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

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

For the quarterly period ended March 31, 2024

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 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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 May 16, 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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Acreage Holdings, Inc.

Form 10-Q

For the Three Months Ended March 31, 2024

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PART I

Item 1. Financial Statements and Supplementary Data.

ACREAGE HOLDINGS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands)

	March 31, 2024	December 31, 2023
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 7,342	\$ 13,631
Restricted cash	2,502	3,984
Accounts receivable, net	8,630	8,459
Inventory	22,833	47,675
Assets held-for-sale	46,665	6,028
Other current assets	2,431	2,136
Total current assets	90,403	81,913
Long-term investments	33,170	33,170
Capital assets, net	122,538	141,732
Operating lease right-of-use assets	15,428	17,531
Intangible assets, net	18,624	31,044
Goodwill	12,143	13,346
Other non-current assets	1,419	1,558
Total non-current assets	203,322	238,381
TOTAL ASSETS	\$ 293,725	\$ 320,294
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Accounts payable and accrued liabilities	\$ 31,067	\$ 29,936
Taxes payable	10,092	11,395
Interest payable	5,243	5,539
Operating lease liability, current	2,136	2,457
Debt, current	136,637	4,132
Liabilities related to assets held for sale	8,198	2,253
Other current liabilities	1,093	2,011
Total current liabilities	194,466	57,723
Debt, non-current	101,306	232,810
Operating lease liability, non-current	15,548	17,293
Deferred tax liability	10,538	10,584
Liability on unrecognized tax benefits	42,331	39,859
Other liabilities	1,091	1,054
Total non-current liabilities	170,814	301,600

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

ACREAGE HOLDINGS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

TOTAL LIABILITIES	365,280	359,323
Commitments and contingencies		
Common stock, no par value - unlimited authorized, 116,131 and 115,289 issued and outstanding as of March 31, 2024. 115,995 and 115,153 issued and outstanding as of December 31, 2023.	—	—
Additional paid-in capital	755,227	759,698
Treasury stock, 842 common stock held in treasury	(21,054)	(21,054)
Accumulated deficit	(775,528)	(747,550)
Total Acreage Shareholders' deficit	(41,355)	(8,906)
Non-controlling interests	(30,200)	(30,123)
TOTAL DEFICIT	(71,555)	(39,029)
TOTAL LIABILITIES AND DEFICIT	\$ 293,725	\$ 320,294

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

ACREAGE HOLDINGS, INC.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)	Three Months Ended March 31,	
	2024	2023
REVENUE		
Retail revenue, net	\$ 31,811	\$ 41,881
Wholesale revenue, net	13,490	13,998
Other revenue, net	—	84
Total revenues, net	45,301	55,963
Cost of goods sold, retail	(17,942)	(20,414)
Cost of goods sold, wholesale	(28,856)	(8,964)
Total cost of goods sold	(46,798)	(29,378)
Gross profit (loss)	(1,497)	26,585
OPERATING EXPENSES		
General and administrative	7,225	10,512
Compensation expense	12,118	12,203
Equity-based compensation expense	809	984
Marketing	559	744
Impairments, net	118	—
Depreciation and amortization	856	997
Total operating expenses	21,685	25,440
Net operating income (loss)	\$ (23,182)	\$ 1,145
Loss from investments, net	—	(342)
Interest income from loans receivable	—	16
Interest expense	(8,859)	(8,074)
Other loss, net	(155)	(1,553)
Total other loss	(9,014)	(9,953)
Loss before income taxes	\$ (32,196)	\$ (8,808)
Income tax expense	(1,123)	(7,349)
Net loss	\$ (33,319)	\$ (16,157)
Less: net loss attributable to non-controlling interests	(5,341)	(1,567)
Net loss attributable to Acreage Holdings, Inc.	\$ (27,978)	\$ (14,590)
Net loss per share attributable to Acreage Holdings, Inc. - basic and diluted:	\$ (0.24)	\$ (0.13)
Weighted average shares outstanding - basic and diluted	115,995	112,546

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

ACREAGE HOLDINGS, INC.
UNAUDITED CONDENSED 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, 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	—	—	14	—	—	14	(14)	—	
Equity-based compensation expense and related issuances	—	287	984	—	—	984	—	984	
Net loss	—	—	—	—	(14,590)	(14,590)	(1,567)	(16,157)	
March 31, 2023	3,861	112,724	\$ 761,527	\$ (21,054)	\$ (693,048)	\$ 47,425	\$ (22,786)	\$ 24,639	

(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, 2023	3,861	115,995	\$ 759,698	\$ (21,054)	\$ (747,550)	\$ (8,906)	\$ (30,123)	\$ (39,029)	
NCI adjustments for changes in ownership	—	—	(5,264)	—	—	(5,264)	5,264	—	
Other equity transactions	—	—	(16)	—	—	(16)	—	(16)	
Equity-based compensation expense and related issuances	—	136	809	—	—	809	—	809	
Net loss	—	—	—	—	(27,978)	(27,978)	(5,341)	(33,319)	
March 31, 2024	3,861	116,131	\$ 755,227	\$ (21,054)	\$ (775,528)	\$ (41,355)	\$ (30,200)	\$ (71,555)	

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

(in thousands)	Three Months Ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (33,319)	\$ (16,157)
Adjustments for:		
Depreciation and amortization	856	997
Depreciation and amortization included in COGS	1,319	2,287
Equity-based compensation expense	809	984
Inventory write-off and provision	1,924	2,237
Change in accounting estimate for the costing of inventory	13,828	—
Loss on impairment	118	—
Bad debt expense	121	1,276
Non-cash interest expense	1,839	1,202
Non-cash operating lease adjustment	79	(437)
Deferred tax income	(46)	(9)
Non-cash (income) loss from investments, net	—	753
Change, net of acquisitions in:		
Accounts receivable	(1,676)	8,102
Inventory	4,445	(5,772)
Other assets	(700)	170
Interest receivable	216	(360)
Accounts payable and accrued liabilities	4,988	(4,184)
Taxes payable	(1,303)	4,368
Interest payable	(296)	(772)
Liability on unrecognized tax benefits	2,472	57
Other liabilities	520	(2,812)
Net cash used in operating activities	\$ (3,806)	\$ (8,070)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of capital assets	\$ (2,611)	\$ (2,230)
Business acquisitions, net of cash acquired	—	516
Purchases of intangible assets	(500)	—
Net cash used in investing activities	\$ (3,111)	\$ (1,714)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Other equity transactions	\$ (16)	\$ —
Repayment of debt	(838)	(32)
Net cash used in financing activities	\$ (854)	\$ (32)
Net decrease in cash, cash equivalents, restricted cash, and cash held for sale	\$ (7,771)	\$ (9,816)
Cash, cash equivalents, restricted cash, and cash held for sale - Beginning of period	17,615	24,067
Cash, cash equivalents, restricted cash, and cash held for sale - End of period	\$ 9,844	\$ 14,251
RECONCILIATION OF CASH FLOW INFORMATION:		
Cash and cash equivalents	\$ 7,342	\$ 14,251
Restricted cash	2,502	—
Total cash, cash equivalents, and restricted cash at end of period	\$ 9,844	\$ 14,251

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

(in thousands)	Three Months Ended March 31,	
	2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid - non-lease	\$ —	\$ 7,638
Income taxes paid	—	2,627
OTHER NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital assets not yet paid for	\$ 645	\$ —

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

ACREAGE HOLDINGS, INC.

NOTES TO THE UNAUDITED CONDENSED 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 “Canopy Call Option”), which Canopy Growth is required to exercise upon the occurrence, or waiver (at the discretion of

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

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 unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these unaudited condensed consolidated financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024, or any other period. Further, the accompanying unaudited condensed consolidated financial statements 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 unaudited condensed consolidated financial statements, the Company had an accumulated deficit as of March 31, 2024, as well as a net loss and negative cash flow from operating activities for the three months ended March 31, 2024. Additionally, during the quarter the Company was in default of the Prime rate credit facilities due January 2026, as amended and as a result, all of the debt has been transferred to *Debt, current* on the Unaudited Condensed Consolidated Statements of financial position. Refer to Note 10 for further discussion. These factors raise substantial doubt about the Company’s ability to continue as a going concern for at least one year from the issuance of these financial statements. 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.

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, (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.

These interim unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the

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

year ended December 31, 2023, dated April 30, 2024, as filed with the Securities and Exchange Commission (the “2022 Form 10-K”).

Use of estimates

Preparation of financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the dates presented and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates. Significant estimates inherent in the preparation of the accompanying unaudited condensed consolidated financial statements include the fair value of assets acquired and liabilities assumed in business combinations, assumptions relating to equity-based compensation expense, estimated useful lives for property, plant and equipment and intangible assets, the valuation allowance against deferred tax assets and the assessment of potential 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 unaudited condensed consolidated financial statements and the accompanying notes are expressed in U.S. dollars. Financial metrics are presented in thousands. Other metrics, such as shares outstanding, are presented in thousands unless otherwise noted.

Basis of consolidation

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

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 March 31, 2024 or December 31, 2023.

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

Cash and cash equivalents

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

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

which could materially and adversely affect the Company's business, financial condition, results of operations and the market price of the Company's Fixed Shares and Floating Shares.

Restricted cash

Restricted cash represents funds contractually held for specific purposes and, as such, not available for general corporate purposes. Cash and cash equivalents and restricted cash, as presented on the Consolidated Statements of Cash Flows, consists of \$7,342 and \$2,502 as of March 31, 2024, respectively, and \$13,631 and \$3,984 as of December 31, 2023, 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 March 31, 2024 and December 31, 2023, the Company's allowance for doubtful accounts was \$472 and \$479, respectively, all of which relates to the allowance for credit losses over accounts receivable. As of March 31, 2024 and December 31, 2023, the allowance on loans receivable was \$8,695 and \$8,479, respectively, of which the allowance for credit losses over notes receivable was nil as the receivables were fully reserved for. Refer to Note 6 for further discussion.

Net loss per share

Net loss per share represents the net loss attributable to shareholders divided by the weighted average number of shares outstanding during the period on an as converted basis. Basic and diluted loss per share are the same for the three months ended March 31, 2024 and 2023, as the issuance of shares upon conversion, exercise or vesting of outstanding units would be anti-dilutive in each period. There were 49,603 and 47,267 anti-dilutive shares outstanding for the three months ended March 31, 2024 and 2023, respectively.

Change in Accounting Estimate

As of March 31, 2024, the Company implemented a change in accounting estimate for the costing of inventory cultivated, extracted or processed, and manufactured or infused by the Company from historical average cost to three-month rolling average cost to better align with evolving market dynamics, improve the accuracy of inventory valuation, and enhance financial reporting transparency. The Company accounted for this change as a change in accounting estimate and, accordingly, applied it on a prospective basis. This change resulted in a \$13,828 charge to *Cost of goods sold, wholesale* on the Company's Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2024.

Accounting Pronouncements Recently Adopted

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 took effective for the Company's first interim period of fiscal 2024. The standard has been applied prospectively to business combinations occurring on or after the effective date of the amendments. The adoption of ASU 2021-08 did not have a material effect on the Company's unaudited condensed consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In November 2023, the 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

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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.

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3. ACQUISITIONS, DIVESTITURES AND ASSETS HELD FOR SALE

Acquisitions

During the three months ended March 31, 2024, the Company did not complete any 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.

The purchase price allocation is based upon final 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
Finance 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

Divestitures

During the three months ended March 31, 2024 and 2023, the Company did not complete any divestitures.

Assets Held for Sale

As of March 31, 2024 and 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 Unaudited Condensed Consolidated Statements of Financial Position.

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The table below presents the assets and liabilities classified as held for sale on the Unaudited Condensed Consolidated Statements of Financial Position for the years ended March 31, 2024 and December 31, 2023 and is subject to change based on developments during the sales process.

	March 31, 2024	December 31, 2023
	All Ohio Operations	Akron and Wickliffe, Ohio
Accounts receivable, net	\$ 1,168	\$ —
Inventory	6,572	302
Other current assets	616	147
Total current assets classified as held-for-sale	8,356	449
Capital assets, net	19,595	1,064
Intangible assets, net	17,000	4,080
Goodwill	1,618	415
Other non-current assets	96	20
Total assets classified as held-for-sale	\$ 46,665	\$ 6,028
Accounts payable and accrued liabilities	\$ (6,232)	\$ (1,730)
Operating lease liability, current	(411)	(99)
Total current liabilities classified as held-for-sale	(6,643)	(1,829)
Operating lease liability, non-current	(1,555)	(424)
Total liabilities classified as held-for-sale	\$ (8,198)	\$ (2,253)

4. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

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

Intangibles	March 31, 2024	December 31, 2023
Indefinite-lived intangible assets		
Cannabis licenses	18,624	31,044
Total intangibles, net	\$ 18,624	\$ 31,044

The intangible assets balance as of March 31, 2024 and December 31, 2023 excludes intangible assets reclassified to assets held-for-sale (refer to Note 3 for further discussion).

There was no amortization expense recorded for the three months ended March 31, 2024 and March 31, 2023, respectively.

Goodwill

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

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Goodwill	Total
December 31, 2023	\$ 13,346
Transferred to held-for-sale	(1,203)
March 31, 2024	\$ 12,143

5. INVESTMENTS

The carrying values of the Company’s investments in the Unaudited Condensed Consolidated Statements of Financial Position as of March 31, 2024 and December 31, 2023 are as follows:

Investments	March 31, 2024	December 31, 2023
Investments held at FV-NI	\$ 33,170	\$ 33,170
Total long-term investments	\$ 33,170	\$ 33,170

Loss from investments, net in the Unaudited Condensed Consolidated Statements of Operations during the three months ended March 31, 2024 and 2023 is as follows:

Investment income (loss)	Three Months Ended March 31,	
	2024	2023
Short-term investments	\$ —	\$ 7
Investments held at FV-NI	—	(349)
Income (loss) from investments, net	\$ —	\$ (342)

Investments held at FV-NI

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

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

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

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6. NOTES RECEIVABLE, NET

Notes receivable as of March 31, 2024 and December 31, 2023 consisted of the following:

	March 31, 2024	December 31, 2023
Promissory notes receivable	\$ 862	\$ 862
Line of credit receivable	4,331	4,331
Interest receivable	3,502	3,286
Allowance for notes and interest receivable	(8,695)	(8,479)
Total notes receivable	\$ —	\$ —
Less: Notes receivable, current	—	—
Notes receivable, non-current	<u>\$ —</u>	<u>\$ —</u>

Interest income on notes receivable during the three months ended March 31, 2024 and 2023 was \$0 and \$16, 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 March 31, 2024 and December 31, 2023, the Company's allowance for notes receivable of \$8,695 and \$8,479, respectively, including \$5,193 of principal outstanding and \$3,502 and \$3,286 of accrued interest, respectively, and represents the full value of such loan balances.

Activity during the three months ended March 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.

The company did not have any activity during the three months ended March 31, 2024.

7. CAPITAL ASSETS, NET

Net property, plant and equipment consisted of:

	March 31, 2024	December 31, 2023
Land	\$ 9,708	\$ 9,708
Building	45,937	58,524
Right-of-use asset, finance leases	6,183	6,183
Furniture, fixtures and equipment	33,390	39,943
Leasehold improvements	59,162	58,828
Construction in progress	2,692	4,069
Software	2,513	2,513
Capital assets, gross	\$ 159,585	\$ 179,768
Less: accumulated depreciation and amortization	(37,047)	(38,036)
Capital assets, net	<u>\$ 122,538</u>	<u>\$ 141,732</u>

Depreciation of capital assets for the three months ended March 31, 2024 and 2023 includes \$856 and \$997 of depreciation and amortization expense, and \$2,744 and \$2,287 that was capitalized to inventory, respectively.

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8. LEASES

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

Statement of Financial Position Information	Classification	March 31, 2024	December 31, 2023
Right-of-use assets			
Operating	Operating lease right-of-use assets	\$ 15,428	\$ 17,531
Finance	Capital assets, net	6,183	6,183
Total right-of-use assets		\$ 21,611	\$ 23,714
Lease liabilities			
Current			
Operating	Operating lease liability, current	\$ 2,136	\$ 2,457
Financing	Debt, current	123	116
Non-current			
Operating	Operating lease liability, non-current	15,548	17,293
Financing	Debt, non-current	5,800	5,827
Total lease liabilities		\$ 23,607	\$ 25,693

		Three Months Ended March 31,	
Statement of Operations Information	Classification	2024	2023
Short-term lease expense	General and administrative	\$ 115	\$ 151
Operating lease expense	General and administrative	1,171	1,337
Finance lease expense:			
Amortization of right of use asset	Depreciation and amortization	68	93
Interest expense on lease liabilities	Interest expense	210	209
Net operating and finance lease cost		\$ 1,449	\$ 1,639

		Three Months Ended March 31,	
Statement of Cash Flows Information	Classification	2024	2023
Cash paid for operating leases	Net cash used in operating activities	\$ 1,092	\$ 1,774
Cash paid for finance leases - interest	Net cash used in operating activities	\$ 230	\$ 269

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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 March 31, 2024:

Maturity of lease liabilities	Operating Leases	Finance Leases
2024	\$ 2,779	\$ 693
2025	3,548	946
2026	3,749	969
2027	3,323	992
2028	2,570	867
Thereafter	10,486	10,839
Total lease payments	\$ 26,455	\$ 15,306
Less: interest	8,771	9,383
Present value of lease liabilities	\$ 17,684	\$ 5,923
Weighted average remaining lease term (years)	7	11
Weighted average discount rate	10%	12%

As of March 31, 2024, there have been no leases entered into that have not yet commenced.

9. INVENTORY

The Company's inventory balance consists of the following:

	March 31, 2024	December 31, 2023
Retail inventory	\$ 1,893	\$ 2,918
Wholesale inventory	14,081	36,139
Cultivation inventory	4,534	5,826
Supplies & other	2,325	2,792
Total	\$ 22,833	\$ 47,675

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 three months ended March 31, 2024, 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 \$1,924 of wholesale inventory adjustments within *Cost of goods sold, wholesale* on the Statements of Operations during the three months ended March 31, 2024.

As of March 31, 2024, the Company implemented a change in accounting estimate for the costing of inventory cultivated, extracted or processed, and manufactured or infused by the Company from historical average cost to three-month rolling average cost to better align with evolving market dynamics, improve the accuracy of inventory valuation, and enhance financial reporting transparency. The Company accounted for this change as a change in accounting estimate and, accordingly, applied it on a prospective basis. This change resulted in a \$13,828 charge to *Cost of goods sold, wholesale* on the Company's Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2024.

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10. DEBT

The Company's debt balances consist of the following:

Debt balances	March 31, 2024	December 31, 2023
Financing liability (failed sale-leaseback)	\$ 15,253	\$ 15,253
Finance lease liabilities	5,923	5,943
7.50% Loan due April 2026	33,186	32,438
6.10% Secured debenture due September 2030	47,067	46,955
Note due December 2024	1,583	2,375
Prime rate credit facilities due January 2026, as amended	133,290	132,337
Note backed by ERTC	1,641	1,641
Total debt	\$ 237,943	\$ 236,942
Less: current portion of debt	136,637	4,132
Total long-term debt	\$ 101,306	\$ 232,810

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

2024	\$ 143,225
2025	—
2026	34,252
2027	39
2028	—
Thereafter	71,126
Total payments (excluding amortization of discount and issuance costs)	\$ 248,642

During the three months ended March 31, 2024 and 2023, the Company incurred interest expense of \$8,859 and \$8,074, respectively, on the Unaudited Condensed Consolidated Statements of Operations. Interest expense for the three months ended March 31, 2024 and 2023, included debt discount amortization of \$541 and \$488, respectively, and amortization of debt issuance costs of \$655 and \$690, respectively. As of March 31, 2024 and December 31, 2023, the Company had unamortized discount \$3,944 and \$4,484, respectively, and debt issuance costs of \$6,755 and \$7,410, respectively, which is netted against the gross carrying value of long-term debt in *Debt, non-current* on Unaudited Condensed Consolidated Statements of Financial Position. Additionally, as of March 31, 2024 and December 31, 2023, the Company had accrued interest of \$5,243 and \$5,539, respectively, within *Interest payable* on the Unaudited Condensed Consolidated Statements of Financial Position.

Financing liability (failed sales leaseback)

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

6.10% Secured debenture due September 2030

On September 23, 2020, pursuant to the implementation of the Amended Arrangement (Refer to Note 13 for further discussion), a subsidiary of Canopy Growth advanced gross proceeds of \$50,000 (less transaction costs of approximately \$4,025) to Universal Hemp, an affiliate of the Company, pursuant to the terms of a secured debenture ("6.1% Loan"). In accordance with the terms of the debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. An additional \$50,000 may be advanced pursuant to the debenture subject to the satisfaction of certain conditions by Universal Hemp. The debenture bears interest at a rate of 6.1% per annum, matures 10 years from the date hereof or such earlier date in accordance with the terms of the debenture and all interest payments made pursuant to the debenture are payable in cash by Universal Hemp. Subsequent to 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 until March 29, 2024 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

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Hemp to deliver proceeds from the sale of certain real property held by Universal Hemp and an agreement between the parties to offset potential future expenses that may be payable by Canopy Growth. The debenture is secured by substantially all of the assets of Universal Hemp and its subsidiaries and, further, is not convertible and is not guaranteed by Acreage.

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

7.50% Loan due April 2026

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

Note due December 2024

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

Prime rate credit facilities due January 2026, as amended

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

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

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

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

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

The facility has a maturity date of January 1, 2026 and the Company had the option to extend the maturity date to January 1, 2027 prior to January 1, 2024, for a fee equal to 1.0% of the total loan amount. If the Company chooses to extend the maturity

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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 March 31, 2024 the Company was not in compliance with all covenants.

On April 20, 2024 and May 10, 2024, the Company received a notice of default letter on each date from the agents of the Prime rate credit facilities due January 2026, as amended, of the occurrence of certain events of default (the “Default Letters”). The Default Letter dated April 20, 2024 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. On May 10, 2024, the Company received another default letter from the agents alleging an event of default for failure by the borrower to make a monthly interest payment due May 1, 2024. The default letters 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. As a result of the notice of default letters, all of the debt has been transferred to *Debt, current* on the Unaudited Condensed Consolidated Statements of financial position.

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.”

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

The table below details the change in Pubco shares outstanding by class for the three months ended March 31, 2024:

Shareholders’ Equity	Fixed Shares	Floating Shares	Fixed Shares Held in Treasury	Floating Shares Held in Treasury	Fixed Multiple Shares	Total Shares Outstanding
December 31, 2023	80,700	36,019	(589)	(253)	118	115,995
Vesting	126	10	—	—	—	136
March 31, 2024	80,826	36,029	(589)	(253)	118	116,131

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Warrants

A summary of the warrants activity outstanding is as follows:

Warrants	Fixed Shares	Floating Shares
December 31, 2023	5,817	2,524
Expired	—	—
March 31, 2024	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 0.9 years. There was no aggregate intrinsic value for warrants outstanding as of March 31, 2024.

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 March 31, 2024 and are convertible for either 0.7 of a Fixed Share and 0.3 of a Floating Share of Pubco or cash, as determined by the Company. Summarized financial information of HSCP is presented below. USCo2 does not have discrete financial information separate from HSCP.

HSCP net asset reconciliation	March 31, 2024	December 31, 2023
Current assets	\$ 81,913	\$ 81,913
Non-current assets	233,666	233,666
Current liabilities	(9,122)	(9,263)
Non-current liabilities	(255,272)	(255,272)
Other NCI balances	(727)	(727)
Accumulated equity-settled expenses	(244,867)	(244,058)
Net assets	\$ (194,409)	\$ (193,741)
HSCP/USCo2 ownership % of HSCP	15.91 %	15.92 %
Net assets allocated to USCo2/HSCP	\$ (30,927)	\$ (30,850)
Net assets attributable to other NCIs	727	727
Total NCI	\$ (30,200)	\$ (30,123)

HSCP Summarized Statement of Operations	Three Months Ended March 31,	
	2024	2023
Net loss allocable to HSCP/USCo2	\$ (33,551)	\$ (9,601)
HSCP/USCo2 weighted average ownership % of HSCP	15.92 %	16.31 %
Net loss allocated to HSCP/USCo2	\$ (5,341)	\$ (1,566)
Net loss allocated to other NCIs	—	(1)
Net loss attributable to NCIs	\$ (5,341)	\$ (1,567)

As of March 31, 2024, 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 15.69% of HSCP units. The remaining 84.09% interest in HSCP is held by USCo and represents the members' equity attributable to shareholders of the parent.

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

Convertible Units	March 31, 2024	December 31, 2023
Beginning balance	22,698	22,698
NCI units converted to Pubco	(20)	—
Ending balance	22,678	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.

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 March 31, 2024, the Company had 2,384 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, 2024	5,866	\$ 1.29	5,844	\$ 0.60
Granted	160	\$ 0.13	240	\$ 0.25
Forfeited	(1)	\$ 0.76	—	\$ —
Vested	(201)	\$ 0.73	(5)	\$ 2.05
Unvested, March 31, 2024	5,824	\$ 1.27	6,079	\$ 0.59
Vested and unreleased ⁽¹⁾	16	\$ 18.34	5	\$ 20.93
Outstanding, March 31, 2024	5,840	\$ 1.32	6,084	\$ 0.60

⁽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 \$722 and \$758 as *Equity-based compensation expense* relating to RSUs on the Unaudited Condensed Consolidated Statements of Operations during the three months ended March 31, 2024 and 2023, respectively. The fair value of RSUs vested during the three months ended March 31, 2024 and 2023 was \$38 and \$442, respectively.

The total weighted average remaining contractual life and aggregate intrinsic value of unvested RSUs as of March 31, 2024 was approximately 0.5 years and \$4,363, respectively. Unrecognized compensation expense related to these awards at March 31, 2024 was \$9,077 and is expected to be recognized over a weighted average period of approximately 0.4 years.

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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, 2024	4,543	\$ 4.04	2,097	\$ 3.10
Granted	—	\$ —	—	\$ —
Forfeited	—	\$ —	—	\$ —
Expired	—	\$ —	—	\$ —
Options outstanding, March 31, 2024	4,543	\$ 4.04	2,097	\$ 3.10
Options exercisable, March 31, 2024	2,865	\$ 6.07	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 March 31, 2024 was approximately 4 and 4 years, respectively. The weighted average contractual life remaining for Floating Share options outstanding and exercisable as of March 31, 2024 was approximately 3 and 3 years, respectively. The Company recorded \$87 and \$226 as *Equity-based compensation expense* on Unaudited Condensed Consolidated Statements of Operations during the three months ended March 31, 2024 and 2023, respectively.

As of March 31, 2024, unamortized expense related to stock options totaled \$392 and is expected to be recognized over a weighted-average period of approximately 1 year. As of March 31, 2024, the aggregate intrinsic value for unvested options and for vested and exercisable options was nil, respectively.

13. COMMITMENTS AND CONTINGENCIES

Commitments

The Company provides revolving lines of credit to certain of its portfolio companies. As of March 31, 2024, 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.

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

Pursuant to the Amended Plan of Arrangement, on the Triggering Event Date, Canopy Growth will, subject to the satisfaction or waiver of certain closing conditions set out in the Arrangement Agreement: (i) acquire all of the issued and outstanding Fixed Shares (following the mandatory conversion of the Fixed Multiple Shares into Fixed Shares) in accordance with the Fixed Exchange Ratio, on the basis of 0.03048 (after giving effect to the Canopy Consolidation) of a Canopy Share for each Fixed Share held at the Acquisition Time, subject to adjustment in accordance with the terms of the Amended Plan of Arrangement (the “Canopy Call Option”) including but not limited to the Canopy Consolidation effectuated by Canopy on December 15, 2023. The Canopy Call Option will expire 10 years from the Amendment Time.

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

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

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

Floating Share Arrangement Agreement with Canopy Growth

On October 24, 2022, the Company entered into an arrangement agreement (the “Floating Share Agreement”) with Canopy Growth and Canopy USA, LLC (“Canopy USA”), Canopy Growth’s newly-created U.S. domiciled holding company, pursuant to which, subject to approval of the holders of the Class D subordinate voting shares of Acreage (the “Floating Shares”) and the terms and conditions of the Floating Share Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares in accordance with the Floating Share Arrangement for consideration of 0.04500 (after giving effect to the Canopy Consolidation, as further described below) of a Canopy Share in exchange for each Floating Share. At the Special Meeting, the holders of Floating Shares approved the Floating Share Arrangement. On December 15, 2023, Canopy Growth effected the Canopy Consolidation, which triggered an Exchange Ratio Adjustment Event which affected the Floating Share Agreement and the consideration agreed upon between Canopy USA and the Company.

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

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

Acreage expects the Floating Share Arrangement to close upon the satisfaction or waiver of all conditions under the Floating Share Agreement and the Amended Arrangement. It is anticipated that the acquisition by Canopy USA of the Fixed Shares pursuant to the Fixed Option will be completed immediately following closing of the Floating Share Agreement. In the event that Canopy USA exercises the Fixed Option and acquires the Floating Shares pursuant to the Floating Share Arrangement, Acreage will be wholly-owned subsidiary of Canopy USA.

As of the date of this filing, Canopy, Canopy USA and the Company entered into eight 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 June 17, 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 March 31, 2024, 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 \$19.5 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

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the interest costs associated with the Initial Advance; and (b) the Borrower's business plan for the 12 months following the applicable 90 day period supports an Interest Coverage Ratio (as defined in the Debenture) of at least 2.00:1. On October 24, 2022, the Debenture was assigned by the Lender to Canopy USA.

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

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

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

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

Advisor fee

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

Surety bonds

The Company has indemnification obligations with respect to surety bonds primarily used as security against non-performance in the amount of \$5,000 as of March 31, 2024, for which no liabilities are recorded on the Unaudited Condensed Consolidated Statements of Financial Position.

The Company is subject to other capital commitments and similar obligations. As of March 31, 2024 and 2023, 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 March 31, 2024, the Company has paid \$6,166 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 March 31, 2024, 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.

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The Company and its subsidiaries may be, from time to time, subject to various administrative, regulatory and other legal proceedings arising in the ordinary course of business. Contingent liabilities associated with legal proceedings are recorded when a liability is probable, and the contingent liability can be reasonably estimated.

New York outstanding litigation

On November 2, 2018, EPMMNY LLC (“EPMMNY”) filed a complaint in the Supreme Court of the State of New York, County of New York, asserting claims against 16 defendants, including NYCANNA, Impire State Holdings LLC (“Impire”), NY Medicinal Research & Caring, LLC (“NYMRC”) (each, a wholly owned subsidiary of High Street) and High Street. The Index Number for the action is 655480/2018. EPMMNY alleges that it was wrongfully deprived of a minority equity interest and management role in NYCANNA by its former partner, New Amsterdam Distributors, LLC (“New Amsterdam”), which attempted to directly or indirectly sell or transfer EPMMNY’s alleged interest in NYCANNA to other entities in 2016 and 2017, including Impire, NYMRC and High Street.

EPMMNY alleges that it is entitled to the value of its alleged minority interest in NYCANNA or minority ownership in NYCANNA. EPMMNY also alleges that certain defendants misused its alleged intellectual property and/or services, improperly solicited its employees, and aided and abetted or participated in the transfer of equity and/or business opportunities from EPMMNY.

High Street, along with the other Defendants, filed motions to dismiss on April 1, 2019. The motions were fully briefed and submitted to the Court as of July 18, 2019, and oral argument was heard on September 6, 2019. Following a hearing held during April 2022, in ruling on one dismissal argument advanced by several Defendants, the Court ruled that Plaintiff had the capacity to bring this action on behalf of EPMMNY. On July 13, 2023, the Court ruled on the remaining dismissal arguments, granting the vast majority of them. As part of its ruling, the Court dismissed without prejudice every claim against NYCANNA, Impire, NYMRC, and High Street, except the claims for unjust enrichment and quantum meruit (which also were permitted to proceed against other Defendants). The only other claim that the Court did not dismiss was for breach of contract against New Amsterdam. High Street and the other remaining Defendants filed motions to reargue the motion to dismiss order on August 14, 2023. The motions were fully briefed on September 13, 2023, and oral argument was held on December 18, 2023. The Court has not yet ruled on these motions to reargue.

On July 24, 2023, EPMMNY moved for leave to file a proposed amended complaint. The proposed amended complaint names several defendants, including NYCANNA, Impire, NYMRC, High Street, and Kevin Murphy, and contains similar allegations to those in the original complaint. High Street, along with the other Defendants, filed oppositions to EPMMNY’s motion for leave to file the amended complaint on August 10, 2023. Oral argument on EPMMNY’s motion for leave to amend was also heard at the December 18, 2023 hearing. The Court has not yet ruled on the motion for leave to amend, but in any event directed the parties to file motions to dismiss the proposed amended complaint (which is not technically operative) on February 29, 2024. Defendants plan to do so.

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

High Street intends to continue vigorously defend this action, which the Company firmly believes is without merit. High Street also believes it is entitled to full indemnity from the claims asserted against it by EPMMNY pursuant to the purchase agreement pertaining to its acquisition of NYCANNA and personal guarantee by the largest shareholders of the seller.

Health Circle, Inc. litigation

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

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Alfred's Finest, Inc. arbitration

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

On June 28, 2023, in response to AFI's demand for arbitration, the Company asserted its right under the AFI APA to submit the dispute to mediation before it proceeds to arbitration. The parties are in the process of scheduling the mediation and identifying a mediator. An initial mediation was held on October 30, 2023, with no resolution to the matter.

14. RELATED PARTY TRANSACTIONS

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

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 March 31, 2024, the Company has not made any payments in relation to the Tax Receivable Agreement or the Tax Receivable Bonus Plans. Refer to Note 13 for further discussion.

6.10% Secured debenture due September 2030

As disclosed in Note 10, "6.10% Secured debenture due September 2030", on September 23, 2020, pursuant to the implementation of the Amended Arrangement, a subsidiary of Canopy Growth advanced gross proceeds of \$50,000 (less transaction costs of approximately \$4,025) to Universal Hemp, an affiliate of the Company, pursuant to the terms of a secured debenture. In accordance with the terms of the debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. Acreage then engaged an investment advisor (the "Investment Advisor") which, under the Investment Advisor's sole discretion, invested on behalf of Universal Hemp, \$34,019 of the proceeds on September 28, 2020. During the three months ended March 31, 2024 and 2023, the Company incurred interest expense attributable to the 6.10% Secured debenture due September 2030 of \$763.

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

ACREAGE HOLDINGS, INC.
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\$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 three months ended March 31, 2024, the Company incurred interest expense attributable to Viridescent of \$1,701. The loan is secured by first-lien mortgages on Acreage’s wholly owned real estate and other commercial security interests. A third-party syndicate served as Administrative Agent for the transaction.

15. REPORTABLE SEGMENTS

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

16. EARNINGS PER SHARE

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

Basic and diluted loss per share is as follows:

	Three Months Ended March 31,	
	2024	2023
Net loss attributable to common shareholders of the Company	\$ (27,978)	\$ (14,590)
Weighted average shares outstanding - basic	115,995	112,546
Effect of dilutive securities	—	—
Weighted average shares - diluted	115,995	112,546
Net loss per share attributable to common shareholders of the Company - basic	\$ (0.24)	\$ (0.13)
Net loss per share attributable to common shareholders of the Company - diluted	\$ (0.24)	\$ (0.13)

During the three months ended March 31, 2024, 5,817 Fixed warrants, 2,524 Floating warrants, 5,840 Fixed Share RSUs, 6,084 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 three months ended March 31, 2023, 5,817 Fixed warrants, 2,524 Floating warrants, 6,206 Fixed Share RSUs, 449 Floating Share RSUs, 7,337 Fixed Share stock options, 2,236 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.

ACREAGE HOLDINGS, INC.

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

17. SUBSEQUENT EVENTS

On April 20, 2024 and May 10, 2024 the Company received a notice of default letter on each date from the agents of the Prime rate credit facilities due January 2026, as amended, of the occurrence of certain events of default (the “Default Letters”). The Default Letter dated April 20, 2024, 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 dated May 10, 2024 alleges an event of default for the failure to make an interest payment for the month ending April 30, 2024. The Default Letters 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. As a result of the notice of default letters, all of the debt has been transferred to *Debt, current* on the Unaudited Condensed Consolidated Statements of financial position.

Subsequent to March 31, 2024, the Company determined that the assets and liabilities categorized as held-for-sale related to the Company’s Ohio operations no longer meet the held-for-sale criteria as the Company intends to retain and continue its Ohio operations.

Management has reviewed all other events subsequent to March 31, 2024 through the date of issuing these financial statements and determined that no further subsequent events require adjustment or disclosure.

Item 2. 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 of the Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”), and “Cautionary Statement Regarding Forward-Looking Statements” set forth below.

This MD&A should be read in conjunction with the Company’s unaudited condensed consolidated financial statements and for the three month period ended March 31, 2024 and related notes appearing elsewhere in this Quarterly Report on Form 10-Q (this “Quarterly Report” or “Form 10-Q) and the 2023 Form 10-K. Financial information presented in this MD&A is presented in thousands of U.S. dollars, unless otherwise indicated.

Cautionary Statement Regarding Forward Looking-Statements

This Quarterly Report of 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, statements regarding the proposed transactions 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 reflect Acreage’s current beliefs and are based on information currently available to Acreage and on assumptions Acreage believes are reasonable. 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 U.S. 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 finance Acreage’s business and fund its obligations;
- other expectations and assumptions concerning the transactions contemplated between Canopy Growth and Acreage;
- 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 risk of a change of control of either Canopy or Canopy USA;
- 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;
- the ability of Canopy, Canopy USA and Acreage to leverage each other’s respective capabilities and resources;
- 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;
- 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 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.

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 the Company's Annual Report on Form 10-K, under the heading "Risk Factors", dated April 30, 2024, as filed with the Securities and Exchange Commission. 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 Form 10-Q are expressly qualified by this cautionary statement. The forward-looking statements contained in this Form 10-Q represent the expectations of Acreage as of the date of this Form 10-Q 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.

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 three months ended March 31, 2024 and 2023 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 three months ended March 31, 2024 and 2023. 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 three months ended March 31, 2024 and 2023, as well as a discussion on the Company's outstanding debt and commitments that existed as of March 31, 2024. 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 unaudited condensed 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 consumers. The Company appeals to medical and adult-use customers through brand strategies intended to build trust and loyalty.

As of March 31, 2024, 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 March 31, 2024, 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 three months ended March 31, 2024:

- Adjusted EBITDA for the three months ended March 31, 2024 was \$2.0 million, compared to adjusted EBITDA of \$10.6 million during the same period in 2023. This marks thirteen consecutive quarters of positive adjusted EBITDA, further validating management’s refocused strategic plan. Refer to section “Non-GAAP Information” for a discussion of Adjusted EBITDA as a non-GAAP measure.
- On January 3, 2024, the Company entered the New York adult-use market with its first wholesale product sale.

- On January 25, 2024, the Company relocated a Connecticut dispensary to Vernon Connecticut, marking the first-ever cannabis dispensary in the borough of over 30,000 residents.
- On March 11, 2024, the Company launched adult-use sales at its Vernon, Connecticut Dispensary. The Botanist Vernon is now operating as a hybrid dispensary, providing its full suite of products to both medical patients and adult-use customers.

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 the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Results of Operations

The following table presents selected financial data derived from the unaudited condensed consolidated financial statements of the Company for the three months ended March 31, 2024 and 2023. 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	Three Months Ended March 31,		Better/(Worse)	
			2024 vs. 2023	
	2024	2023	\$	%
Revenues, net	\$ 45,301	\$ 55,963	\$ (10,662)	(19)%
Net operating income (loss)	(23,182)	1,145	(24,327)	n/m
Net loss attributable to Acreage	(27,978)	(14,590)	(13,388)	(92)
Basic and diluted loss per share attributable to Acreage	\$ (0.24)	\$ (0.13)	\$ (0.11)	(85)%

n/m - Not Meaningful

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	Three Months Ended March 31,		Better/(Worse)	
			2024 vs. 2023	
	2024	2023	\$	%
Retail revenue, net	\$ 31,811	\$ 41,881	\$ (10,070)	(24)%
Wholesale revenue, net	13,490	13,998	(508)	(4)
Other revenue, net	—	84	(84)	n/m
Total revenues, net	\$ 45,301	\$ 55,963	\$ (10,662)	(19)%
Cost of goods sold, retail	(17,942)	(20,414)	2,472	12
Cost of goods sold, wholesale	(28,856)	(8,964)	(19,892)	(222)
Total cost of goods sold	\$ (46,798)	\$ (29,378)	\$ (17,420)	(59)%
Gross profit (loss)	\$ (1,497)	\$ 26,585	\$ (28,082)	n/m
Gross margin	(3)%	48 %		(51)%

n/m - Not Meaningful

Three months ended March 31, 2024 vs. 2023

Total revenues for the three months ended March 31, 2024 declined by \$10,662, or 19%, compared to the three months ended March 31, 2023. The decline in total revenue was primarily due to continued competitive pressure across most of the Company's markets and was somewhat offset by revenue growth in Connecticut after commencement of adult use sales.

Retail revenue for the three months ended March 31, 2024 decreased by \$10,070, or 24%, compared to the three months ended March 31, 2023. This decline was primarily driven by increased retail competition and pricing pressures in key markets.

Wholesale revenue for the three months ended March 31, 2024 decreased by \$508, or 4%, compared to the three months ended March 31, 2023. The decline in wholesale revenue was primarily due to price compression and decreased wholesale demand in key markets, particularly in those markets where integrated operators put a greater focus on the sales of their own internally produced products.

Retail cost of goods sold decreased \$2,472, or 12%, for the three months ended March 31, 2024 compared to 2023. This decrease was driven by lower volumes and cost efficiencies.

Wholesale cost of goods sold increased \$19,892, or 222%, for the three months ended March 31, 2024 compared to 2023. The growth in wholesale cost of goods sold contrasted with a 4% decrease in wholesale revenue. Wholesale cost of goods sold increased due to i) a change in accounting estimate for the costing of inventory which resulted in a \$13,828 charge to *Cost of goods sold, wholesale* (Refer to Note 2 for further discussion) and ii) inflation driven cost increases and product mix shifts, which were greater than the cost reductions associated with lower volumes.

Gross profit (loss) decreased \$28,082 for the three months ended March 31, 2024 to \$(1,497) from \$26,585 in 2023, and Gross margin decreased from 48% of revenue for the three months ended March 31, 2023 to (3)% of revenue in 2024, or 51%, due to the factors discussed above. Efficiencies gained from further economies of scale were unable to offset overall selling price declines, and cost increases due to inflation.

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)

in thousands

	Three Months Ended March 31,		2024 vs. 2023	
	2024	2023	\$	%
General and administrative	\$ 7,225	\$ 10,512	\$ 3,287	31 %
Compensation expense	12,118	12,203	85	1
Equity-based compensation expense	809	984	175	18
Marketing	559	744	185	25
Impairments, net	118	—	(118)	n/m
Depreciation and amortization	856	997	141	14
Total operating expenses	\$ 21,685	\$ 25,440	\$ 3,755	15 %

n/m - Not Meaningful

Three months ended March 31, 2024 vs. 2023

Total operating expenses for the three months ended March 31, 2024 were \$21,685, an decrease of \$3,755, or 15%, compared with 2023. The primary drivers of the increase in operating expenses were as follows:

- General and administrative expenses decreased \$3,287 during the three months ended March 31, 2024 compared with 2023, primarily due to initiatives put in place by management to reduce operating costs across the Company.
- Compensation expense decreased \$85 during the three months ended March 31, 2024 as compared with 2023, primarily due to staffing reductions.
- Equity-based compensation expense decreased \$175 during the three months ended March 31, 2024 as compared with 2023, primarily due to staffing reductions and changes made to the Company's long-term incentive compensation plans.

Total other income (loss)

Other loss in thousands	Three Months Ended March 31,		Better/(Worse) 2024 vs. 2023	
	2024	2023	\$	%
	Loss from investments, net	\$ —	\$ (342)	\$ 342
Interest income from loans receivable	—	16	(16)	n/m
Interest expense	(8,859)	(8,074)	(785)	(10)%
Other loss, net	(155)	(1,553)	1,398	90
Total other loss	\$ (9,014)	\$ (9,953)	\$ 939	9 %
n/m - Not Meaningful				

Three months ended March 31, 2024 vs. 2023

Total other loss for the three months ended March 31, 2024 was \$9,014, a decrease of \$939 compared with 2023. The primary drivers of the decrease in Total other loss were as follows:

- Interest expense for the three months ended March 31, 2024 of \$8,859 increased by \$785 as a result of the Company having a larger debt balance as compared to 2023 and due to an increased interest rate on a substantial portion of the Company's debt.
- Other loss for the three months ended March 31, 2024 of \$155 decreased by \$1,398 as compared with 2023. Other income, net for the year ended March 31, 2023 was primarily due to a loss on the termination of a lease related the Company's operations in Massachusetts.

Net loss

Net loss in thousands	Three Months Ended March 31,		Better/(Worse) 2024 vs. 2023	
	2024	2023	\$	%
	Net loss	\$ (33,319)	\$ (16,157)	\$ (17,162)
Less: net loss attributable to non-controlling interests	(5,341)	(1,567)	(3,774)	(241)
Net loss attributable to Acreage Holdings, Inc.	\$ (27,978)	\$ (14,590)	\$ (13,388)	(92)%

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)			
	in thousands		2024 vs. 2023	
	Three Months Ended March 31,		\$	%
	2024	2023		
Net loss (U.S. GAAP)	\$ (33,319)	\$ (16,157)		
Income tax expense	1,123	7,349		
Interest expense, net	8,859	8,058		
Depreciation and amortization ⁽¹⁾	6,836	3,038		
EBITDA (non-GAAP)	\$ (16,501)	\$ 2,288	\$ (18,789)	(821)%
Adjusting items:				
Loss (income) from investments, net	—	342		
Impairments, net	118	—		
Non-cash inventory adjustments	1,924	2,237		
Loss on extraordinary events ⁽²⁾	154	1,492		
Equity-based compensation expense	809	984		
Other non-recurring expenses ⁽³⁾	15,475	3,250		
Adjusted EBITDA (non-GAAP)	\$ 1,979	\$ 10,593	\$ (8,614)	(81)%

⁽¹⁾ Depreciation and amortization for the three months ended March 31, 2024 and 2023 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 i) certain compensation, ii) general and administrative, iii) other miscellaneous income and expenses, and iv) a change in accounting estimate for the costing of inventory, which resulted in a \$13,828 charge to *Cost of goods sold, wholesale*, refer to note 2 for further discussion. 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 March 31, 2024, the Company had primarily used private financing as a source of liquidity for short-term working capital needs and general corporate purposes.

As of March 31, 2024, the Company had cash of \$9,844, including \$7,342 of cash and cash equivalents and \$2,502 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 March 31, 2024, the Company had future operating lease obligations and future finance lease obligations of \$26,455 and \$15,306, respectively, with \$2,779 and \$693 payable within the next nine 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 Unaudited Condensed Consolidated Statements of Financial Position and are expensed in the Unaudited Condensed Consolidated Statements of Operations on the straight-line basis over the lease term. The Company does not have any material variable lease payments, and accounts for non-lease components separately from leases. Refer to Note 8 of the Unaudited Condensed Consolidated Financial Statements for further discussion.

Debt

As of March 31, 2024, the Company had outstanding debt with varying maturities for an aggregate principal amount of \$237,943 (net of \$15,465 of unamortized discounts and debt issuance costs), with \$143,225 payable within the remaining nine months. The Company has related future interest payments of \$55,370, with \$14,593 payable within the remaining nine 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 Unaudited Condensed Consolidated Financial Statements for further discussion.

The Company expects that its cash and cash equivalents of \$7,342 as of March 31, 2024, and other mitigating factors, 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. Refer to Note 2 of the Unaudited Condensed Consolidated Financial Statements for further discussion.

Going Concern

As reflected in the unaudited condensed consolidated financial statements, the Company had an accumulated deficit as of March 31, 2024, as well as a net loss and negative cash flow from operating activities for the three months ended March 31, 2024. Additionally, during the quarter the Company was in default of the Prime rate credit facilities due January 2026, as amended. Refer to Note 10 for further discussion. These factors raise substantial doubt about the Company's ability to continue as a going concern for at least one year from the issuance of these financial statements. 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.

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, (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 were \$9,844 as of March 31, 2024, which represents a net decrease of \$7,771 for the three months ended March 31, 2024. The following table details the change in cash, cash equivalents, restricted cash and cash related to assets held for sale for the three months ended March 31, 2024 and 2023.

Cash flows in thousands	Three Months Ended March 31,		Better/(Worse) 2024 vs. 2023	
	2024	2023	\$	%
Net cash used in operating activities	\$ (3,806)	\$ (8,070)	\$ 4,264	53 %
Net cash used in investing activities	(3,111)	(1,714)	(1,397)	(82)
Net cash used in financing activities	(854)	(32)	(822)	n/m
Net decrease in cash, cash equivalents, restricted cash, and cash held for sale	\$ (7,771)	\$ (9,816)	\$ 2,045	21 %

n/m - Not Meaningful

Net cash used in operating activities

During the three months ended March 31, 2024, the Company used \$3,806 of net cash in operating activities, which represented an improvement of \$4,264, or 53%, when compared with 2023. This improvement was driven by i) non-cash inventory write-offs and provisions of \$13,588, ii) cash related changes to inventory of \$10,144, and was offset by iii) changes to the company's taxes payable profile of (\$5,671).

Net cash used in investing activities

During the three months ended March 31, 2024, the Company used \$3,111 of net cash through investing activities compared to \$1,714 of net cash used in investing activities in the same period for 2022, which represented a change of \$1,397. Net cash used in investing activities for the three months ended March 31, 2024 included \$2,611 on the purchase of capital assets, \$500 on the purchase of intangibles which was partially offset by cash acquired through business acquisitions of \$516 related to March 31, 2023.

Net cash used in financing activities

During the three months ended March 31, 2024, the Company used \$854 of net cash through financing activities compared to \$32 of net cash used in financing activities in the same period for 2023, which represented a change of \$822 and was driven by an increase in debt repayments for the three months ended March 31, 2024.

Capital Resources

Capital structure and debt

Our debt outstanding as of March 31, 2024 and December 31, 2023 is as follows:

Debt balances	March 31, 2024	December 31, 2023
Financing liability (failed sale-leaseback)	\$ 15,253	\$ 15,253
Finance lease liabilities	5,923	5,943
7.50% Loan due April 2026	33,186	32,438
6.10% Secured debenture due September 2030	47,067	46,955
Note due December 2024	1,583	2,375
Prime rate credit facilities due January 2026, as amended	133,290	132,337
Note backed by ERTC	1,641	1,641
Total debt	\$ 237,943	\$ 236,942
Less: current portion of debt	136,637	4,132
Total long-term debt	\$ 101,306	\$ 232,810

Commitments and contingencies

Commitments

The Company provides revolving lines of credit to certain of its portfolio companies. As of March 31, 2024, 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 Unaudited Condensed 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 Unaudited Condensed 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 March 31, 2024, for which no liabilities are recorded on the Unaudited Condensed Consolidated Statements of Financial Position.

The Company is subject to other capital commitments and similar obligations. As of March 31, 2024, 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 March 31, 2024, 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 Unaudited Condensed Consolidated Financial Statements for further discussion.

Critical accounting policies and estimates

We have adopted various accounting policies to prepare the Unaudited Condensed Consolidated Financial Statements in accordance with GAAP. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. In our 2023 Annual Report on Form 10-K, we

identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our consolidated financial statements.

As of March 31, 2024, the Company implemented a change in accounting estimate for the costing of inventory cultivated, extracted or processed, and manufactured or infused by the Company from historical average cost to three-month rolling average cost to better align with evolving market dynamics, improve the accuracy of inventory valuation, and enhance financial reporting transparency. The Company accounted for this change as a change in accounting estimate and, accordingly, applied it on a prospective basis. This change resulted in a \$13,828 charge to *Cost of goods sold, wholesale* on the Company's Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk (presented in thousands, except share amounts).

The Company has exposure to certain risks, including market, credit, liquidity, asset forfeiture, banking and interest rate risk, and assesses the impact and likelihood of those risks. However, there have been no material changes in our market risk during the three months ended March 31, 2024. For additional information, refer to our 2023 Annual Report on Form 10-K for the year ended December 31, 2023.

Item 4. 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 March 31, 2024 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.

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.

PART II

Item 1. Legal Proceedings.

For information on legal proceedings, refer to Note 13 to the Unaudited Condensed Consolidated Financial Statements included in this report.

Item 1A. Risk Factors.

There have been no material changes to the risk factors described in the section titled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit No.	Description of Document	Incorporated by Reference				Filed or Furnished Herewith
		Schedule Form	File Number	Exhibit/Form	Filing Date	
10.1	Eighth Amendment to Arrangement Agreement, dated May 8, 2024, by and among Acreage Holdings, Inc., Canopy Growth Corporation and Canopy USA, LLC.	8-K	000-56021	10.1	5/14/2024	
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 as of March 31, 2024 (unaudited) and December 31, 2023 (audited), (ii) Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2024 and March 31, 2023, (iii) Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and March 31, 2023, (iv) Unaudited Condensed Consolidated Statements of Shareholders' Equity for the three months ended March 31, 2024 and March 31, 2023 and (v) Notes to Unaudited Condensed Consolidated Financial Statements.					X

* 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 this exhibit are redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

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: May 30, 2024

Acreage Holdings, Inc.

By: /s/ Philip Himmelstein
Philip Himmelstein

Interim Chief Financial Officer

**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 Quarterly report on Form 10-Q for the period ended March 31, 2024 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: May 30, 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 Quarterly report on Form 10-Q for the period ended March 31, 2024 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: May 30, 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 Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2024 (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: May 30, 2024