	Filing Date	
10.29	Offer Letter between Acreage Holdings, Inc. and Dennis Curran, dated June 2, 2023 +	8-K	000-56021	10.2	6/5/2023	
10.30	Offer Letter between Acreage Holdings, Inc. and Carl Nesbitt, dated June 28, 2023 +	8-K	000-56021	10.1	7/3/2023	
10.31	Offer Letter between Acreage Holdings, Inc. and Philip Himmelstein, dated December 8, 2023. +	8-K	000-56021	10.1	12/13/2023	
10.32	Offer Letter between Acreage Holdings Inc. and Corey Sheahan, dated March 18, 2022.					X
21.1	Subsidiaries as of December 31, 2023					X
23.1	Consent of Marcum LLP, the Independent Registered Public Accounting Firm of Acreage Holdings, Inc.					X
24.1	Power of Attorney (included on the signature page).					X
31.1	Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Periodic Report by Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*					X
101	Attached as Exhibit 101 to this report are the following documents formatted in iXBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Financial Position for the years ended December 31, 2022 and December 31, 2021; (ii) Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020, (iii) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2022, 2021 and 2020, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020 and , and (v) Notes to Consolidated Financial Statements for the year ended December 31, 2022.					X

+ Indicates management contract or compensatory plan.

* Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

**Portions of the exhibit have been redacted on the basis that the information redacted would likely cause competitive harm to the registrant if publicly disclosed.

† Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the SEC upon request.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 29, 2024

Acreage Holdings, Inc.

By: /s/ Philip Himmelstein

Philip Himmelstein

Interim Chief Financial Officer

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dennis Curran and Corey Sheahan, jointly and severally, as attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Dennis Curran</u> Dennis Curran	Chief Executive Officer and Director (Principal Executive Officer)	April 29, 2024
<u>/s/ Philip Himmelstein</u> Philip Himmelstein	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	April 29, 2024
<u>/s/ John Boehner</u> John Boehner	Director	April 29, 2024
<u>/s/ William Van Faasen</u> William Van Faasen	Director	April 29, 2024
<u>/s/ Corey Sheahan</u> Corey Sheahan	Director	April 29, 2024

Description of Registrant's Securities Registered Pursuant to Section 12 of the Exchange Act of 1934

The following summarizes general terms and provisions that apply to the Class E Subordinate Voting Shares (the "**Fixed Shares**"), the Class D Subordinate Voting Shares (the "**Floating Shares**", and together with the Fixed Shares, the "**Subordinate Voting Shares**"), and the Class F Multiple Voting Shares (the "**Fixed Multiple Shares**", together with the Subordinate Voting Shares, the "**Company Shares**") of the Company as of December 31, 2023. The summary of the general terms and provisions of the Company Shares set forth below does not purport to be complete and is subject to and qualified by reference to the Company's Articles of Incorporation ("**Articles**"), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K. For additional information, please read the Articles and the applicable provisions of the *Business Corporations Act* (Ontario).

Per the Company's Articles, the Company is authorized to issue an unlimited number of Fixed Shares, an unlimited number of Floating Shares and 117,600 Fixed Multiple Shares, without nominal or par value.

Class E Subordinate Voting Shares (Fixed Shares)

Holders of Fixed Shares are entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of Fixed Shares are entitled to one vote in respect of each Fixed Share held.

As long as any Fixed Shares remain outstanding, the Company may not, without the consent of the holders of the Fixed Shares by separate special resolution, alter or amend its Articles if the result would prejudice or interfere with any right or special right attached to the Fixed Shares.

The holders of Fixed Shares shall be entitled to receive such dividends payable in cash or property of the Company as may be declared thereon by the directors from time to time, provided that at any particular time in the period from the Acquisition Effective Time as defined in the Arrangement Agreement between the Company and Canopy Growth Corporation dated April 18, 2019, as amended on May 15, 2019 and September 23, 2020 (the "**Arrangement Agreement**") until the earlier to occur of the Acquisition Date (as defined in the Arrangement Agreement) and the End Date (as defined in the Arrangement Agreement), the aggregate amount of dividends per Fixed Share declared from the Effective Date until such particular time shall not exceed the product obtained when (i) the aggregate amount of dividends, per share, declared by Canopy Growth Corporation (or any successor thereto) on its common shares from the Effective Date until such particular time, is multiplied by (ii) the Exchange Ratio (as defined in the Arrangement Agreement).

The directors may declare no dividend payable in cash or property on the Fixed Shares unless the directors simultaneously declare a dividend payable in cash or property on: (x) the Floating Shares, in an amount per Floating Share equal to the amount of the dividend declared per Fixed Share; and (y) the Fixed Multiple Shares, in an amount per Fixed Multiple Share equal to the amount of the dividend declared per Fixed Share.

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Fixed Shares are entitled to participate *pari passu* with the holders of Floating Shares and Fixed Multiple Shares, with the amount of such distribution per Fixed Share equal to each of: (i) the amount of such distribution per Floating Share; and (ii) the amount of such distribution per Fixed Multiple Share.

There may be no subdivision or consolidation of the Fixed Shares unless, simultaneously, the Floating Shares and Fixed Multiple Shares are subdivided or consolidated utilizing the same divisor or multiplier.

Class D Subordinate Voting Shares (Floating Shares)

Holders of Floating Shares are entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of Floating Shares are entitled to one vote in respect of each Floating Share held.

As long as any Floating Shares remain outstanding, the Company may not, without the consent of the holders of the Floating Shares by separate special resolution, alter or amend its Articles if the result would prejudice or interfere with any right or special right attached to the Floating Shares.

The holders of Floating Shares shall be entitled to receive such dividends payable in cash or property of the Company as may be declared thereon by the directors from time to time, provided that at any particular time in the period from the Acquisition Effective Time (as defined in the Arrangement Agreement) until the earlier to occur of the Acquisition Date (as defined in the Arrangement Agreement) and the End Date (as defined in the Arrangement Agreement), the aggregate amount of dividends per Floating Share declared from the Effective Date until such particular time shall not exceed the product obtained when (i) the aggregate amount of dividends, per share, declared by Canopy Growth Corporation (or any successor thereto) on its common shares from the Effective Date until such particular time, is multiplied by (ii) the Exchange Ratio (as defined in the Arrangement Agreement).

The directors may declare no dividend payable in cash or property on the Floating Shares unless the directors simultaneously declare a dividend payable in cash or property on: (x) the Fixed Shares, in an amount per Fixed Share equal to the amount of the dividend declared per Floating Share; and (y) the Fixed Multiple Shares, in an amount per Fixed Multiple Share equal to the amount of the dividend declared per Floating Share.

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Floating Shares are entitled to participate *pari passu* with the holders of Fixed Shares and Fixed Multiple Shares, with the amount of such distribution per Floating Share equal to each of: (i) the amount of such distribution per Fixed Share; and (ii) the amount of such distribution per Fixed Multiple Share.

There may be no subdivision or consolidation of the Floating Shares unless, simultaneously, the Fixed Shares and Fixed Multiple Shares are subdivided or consolidated utilizing the same divisor or multiplier.

Fixed Multiple Shares

Holders of Fixed Multiple Shares are entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of Fixed Multiple Shares are entitled to 4,300 votes per Fixed Multiple Share, and each fraction of a Fixed Multiple Share shall entitle the holder to the number of votes calculated by multiplying the fraction by 4,300 and rounding the product down to the nearest whole number.

Fixed Multiple Shares provide voting control of the Company to Kevin Murphy, the Company's Founder and Chairman of the Board of Directors. As long as any Fixed Multiple Shares remain outstanding, the Company will not, without the consent of the holders of the Fixed Multiple Shares by separate special resolution, alter or amend its Articles if the result would be to prejudice or interfere with any right or special right attached to the Fixed Multiple Shares, or affect the rights or special rights of the holders of Fixed Shares, Floating Shares and Fixed Multiple Shares on a per share basis as provided in the Articles. Consent of the holders of a majority of the outstanding Fixed Multiple Shares is required for any action that authorizes or creates shares of any class or series having preferences superior to or on a parity with the Fixed Multiple Shares. In connection with the exercise of the voting rights in respect of any such

approvals, each holder of Fixed Multiple Shares has one vote in respect of each Fixed Multiple Share held.

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Fixed Multiple Shares are entitled to participate *pari passu* with the holders of Fixed Shares and Floating Shares, in an amount equal to: (i) the amount of such distribution per Fixed Share; and (ii) the amount of such distribution per Floating Share; and each fraction of a Fixed Multiple Share will be entitled to the amount calculated by multiplying the fraction by the amount payable per whole Fixed Multiple Share.

No dividend may be declared on the Fixed Multiple Shares unless the Company simultaneously declares dividends: (i) on the Fixed Shares, in an amount equal to the dividend declared per Fixed Multiple Share; and (ii) on the Floating Shares, in an amount equal to the dividend declared per Fixed Multiple Share. Holders of fractional Fixed Multiple Shares shall be entitled to receive any dividend declared on the Fixed Multiple Shares, in an amount equal to the dividend per Fixed Multiple Share multiplied by the fraction thereof held by such holder.

There may be no subdivision or consolidation of the Fixed Multiple Shares unless, simultaneously, the Fixed Shares and Floating Shares are subdivided or consolidated utilizing the same divisor or multiplier. Each Fixed Multiple Share is convertible, at the option of the holder, into one Fixed Share. Each Fixed Multiple Share will automatically convert, without any action on the part of the holder thereof, into Fixed Shares on the basis of one Fixed Share for one Fixed Multiple Share upon the earliest of the date that (i) the aggregate number of Fixed Multiple Shares held by the holder of Fixed Multiple Shares together with its affiliates are reduced to a number which is less than fifty percent (50%) of the aggregate number of Fixed Multiple Shares held by such holder together with its affiliates on the date of completion of the Transaction (defined as the High Street Capital Partners, LLC (“**High Street**”) reverse take-over of Applied Inventions Management, Inc.), (ii) the aggregate number of units of High Street (“**High Street Units**”) held by the holder of Fixed Multiple Shares together with its affiliates are reduced to a number which is less than fifty percent (50%) of the aggregate number of High Street units held by such holder together with its affiliates on the date of completion of the Transaction and (iii) is five (5) years following completion of the Transaction.

Coattail Agreement

The Company, Odyssey Trust Company (in such capacity, the “**Trustee**”), as trustee for the benefit of the holders of the Subordinate Voting Shares of the Company (the “**Holders**”), Mr. Murphy and Murphy Capital, LLC (together, the “**MVS Shareholders**”) entered into a coattail agreement dated November 14, 2018, as amended and restated on September 23, 2020 (the “**Coattail Agreement**”) under which the MVS Shareholders, as the only holders of Fixed Multiple Shares, and holders of High Street Units, are prohibited from selling, directly or indirectly, any Fixed Multiple Shares or High Street Units pursuant to a takeover bid, if applicable securities legislation would have required the same offer to be made to the Holders had the sale been a sale of Fixed Shares or Floating Shares rather than Fixed Multiple Shares or High Street Units.

The prohibition does not apply if a concurrent offer is made to (a) purchase Fixed Shares if: (i) the price per Fixed Share under such concurrent offer is at least as high as (A) the highest price to be paid for the Fixed Multiple Shares or, (B) 70% of the highest price per share to be paid for the High Street Units, assuming their conversion into Fixed Shares; (b) purchase Floating Shares if: (ii) the price per Floating Share under such concurrent offer is at least as high as (A) 42.86% of the highest the price to be paid for the Fixed Multiple Shares or, (B) 30% of the highest price per share to be paid for the High Street Units, assuming their conversion into Floating Shares; (c) the percentage of Fixed Shares and Floating Shares to be taken up under such concurrent offer is at least as high as the percentage of Fixed Multiple Shares or High Street Units to be sold; (d) such concurrent offer is unconditional, other than the right not to take up and pay for any Fixed Shares and Floating Shares tendered if no Fixed Multiple Shares or High Street

Units are purchased; and (e) such concurrent offer is in all other material respects identical to the offer for Fixed Multiple Shares or High Street Units.

In addition, the Coattail Agreement does not apply to prevent the sale or transfer of High Street Units to Mr. Murphy and members of his immediate family, or a person or company controlled by Mr. Murphy or a member of his immediate family.

If Holders representing not less than 10% of the then outstanding Fixed Shares or Floating Shares, as applicable, determine that the MVS Shareholders or the Company have breached or intend to breach any provision of the Coattail Agreement, they may by written requisition require the Trustee to take such action as is specified in the requisition in connection with the breach or intended breach, and the Trustee is to forthwith take such action or any other action it considers necessary to enforce its rights under the Coattail Agreement on behalf of the Holders. The obligation of the Trustee to take such action on behalf of the Holders is conditional upon the provision to the Trustee of such funds and indemnity as it may reasonably require in respect of any costs or expenses it may incur in connection with such action. Holders may not institute any action or proceeding, or exercise any other remedy to enforce rights under the Coattail Agreement unless they have submitted such a requisition, and provided such funds and indemnity, to the Trustee, and the Trustee shall have failed to act within 30 days of receipt thereof.

Change of Control

In the event of any business consolidation, amalgamation, arrangement, merger, redemption, compulsory acquisition or similar transaction of or involving Canopy Growth Corporation, or a sale or conveyance of all or substantially all of the assets of Canopy Growth Corporation to any other body corporate, trust, partnership or other entity, but excluding, for greater certainty, any transactions involving Canopy Growth Corporation and one or more of its subsidiaries (a “**Canopy Growth Change of Control**”) during the period between the entering into the Arrangement Agreement and the earlier of the closing of such acquisition or the termination of the Arrangement Agreement in accordance with its terms, holders of Fixed Shares, Floating Shares, Fixed Multiple Shares and High Street Units (collectively, the “**Acreage Holders**”) will not be entitled to vote or exercise any dissent rights in connection with such proposed acquisition, however, all such Acreage Holders will be bound by the terms of any such acquisition if approved. Accordingly, in the event of the exercise or deemed exercise of the “Canopy Growth Call Option” (which allows Canopy Growth Corporation to acquire all issued and outstanding shares of the Company) following a successful Canopy Growth Change of Control, it is anticipated that Acreage Holders would receive securities of the entity resulting from such Canopy Growth Change of Control.



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March 18, 2022

Corey J. Sheahan
XXXXXXXXXXXX
XXXXXXXXXXXX

Dear Corey,

We are pleased to present this letter (“Offer Letter”) as a formal invitation to join us at Acreage Holdings, Inc. (“Acreage” or the “Company”) as General Counsel reporting to Peter Caldini, CEO. We believe your knowledge and experience are the right combination of skills for success in this role and look forward to welcoming you to the Acreage Team!

Start Date:

Your employment, if accepted, will commence on April 18, 2022.

Base Salary:

Your base salary will be \$315,000 less applicable payroll deductions, required taxes, and applicable withholdings (“Base Salary”). You will be paid semi-monthly at the rate of \$13,125. This is a full-time, exempt position meaning you are not eligible for overtime pay should you work more than forty hours in a work week.

Annual Bonus Award:

In addition to your base salary, you are eligible for a short-term annual incentive bonus of 75% of your base salary (the “Annual Bonus Award”), with a payout range of zero (0) to two (2) times your base salary contingent upon your achievement of performance criteria established by the Compensation Committee (“Committee”) and the Board of Directors (“Board”). Your annual bonus award is based on eligible base salary earned during the incentive plan year inclusive of Paid Time Off (PTO).

The decision to provide an annual bonus award and the amount and terms of the award shall be at the sole and absolute discretion of the Committee and the Board. The Committee shall also determine achievement of all financial performance targets.

One-Time Equity Grant

Subject to approval of the Board, the Company will also grant you an equity award under the Omnibus Plan, as defined below (the “Initial Award”), on your start date. The initial award shall consist of an amount equal to \$500,000 and consist of 70% of restricted stock units representing the right to receive Class E subordinate voting shares (the “New Restricted Stock Units”) and 30% of restricted stock units representing the right to receive Class D subordinate voting shares (the “Floating Restricted Stock Units”). The Initial Award shall be calculated based on the 10-day volume weighted average price of the



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Class E subordinate voting shares and Class D subordinate voting shares, respectively. This award will vest ratably over three years.

Long-Term Equity Award

During your employment with the Company, you will be eligible to participate in the Company's Omnibus Equity Incentive Plan, as amended from time to time (the "Omnibus Plan") and receive equity awards thereunder in the form and at the time(s) determined by the Committee and the Board subject to vesting and other conditions set forth in the Omnibus Plan and applicable award agreements. Your long-term equity award will be calculated at 300% of base salary starting in 2023.

Benefits

Following the Start Date, you also will be eligible to participate in the employee benefit plans and programs generally available to the Company's employees and consistent with such plans and programs of the Company as in effect as of the date hereof, including but not limited to medical, life and disability insurance, retirement, vacation/paid time off, fringe benefit, perquisite, business expense reimbursement and travel plans or programs, in accordance with and subject to eligibility and other terms and conditions of such plans and programs, as in effect from time to time. The Company reserves the right to amend, modify or terminate any of its benefit plans or programs at any time and for any reason except as set forth in this Offer Letter.

Termination Without Cause

If the Company terminates your employment without Cause (as defined below), then upon execution of a reasonable and customary separation agreement and general release of claims satisfactory to the Company (which shall be governed by New York law, and referred to as the "Release"), the Company shall provide you with the following severance benefits (the "Severance Benefits"). Your eligibility for Severance Benefits will not be triggered until you have been employed with the Company for at least three (3) months:

(a) Severance Benefits. Commencing on the first payroll date following the effective date of the Release, the Company will pay Severance Benefits equal to your Base Salary for a period of six (6) months, payable in installments on the Company's regular payroll dates, subject to required and authorized normal withholdings and deductions. Notwithstanding the foregoing, if the period during which you can consider, adopt and/or revoke the Release shall cross calendar years, all payments made during such period shall accumulate and be made in the succeeding calendar year.

(b) Medical Benefits. If you elect continuation of medical coverage under the Consolidated Omnibus Budget and Reconciliation Act of 1985, as amended, or, if applicable, state insurances laws (collectively, "COBRA"), then, as part of your Severance Benefits, the Company will pay the employer portion of the premiums necessary to continue your medical coverage (including coverage for eligible dependents, if applicable) through the period starting on the termination date and ending on the earliest to occur of: (i) the six-month anniversary of your termination date, (ii) the date you and your



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eligible dependents, if applicable, become eligible for group health insurance coverage through a new employer; or (iii) the date you cease to be eligible for COBRA continuation coverage for any reason, including plan termination. If you become eligible for coverage under another employer's group health plan, you must notify the Company of such event.

(c) Outstanding Stock Options/RSUs. Notwithstanding any other provision to the contrary, to the fullest extent permitted by applicable law, as part of your Severance Benefits, you shall not be required to forfeit any vested equity awards following a Termination of Service (as such term is defined in the Omnibus Plan); provided however, that in the event of a Change in Control (as such term is defined in the Omnibus Plan) during the Severance Period, your vested equity awards shall be treated in the same manner as other equity awards issued and outstanding for other similarly situated active employees of the Company.

(d) Breach of Severance Obligations. If at any time while you are receiving Severance Benefits from the Company, you materially breach any contractual or other obligation to the Company (to be determined at the reasonable discretion of the Board) and are unable to cure such breach, the Severance Benefits as described above shall immediately cease. Following termination of your employment, any benefits to which you may be entitled pursuant to the Company's employee benefit plans and policies shall be determined and paid in accordance with the terms of such plans and policies, and you shall have no further right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination.

(e) Cause. For purposes of this Section, "Cause" means any of the following: (i) you have engaged in acts of dishonesty, or acts of fraud or other unlawful behavior against or at the expense of the Company; (ii) you have been convicted of, or pleaded nolo contendere, to any felony or crime of moral turpitude; (iii) your gross negligence or willful misconduct in the performance of your duties to the Company; (iv) you have engaged in any conduct which materially and adversely affects the business affairs of the Company, or violates the policies of the Company; (v) you have refused to substantially perform your duties and responsibilities, or persistently neglect your duties, or experience chronic unapproved absenteeism, in each case which continues after you receive written notice thereof from the Company; (vi) your unauthorized disclosure of trade secrets or other confidential information of the Company; or (vii) you breach any fiduciary duty owed to the Company. The determination of whether "Cause" exists shall be made by the Board, and its determination shall be final, conclusive and binding.

Governing Law/Entire Agreement

This Offer Letter shall be governed by the laws of the State of New York, without regard to conflict of law principles. Unless specifically provided herein, this Offer Letter contains all understandings and representations between you and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

Indemnification



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The Company shall defend, indemnify and hold you harmless to the maximum extent permitted by applicable law, against all claims, liabilities, costs, charges and expenses incurred or sustained by you in connection with any action, lawsuit, arbitration, mediation or other proceeding to which you may be made a party by reason of being an Officer, Director or employee of the Company, to the extent based on actions taken in the course and scope of your employment with the Company.

Mandatory Arbitration

Any dispute, controversy or claim arising out of or related to this Offer Letter or any breach of this Offer Letter, or arising out of or related to your employment with the Company, shall be submitted to and decided by mandatory binding arbitration administered under New York law and venued in New York City. You and the Company agree that each is giving up the right to a jury trial or to file a lawsuit in court against the other, as well as the right to bring a class or collective action against the other in court or in arbitration. The parties agree to jointly select a retired Judge as the single arbitrator, who shall have the power and authority, with the parties' input, to set a schedule and process for pre-hearing and hearing matters. If the parties are unable to agree on an arbitrator, then the arbitration shall be administered by the American Arbitration Association and shall be conducted consistent with the rules, regulations and requirements thereof as well as any requirements imposed by state law. Any arbitral award determination shall be final and binding upon the parties.

Work Eligibility

This offer of employment is contingent upon your provision of proof of authorization to work in the United States, acceptable references, and background verifications. You will also be asked to read and acknowledge receipt of the Employee Handbook and to sign and comply with the Non-Disclosure Agreement (the "NDA"), which prohibits, among other things, the unauthorized use or disclosure of the Company's confidential and proprietary information. As a further condition of your employment, you will also be required to execute a mutually agreeable non-competition agreement within seven (7) days following your start date.

To retain flexibility in the administration of policies and procedures, the Company reserves the right to revise its policies, procedures, and benefits at any time. All terms and conditions of your employment are subject to the provisions of the Company Employee Handbook, as may be revised from time to time, based on business need.

COVID-19 Vaccination

This offer of employment is contingent upon providing the Company with official proof that you are fully vaccinated against the COVID-19 virus. Fully vaccinated means that two weeks have passed since receiving the second dose in a two-dose series vaccine or two weeks after receiving the Johnson & Johnson vaccine.

At Will Employment



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This Offer Letter is not intended to affect your “at-will” status meaning that your employment with the Company is for no definite period and may be terminated at any time, with or without cause, with or without notice by either you or the company, subject to the terms and conditions of this Offer Letter.

By accepting employment with us, you acknowledge that you have no continuing non-competition obligations to any previous employer(s). Additionally, you agree that during your employment you will not engage in any conduct that would violate any continuing obligations you may have to any previous employer(s) with respect to solicitations or confidentiality.

Corey, we are excited to welcome you back to Acreage Holdings! Should you have any questions, please do not hesitate to contact me via phone at (XXX) XXX-XXXX; or, via e-mail at XXXXXX@XXXXXXX.com.

Congratulations and welcome to the Acreage Team!

Sincerely,

/s/ Connie Bertussi

Concetta C. Bertussi

Vice President, Human Resources

Acknowledgement :

I understand and accept the terms of this employment offer.

/s/ Corey Sheahan _____

Corey J. Sheahan

3/20/2022 _____

Date

Exhibit 21.1**SUBSIDIARIES OF REGISTRANT**

The following table lists the direct and indirect subsidiaries of Acreage Holdings, Inc. as of December 31, 2023.

Name of Subsidiary	Jurisdiction/State of Incorporation
22nd and Burn Inc. (d/b/a Cannablis & Co)	Oregon
Acreage California Holding Company, LLC	California
Acreage-CCF, Inc.	New Jersey
Acreage CCF New Jersey, LLC	New Jersey
Acreage Chicago 1, LLC	Illinois
Acreage Conn. CBD, LLC	Connecticut
Acreage Connecticut Cultivation JV, LLC	Connecticut
Acreage Connecticut, LLC	Connecticut
Acreage Connecticut Retail, JV, LLC	Connecticut
Acreage Finance Delaware, LLC	Delaware
Acreage Holdings America, Inc.	Nevada
Acreage Holdings, Inc.	British Columbia
Acreage Holdings WC, Inc.	Nevada
Acreage Illinois 1, LLC	Illinois
Acreage Illinois 2, LLC	Illinois
Acreage Illinois 3, LLC	Illinois
Acreage Illinois Holding Company, LLC	Illinois
Acreage IP California, LLC	California
Acreage IP Connecticut, LLC	Connecticut
Acreage IP Holdings, LLC	Nevada
Acreage IP Maine, LLC	Maine
Acreage IP Massachusetts, LLC	Massachusetts
Acreage IP Nevada, LLC	Nevada
Acreage IP New Jersey, LLC	New Jersey
Acreage IP New York, LLC	New York
Acreage IP Ohio, LLC	Ohio
Acreage IP Pennsylvania, LLC	Pennsylvania
Acreage Massachusetts, LLC	Delaware
Acreage Michigan 1, LLC	Michigan
Acreage Michigan 2, LLC	Michigan
Acreage Michigan 3, LLC	Michigan
Acreage Michigan 4, LLC	Michigan
Acreage Michigan, LLC	Michigan
Acreage New York, LLC	New York
Acreage Relief Holdings OK, LLC	Oklahoma
Acreage Transportation, LLC	Pennsylvania
D&B Wellness, LLC (DBA Compassionate Care Centers of East 11th, Incorporated)	Connecticut
Form Factory Holdings, LLC	Oregon
Greenleaf Apothecaries, LLC (d/b/a The Botanist)	Delaware
	Ohio

Greenleaf Gardens, LLC	Ohio
Greenleaf Therapeutics, LLC	Ohio
High Street Capital Partners, LLC	Delaware
High Street Capital Partners Management, LLC	Delaware
HSC Solutions, LLC	Delaware
HSCP CN Holdings II ULC	Alberta
HSCP CN Holdings ULC	Alberta
HSCP Holding Corporation	Delaware
HSCP Oregon, LLC (d/b/a Acreage Oregon)	Oregon
HSCP Service Company Holdings, Inc.	Delaware
HSCP Service Company, LLC	Delaware
HSPC Holding Corporation	Delaware
In Grown Farms, LLC	Illinois
In Grown Farms, LLC 2	Illinois
Iowa Relief, LLC	Iowa
Joy Sellers Enterprises, LLC	Illinois
Kevin Michigan, LLC	Michigan
Kind Care, LLC	Connecticut
MA RMD SCVS, LLC	Massachusetts
NCC LLC (d/b/a Nature's Care Company)	Illinois
NCC Real Estate, LLC	Illinois
Northeast Patients Group (d/b/a Wellness Connection of Maine)	Maine
NPG, LLC (DBA Wellness Connection)	Maine
NYCANNA, LLC	Delaware
Prime Alternative Treatment Center Consulting, LLC	New Hampshire
Prime Alternative Treatment Centers of NH, Inc.	New Hampshire
Prime Wellness of Connecticut, LLC	Connecticut
Prime Wellness of Pennsylvania, LLC	Pennsylvania
Thames Valley Apothecary, LLC	Connecticut
The Botanist, Inc.	Massachusetts
The Firestation 23, Inc. (d/b/a Cannabliss & Co)	Oregon
The Wellness & Pain Management Connection, LLC	Delaware
Universal Hemp Canada ULC	Canada
Universal Hemp II, LLC	Delaware
Universal Hemp, LLC	Delaware

Independent Registered Public Accounting Firm's Consent

We consent to the incorporation by reference in the Registration Statement of Acreage Holdings, Inc. on Form S-8 (File No. 333-274225) and Form S-3 (File No. 333-262502) of our report dated April 29, 2024, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audits of the consolidated financial statements of Acreage Holdings, Inc. as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, which report is included in this Annual Report on Form 10-K of Acreage Holdings, Inc. for the year ended December 31, 2023.

/s/ Marcum LLP

Marcum LLP
New York, NY
April 29, 2024

**Certification of Chief Executive Officer Pursuant to Section 302 of the
Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a)
Under the Securities and Exchange Act of 1934**

I, Dennis Curran, certify that:

1. I have reviewed this Annual report on Form 10-K for the year ended December 31, 2023 of Acreage Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2024

By: /s/ Dennis Curran

Dennis Curran

Chief Executive Officer

**Certification of Chief Financial Officer Pursuant to Section 302 of the
Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a)
Under the Securities and Exchange Act of 1934**

I, Philip Himmelstein, certify that:

1. I have reviewed this Annual report on Form 10-K for the year ended December 31, 2023 of Acreage Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2024

By: /s/ Philip Himmelstein

Philip Himmelstein

Interim Chief Financial Officer

**Certifications of the
Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350**

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Acreage Holdings, Inc. (the “Company”), hereby certify, based on our knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dennis Curran

Dennis Curran

Chief Executive Officer

/s/ Philip Himmelstein

Philip Himmelstein

Interim Chief Financial Officer

Date: April 29, 2024