

**PART I**

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

**ACREAGE HOLDINGS, INC.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(in thousands)

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,780	\$ 13,631
Restricted cash	65	3,984
Accounts receivable, net	10,226	8,459
Inventory	32,909	47,675
Assets held-for-sale	15,255	6,028
Other current assets	2,446	2,136
<b>Total current assets</b>	<b>74,681</b>	<b>81,913</b>
Long-term investments	33,170	33,170
Capital assets, net	128,761	141,732
Operating lease right-of-use assets	13,516	17,531
Intangible assets, net	27,910	31,044
Goodwill	13,761	13,346
Other non-current assets	1,349	1,558
<b>Total non-current assets</b>	<b>218,467</b>	<b>238,381</b>
<b>TOTAL ASSETS</b>	<b>\$ 293,148</b>	<b>\$ 320,294</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Accounts payable and accrued liabilities	\$ 31,893	\$ 29,936
Taxes payable	7,566	11,395
Interest payable	5,451	5,539
Operating lease liability, current	1,959	2,457
Debt, current	2,437	4,132
Liabilities related to assets held for sale	15,772	2,253
Other current liabilities	182	2,011
<b>Total current liabilities</b>	<b>65,260</b>	<b>57,723</b>
Debt, non-current	272,225	232,810
Operating lease liability, non-current	14,138	17,293
Deferred tax liability	9,925	10,584
Liability on unrecognized tax benefits	50,571	39,859
Warrant liability	7,133	—
Other liabilities	4	1,054

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements*

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

<b>Total non-current liabilities</b>	353,996	301,600
<b>TOTAL LIABILITIES</b>	419,256	359,323
Commitments and contingencies		
Common stock, no par value - unlimited authorized, 121,186 and 120,344 issued and outstanding as of September 30, 2024. 115,995 and 115,153 issued and outstanding as of December 31, 2023.	—	—
Additional paid-in capital	776,489	759,698
Treasury stock, 842 common stock held in treasury	(21,054)	(21,054)
Accumulated deficit	(824,441)	(747,550)
<b>Total Acreage Shareholders' deficit</b>	(69,006)	(8,906)
Non-controlling interests	(57,102)	(30,123)
<b>TOTAL DEFICIT</b>	(126,108)	(39,029)
<b>TOTAL LIABILITIES AND DEFICIT</b>	<b>\$ 293,148</b>	<b>\$ 320,294</b>

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements*

# ACREAGE HOLDINGS, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>REVENUE</b>				
Retail revenue, net	\$ 27,435	\$ 43,857	\$ 85,620	\$ 130,651
Wholesale revenue, net	12,188	12,645	38,302	39,845
Other revenue, net	1	—	1	84
<b>Total revenues, net</b>	<b>39,624</b>	<b>56,502</b>	<b>123,923</b>	<b>170,580</b>
Cost of goods sold, retail	(14,995)	(23,247)	(47,538)	(67,145)
Cost of goods sold, wholesale	(10,715)	(11,981)	(47,046)	(34,454)
Total cost of goods sold	(25,710)	(35,228)	(94,584)	(101,599)
<b>Gross profit</b>	<b>13,914</b>	<b>21,274</b>	<b>29,339</b>	<b>68,981</b>
<b>OPERATING EXPENSES</b>				
General and administrative	7,516	8,036	22,814	25,621
Compensation expense	11,746	13,524	35,614	38,930
Equity-based compensation expense	(212)	745	1,939	2,423
Marketing	603	542	1,721	1,942
Loss on disposals of construction in process	2,072	—	2,072	—
Write down of assets held-for-sale, net	—	—	—	3,557
Depreciation and amortization	853	928	2,642	2,919
Total operating expenses	22,578	23,775	66,802	75,392
<b>Net operating loss</b>	<b>\$ (8,664)</b>	<b>\$ (2,501)</b>	<b>\$ (37,463)</b>	<b>\$ (6,411)</b>
Income from investments, net	—	248	—	228
Interest income from loans receivable	—	—	—	10
Interest expense	(8,128)	(9,207)	(25,423)	(26,143)
Other income (loss), net	(983)	10,021	(7,320)	9,823
Total other income (loss)	(9,111)	1,062	(32,743)	(16,082)
<b>Loss before income taxes</b>	<b>\$ (17,775)</b>	<b>\$ (1,439)</b>	<b>\$ (70,206)</b>	<b>\$ (22,493)</b>
Income tax expense	(4,465)	(6,420)	(9,482)	(19,763)
<b>Net loss</b>	<b>\$ (22,240)</b>	<b>\$ (7,859)</b>	<b>\$ (79,688)</b>	<b>\$ (42,256)</b>
Less: net loss attributable to non-controlling interests	(2,732)	(234)	(11,177)	(3,885)
<b>Net loss attributable to Acreage Holdings, Inc.</b>	<b>\$ (19,508)</b>	<b>\$ (7,625)</b>	<b>\$ (68,511)</b>	<b>\$ (38,371)</b>
<b>Net loss per share attributable to Acreage Holdings, Inc. - basic and diluted:</b>	<b>\$ (0.16)</b>	<b>\$ (0.07)</b>	<b>\$ (0.58)</b>	<b>\$ (0.34)</b>
<b>Weighted average shares outstanding - basic and diluted</b>	<b>119,965</b>	<b>114,171</b>	<b>117,422</b>	<b>113,181</b>

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

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements*

**ACREAGE HOLDINGS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF 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)			
<b>December 31, 2023</b>	<b>3,861</b>	<b>115,995</b>	<b>\$ 759,698</b>	<b>\$ (21,054)</b>	<b>\$ (747,550)</b>	<b>\$ (8,906)</b>	<b>\$ (30,123)</b>	<b>\$ (39,029)</b>	
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)	
<b>March 31, 2024</b>	<b>3,861</b>	<b>116,131</b>	<b>\$ 755,227</b>	<b>\$ (21,054)</b>	<b>\$ (775,528)</b>	<b>\$ (41,355)</b>	<b>\$ (30,200)</b>	<b>\$ (71,555)</b>	
NCI adjustments for changes in ownership	—	—	6,329	—	—	6,329	(6,329)	—	
Other equity transactions	—	—	(244)	—	—	(244)	—	(244)	
Private placement dividend	—	—	—	—	(8,380)	(8,380)	—	(8,380)	
Equity-based compensation expense and related issuances	—	1,094	1,342	—	—	1,342	—	1,342	
Net loss	—	—	—	—	(21,025)	(21,025)	(3,104)	(24,129)	
<b>June 30, 2024</b>	<b>3,861</b>	<b>117,225</b>	<b>\$ 762,654</b>	<b>\$ (21,054)</b>	<b>\$ (804,933)</b>	<b>\$ (63,333)</b>	<b>\$ (39,633)</b>	<b>\$ (102,966)</b>	
NCI adjustments for changes in ownership	—	—	14,737	—	—	14,737	(14,737)	—	
Other equity transactions	—	—	(690)	—	—	(690)	—	(690)	
Equity-based compensation expense and related issuances	—	3,961	(212)	—	—	(212)	—	(212)	
Net loss	—	—	—	—	(19,508)	(19,508)	(2,732)	(22,240)	
<b>September 30, 2024</b>	<b>3,861</b>	<b>121,186</b>	<b>\$ 776,489</b>	<b>\$ (21,054)</b>	<b>\$ (824,441)</b>	<b>\$ (69,006)</b>	<b>\$ (57,102)</b>	<b>\$ (126,108)</b>	

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements*

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

(in thousands)	Nine Months Ended September 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (79,688)	\$ (42,256)
Adjustments for:		
Depreciation and amortization	2,642	2,919
Depreciation and amortization included in COGS	8,033	6,058
Equity-based compensation expense	1,939	2,423
Inventory write-off and provision	5,581	8,824
Change in accounting estimate for the costing of inventory	13,828	—
Loss on modification of debt	6,322	—
Gain on business divestiture	—	(47)
Loss on disposal of capital assets, net	2,109	34
Non-cash fair value change related to Warrant liability and Convertible notes	452	—
Bad debt expense	342	320
Non-cash interest expense	6,486	3,743
Non-cash operating lease adjustment	693	(18)
Loss on lease termination	—	(200)
Deferred tax income	(121)	16
Non-cash loss from investments, net	—	870
Write-down of assets held-for-sale	—	3,557
Change, net of acquisitions in:		
Accounts receivable	(3,482)	(3,427)
Inventory	(2,987)	(12,572)
Other assets	227	(597)
Interest receivable	1,373	(756)
Accounts payable and accrued liabilities	5,719	(2,628)
Taxes payable	(3,324)	15,026
Interest payable	3,648	3,101
Liability on unrecognized tax benefits	14,691	—
Other liabilities	(2,030)	(3,119)
Net cash used in operating activities	\$ (17,547)	\$ (18,729)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of capital assets	\$ (2,390)	\$ (5,345)
Collection of notes receivable	—	2,150
Business acquisitions, net of cash acquired	—	516
Purchases of intangible assets	(500)	(27)
Proceeds from business divestiture	—	500
Net cash used in investing activities	\$ (2,890)	\$ (2,206)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Other equity transactions	\$ (950)	\$ (79)
Proceeds from financing (refer to Note 14 for related party financing)	8,455	27,121
Deferred financing costs paid	—	(500)
Proceeds from issuance of private placement units and warrants	10,000	—
Repayment of debt	(838)	(913)
Capital distributions - non-controlling interests	—	(3,968)

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements*

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

Net cash provided by financing activities	\$ 16,667	\$ 21,661
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (3,770)	\$ 726
Cash, cash equivalents, and restricted cash - Beginning of period	17,615	24,067
Cash, cash equivalents, and restricted cash - End of period	\$ 13,845	\$ 24,793
<b>RECONCILIATION OF CASH FLOW INFORMATION:</b>		
Cash and cash equivalents	\$ 13,780	\$ 15,142
Restricted cash	65	9,651
Total cash, cash equivalents, and restricted cash at end of period	\$ 13,845	\$ 24,793

(in thousands)	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid - non-lease	\$ 3,478	\$ 19,266
Income taxes paid	—	5,933
<b>OTHER NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Capital assets not yet paid for	\$ 781	\$ 5,040
Cumulative effect of change in accounting principle for current expected credit losses, net of tax	—	121
NCI adjustments for changes in ownership	—	(14)
Initial fair value recognition on Warrant Liability	6,972	—
Initial fair value recognition on Convertible Notes	11,408	—

*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)

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### 1. NATURE OF OPERATIONS

Acreage Holdings, Inc. (the “Company”, “Pubco” or “Acreage”) is a vertically integrated, multi-state operator in the United States (“U.S.”) cannabis industry. The Company’s operations include (i) cultivating and processing cannabis plants, (ii) manufacturing branded consumer products, (iii) distributing cannabis flower and manufactured products, and (iv) retailing cannabis products to patients and consumers. The Company’s products appeal to medical and adult recreational use customers through brand strategies intended to build trust and loyalty.

The Company’s Class E subordinate voting shares (“Fixed Shares”) and Class D subordinate voting shares (“Floating Shares”) are listed on the Canadian Securities Exchange under the symbols “ACRG.A.U” and “ACRG.B.U”, respectively, quoted on the OTCQX under the symbols “ACRHF” and “ACRDF”, respectively, and traded on the Frankfurt Stock Exchange under the symbols “0VZ1” and “0VZ2”, respectively.

High Street Capital Partners, LLC (“HSCP”) was formed on April 29, 2014. The Company became the indirect parent of HSCP on November 14, 2018 in connection with the reverse takeover (“RTO”) transaction described below.

The Company’s principal place of business is located at 366 Madison Ave, 14<sup>th</sup> floor, New York, New York in the U.S. The Company’s registered and records office address is Suite 2800, Park Place, 666 Burrard Street, Vancouver, British Columbia in Canada.

#### The RTO transaction

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

#### Canopy Growth Corporation transaction

On June 27, 2019, the Company and Canopy Growth Corporation (“Canopy Growth” or “CGC”) implemented the Prior Plan of Arrangement (as defined in Note 15) contemplated by the Original Arrangement Agreement (as defined in Note 15). 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. 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 subordinated voting shares (“SVS”) (following the mandatory conversion of the Class B proportionate voting shares (the “PVS”) and Class C multiple voting shares (the “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 15) 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 Share Exchange Ratio”) of a common share of Canopy Growth (each, a “Canopy Share”) for each Fixed Share held at the time of the acquisition of the Fixed Shares (the “Acquisition” or “Acquisition Time”), subject to adjustment in accordance with the terms of the Amended Arrangement (the “Canopy Call Option”), which Canopy Growth is required to exercise upon the occurrence, or waiver (at the discretion of Canopy Growth), of a Triggering Event (the date on which the Triggering Event occurs, the “Triggering Event Date”). On December 15, 2023, Canopy Growth initiated a reverse 1-for-10 share consolidation (the “Canopy Consolidation”), which triggered an Exchange Ratio Adjustment Event which modified the Fixed Share Exchange Ratio from 0.3048 of a Canopy



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

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Share for each Fixed Share to 0.03048 of a Canopy Share for each Fixed Share. Refer to Note 15 for further discussion, including a discussion of the anticipated adjustment to the Fixed Share Exchange Ratio as a result of the offering of convertible notes completed in June 2024.

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 15 for further discussion.

On June 3, 2024, the Canopy Call Option was exercised in accordance with the terms of the Amended Arrangement. Upon closing of the Amended Arrangement and Floating Share Agreement (the “Acquisitions” or the “Transactions”), Canopy USA will own 100% of the Fixed Shares and Floating Shares and in connection therewith, Acreage would become a wholly owned subsidiary of Canopy USA. Closing of the Acquisitions remain subject to all of the closing conditions set forth in the Amended Arrangement and the Floating Share Agreement. There can be no certainty, nor can the Company provide any assurance, that all conditions precedent will be satisfied or waived, which may result in the Acquisitions not being completed. Refer to Note 15 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 September 30, 2024, as well as a net loss and negative cash flow from operating activities for the nine months ended September 30, 2024. 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.

# ACREAGE HOLDINGS, INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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These interim unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, dated April 30, 2024, as filed with the Securities and Exchange Commission (the "2023 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 *Income (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 September 30, 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 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

# ACREAGE HOLDINGS, INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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Corporation and National Credit Union Share Insurance Fund limits, respectively. The failure of a bank or credit union where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company's business, financial condition, results of operations and the market price of the Company's Fixed Shares and Floating Shares.

#### Restricted cash

Restricted cash represents funds contractually held for specific purposes and, as such, not available for general corporate purposes. Cash and cash equivalents and restricted cash, as presented on the Unaudited Condensed Consolidated Statements of Cash Flows, consists of \$13,780 and \$65 as of September 30, 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 September 30, 2024 and December 31, 2023, the Company's allowance for doubtful accounts was \$755 and \$479, respectively, all of which relates to the allowance for credit losses over accounts receivable. As of September 30, 2024 and December 31, 2023, the allowance on loans receivable was \$9,204 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.

#### Fair value of financial instruments

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

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

The Company records *Accounts receivable, net*, and *Accounts payable and accrued liabilities* at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

#### 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 and nine months ended September 30, 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 38,686 and 51,006 anti-dilutive shares outstanding during the three and nine months ended September 30, 2024 and 2023, respectively.

#### Change in Accounting Estimate

During the first quarter of 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

**ACREAGE HOLDINGS, INC.**  
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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 nine months ended September 30, 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 effect 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 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, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is also permitted. This ASU will result in additional required disclosures when adopted, where applicable.

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

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

Acquisitions

During the three and nine months ended September 30, 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.

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<b>Purchase Price Allocation</b>	<b>Northeast Patients Group</b>
<b>Assets acquired:</b>	
Cash and cash equivalents	\$ 361
Accounts receivable	25
Inventory	384
Other current assets	174
Capital assets	7,297
Finance lease right-of-use asset	320
Operating lease right-of-use asset	1,279
Goodwill	22,506
<b>Liabilities assumed:</b>	
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)
<b>Fair value of net assets acquired</b>	<b>\$ 27,691</b>
<b>Consideration paid:</b>	
Settlement of pre-existing relationship	27,691
<b>Total consideration</b>	<b>\$ 27,691</b>

Divestitures

During the three and nine months ended September 30, 2024, the Company did not complete any divestitures. During the three and nine months ended September 30, 2023, management committed to a plan to sell CWG Botanicals, Inc. (“CWG”) as of June 30, 2023. As of then, all assets and liabilities were classified as held for sale on the balance sheet and written down to the fair value of the expected sale price. On September 12, 2023, the Company sold 100% of its ownership interest in CWG for an aggregate sales price of \$500 and recognizing a gain of \$47 on the Unaudited Condensed Consolidated Statements of Operations in Other income, net.

Assets Held for Sale

In the second quarter of 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. As of December 31, 2023, the Company determined certain businesses and assets in Ohio met the held-for-sale criteria. As such, the related assets and liabilities within these disposal groups were transferred into *Assets held-for-sale* and *Liabilities related to assets held-for-sale* on the Unaudited Condensed Consolidated Statements of Financial Position.

As of September 30, 2024, the Company determined certain businesses and assets in Connecticut and Maine 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.

The tables below presents the assets and liabilities classified as held for sale on the Unaudited Condensed Consolidated Statements of Financial Position for the periods ended September 30, 2024 and December 31, 2023, respectively.

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	September 30, 2024		
	Prime Wellness, D&B and Thames Valley, Connecticut	NPG Retail, Maine	Total
Cash and cash equivalents	\$ 174	\$ 75	\$ 249
Inventory	611	352	963
Other current assets	93	93	186
Total current assets classified as held-for-sale	878	520	1,398
Capital assets, net	2,500	564	3,064
Operating lease right-of-use assets	2,056	856	2,912
Intangible assets, net	7,713	—	7,713
Other non-current assets	133	35	168
<b>Total assets classified as held-for-sale</b>	<b>\$ 13,280</b>	<b>\$ 1,975</b>	<b>\$ 15,255</b>
Accounts payable and accrued liabilities	\$ (6,522)	\$ (576)	\$ (7,098)
Taxes payable	(424)	(81)	(505)
Operating lease liability, current	(442)	(223)	(665)
Total current liabilities classified as held-for-sale	(7,388)	(880)	(8,268)
Debt, non-current	(799)	—	(799)
Operating lease liability, non-current	(1,402)	(786)	(2,188)
Deferred tax liabilities	(538)	—	(538)
Liability on uncertain tax position	(3,979)	—	(3,979)
<b>Total liabilities classified as held-for-sale</b>	<b>\$ (14,106)</b>	<b>\$ (1,666)</b>	<b>\$ (15,772)</b>

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



**ACREAGE HOLDINGS, INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. INTANGIBLE ASSETS AND GOODWILL**

*Intangible assets*

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

<b>Intangibles</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Indefinite-lived intangible assets		
Cannabis licenses	27,910	31,044
<b>Total intangibles, net</b>	<b>\$ 27,910</b>	<b>\$ 31,044</b>

The intangible assets balance as of September 30, 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 and nine months ended September 30, 2024 and 2023, respectively.

*Goodwill*

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

<b>Goodwill</b>	<b>Total</b>
<b>December 31, 2023</b>	<b>\$ 13,346</b>
Transferred from held-for-sale	415
<b>September 30, 2024</b>	<b>\$ 13,761</b>

**5. INVESTMENTS**

The carrying values of the Company's investments in the Unaudited Condensed Consolidated Statements of Financial Position as of September 30, 2024 and December 31, 2023 are as follows:

<b>Investments</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Investments held at FV-NI	\$ 33,170	\$ 33,170
<b>Total long-term investments</b>	<b>\$ 33,170</b>	<b>\$ 33,170</b>

Income from investments, net in the Unaudited Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2024 and 2023 is as follows:

<b>Investment income</b>	<b>Three Months Ended September</b>		<b>Nine Months Ended September</b>	
	<b>30,</b>		<b>30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Investments held at FV-NI	—	248	—	228
<b>Income from investments, net</b>	<b>\$ —</b>	<b>\$ 248</b>	<b>\$ —</b>	<b>\$ 228</b>

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Investments held at FV-NI

The Company has an equity investment in the Red White and Bloom company that does 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 held Class A units of the Investment Partnership. The general partner of the Investment Partnership was also an affiliate of the Institutional Investor. During the fourth quarter of 2023, Kevin Murphy acquired all Class A units and became the general partner of the Investment Partnership. 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.

**6. NOTES RECEIVABLE, NET**

Notes receivable as of September 30, 2024 and December 31, 2023 consisted of the following:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Promissory notes receivable	\$ 862	\$ 862
Line of credit receivable	4,331	4,331
Interest receivable	4,011	3,286
Allowance for notes and interest receivable	(9,204)	(8,479)
<b>Total notes receivable</b>	<b>\$ —</b>	<b>\$ —</b>
Less: Notes receivable, current	—	—
Notes receivable, non-current	<u>\$ —</u>	<u>\$ —</u>

Interest income from loans receivable during the three and nine months ended September 30, 2024 was nil, respectively, and nil and \$10 for the three and nine months ended September 30, 2023, respectively.

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

The Company determined that the collectability of certain notes receivables is doubtful based on information available. As of September 30, 2024 and December 31, 2023, the Company’s allowance for notes receivable was \$9,204 and \$8,479, respectively, including \$5,193 of principal outstanding and \$4,011 and \$3,286 of accrued interest, respectively, and represents the full value of such loan balances.

Activity during the nine months ended September 30, 2023



# ACREAGE HOLDINGS, INC.

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

In January 2023, a subsidiary of the Company acquired cultivation, processing and retail operations in Maine from a third party who provided cultivation, manufacturing, processing, distribution and handling, recordkeeping, compliance, and other services to the Company's operations in Maine and the amounts outstanding under the promissory notes receivable were converted into equity in Northeast Patients Group. Refer to Note 3 for further discussion.

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

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

The Company did not have any activity during the three and nine months ended September 30, 2024.

### 7. CAPITAL ASSETS, NET

Net property, plant and equipment consisted of:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Land	\$ 9,390	\$ 9,708
Building	57,987	58,524
Right-of-use asset, finance leases	5,077	6,183
Furniture, fixtures and equipment	40,632	39,943
Leasehold improvements	58,175	58,828
Construction in progress	1,342	4,069
Software	2,513	2,513
<b>Capital assets, gross</b>	<b>\$ 175,116</b>	<b>\$ 179,768</b>
Less: accumulated depreciation and amortization	(46,355)	(38,036)
<b>Capital assets, net</b>	<b><u>\$ 128,761</u></b>	<b><u>\$ 141,732</u></b>

Depreciation of capital assets for the three and nine months ended September 30, 2024 is comprised of \$853 and \$2,642 of depreciation and amortization expense, respectively, and \$2,626 and \$8,033 that was capitalized to inventory, respectively. Depreciation of capital assets for the three and nine months ended September 30, 2023 is comprised of \$928 and \$2,919 of depreciation and amortization expense, respectively, and \$2,116 and \$6,493 that was capitalized to inventory, respectively.

In September 2024, management made the decision to abandon construction activities for the Prime Wellness of Pennsylvania expansion project. As a result, the associated Construction in Progress (CIP) assets were disposed of. In accordance with ASC 360, we recognized a loss of \$2,072 on the disposal of these assets as of September 30, 2024.

# ACREAGE HOLDINGS, INC.

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

### 8. LEASES

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

Statement of Financial Position Information	Classification	September 30, 2024	December 31, 2023
<b>Right-of-use assets</b>			
Operating	Operating lease right-of-use assets	\$ 13,516	\$ 17,531
Finance	Capital assets, net	5,077	6,183
<b>Total right-of-use assets</b>		<b>\$ 18,593</b>	<b>\$ 23,714</b>
<b>Lease liabilities</b>			
<b>Current</b>			
Operating	Operating lease liability, current	\$ 1,959	\$ 2,457
Financing	Debt, current	4	116
<b>Non-current</b>			
Operating	Operating lease liability, non-current	14,138	17,293
Financing	Debt, non-current	5,375	5,827
<b>Total lease liabilities</b>		<b>\$ 21,476</b>	<b>\$ 25,693</b>

Statement of Operations Information	Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023
Short-term lease expense	General and administrative	\$ 252	\$ 102	\$ 478	\$ 311
Operating lease expense	General and administrative	1,313	1,238	3,657	3,853
Finance lease expense:					
Amortization of right of use asset	Depreciation and amortization	35	93	190	278
Interest expense on lease liabilities	Interest expense	162	213	518	633
<b>Net operating and finance lease cost</b>		<b>\$ 1,510</b>	<b>\$ 1,544</b>	<b>\$ 4,365</b>	<b>\$ 4,764</b>

Statement of Cash Flows Information	Classification	Nine Months Ended September 30,	
		2024	2023
Cash paid for operating leases	Net cash used in operating activities	\$ 3,369	\$ 3,871
Cash paid for finance leases - interest	Net cash used in operating activities	\$ 555	\$ 718

**ACREAGE HOLDINGS, INC.**  
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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 September 30, 2024:

<b>Maturity of lease liabilities</b>	<b>Operating Leases</b>	<b>Finance Leases</b>
2024	\$ 905	\$ 189
2025	3,153	766
2026	3,017	789
2027	3,056	812
2028	2,553	837
Thereafter	12,787	10,839
<b>Total lease payments</b>	<b>\$ 25,471</b>	<b>\$ 14,232</b>
Less: interest	9,374	8,853
<b>Present value of lease liabilities</b>	<b>\$ 16,097</b>	<b>\$ 5,379</b>
Weighted average remaining lease term (years)	8	10
Weighted average discount rate	11%	12%

As of September 30, 2024, there have been no leases entered into that have not yet commenced.

**9. INVENTORY**

The Company's inventory balance consists of the following:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Retail inventory	\$ 2,436	\$ 2,918
Wholesale inventory	22,839	36,139
Cultivation inventory	5,232	5,826
Supplies & other	2,402	2,792
<b>Total</b>	<b>\$ 32,909</b>	<b>\$ 47,675</b>

Inventory is valued at the lower of cost and net realizable value ("NRV"), defined as estimated selling price in the ordinary course of business, less estimated costs of disposal. During the nine months ended September 30, 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 \$1,884 and \$5,581 of wholesale inventory adjustments within *Cost of goods sold, wholesale* on the Statements of Operations during the three and nine months ended September 30, 2024, respectively, and \$2,103 and \$8,824 during the three and nine months ended September 30, 2023, respectively.

During the first quarter of 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 nine months ended September 30, 2024.

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**10. DEBT**

The Company's debt balances consist of the following:

<b>Debt balances</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Financing liability (failed sale-leaseback)	\$ 14,454	\$ 15,253
Finance lease liabilities	5,379	5,943
7.50% Loan due April 2026	34,691	32,438
6.10% Secured debenture due September 2030	47,293	46,955
Note due December 2024	792	2,375
13.50% credit facilities due September 2027, as amended	158,719	132,337
Convertible notes	11,693	—
Note backed by ERTC	1,641	1,641
<b>Total debt</b>	<b>\$ 274,662</b>	<b>\$ 236,942</b>
Less: current portion of debt	2,437	4,132
<b>Total long-term debt</b>	<b>\$ 272,225</b>	<b>\$ 232,810</b>

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

2024	\$ 2,437
2025	—
2026	—
2027	35,493
2028	167,431
Thereafter	69,778
<b>Total payments (excluding amortization of discount and issuance costs)<sup>(1)</sup></b>	<b>\$ 275,139</b>

<sup>(1)</sup> Excludes future liabilities related to Convertible notes as this instrument is not expected to be settled in cash.

During the three and nine months ended September 30, 2024, the Company incurred interest expense of \$8,128 and \$25,423, respectively, \$9,207 and \$26,143 during the three and nine months ended September 30, 2023, respectively, on the Unaudited Condensed Consolidated Statements of Operations. Interest expense for the three and nine months ended September 30, 2024 included debt discount amortization of \$238 and \$1,195, respectively, and amortization of debt issuance costs of \$152 and \$1,296, respectively. Interest expense for the three and nine months ended September 30, 2023 included debt discount amortization of \$525 and \$1,015, respectively, and amortization of debt issuance costs of \$698 and \$1,388, respectively. As of September 30, 2024 and December 31, 2023, the Company had unamortized discount \$7,184 and \$4,484, respectively, and debt issuance costs of \$4,986 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 September 30, 2024 and December 31, 2023, the Company had accrued interest of \$5,451 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 15 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

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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 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. During the fourth quarter of 2023, Kevin Murphy acquired all Class A units and became the general partner of the Investment Partnership. 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 15.

### 13.5% credit facilities due September 2027, 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 16 for further discussion of the syndicated related party lender.

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.

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The facility has a maturity date of January 1, 2026 and the Company had the option to extend the maturity date to January 1, 2027 prior to January 1, 2024, for a fee equal to 1.0% of the total loan amount. If the Company chooses to extend the maturity date, it will also be required to make monthly installment payments, each of which shall be an amount equal to five percent per year of the outstanding amount of the loan. The Company did not exercise the option to extend the maturity date.

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. As described below, the Company remedied the notices of default by entering into the amended and restated credit agreement. Subsequently, as described below, the Company entered into the second amended and restated credit agreement, superseding the amended and restated credit agreement and establishing an interest rate of 13.5% and a maturity date of September 13, 2027 for the Prime rate credit facilities previously due January 2026.

### Amended and Restated Credit Agreement

On June 3, 2024, the Company, HSCP, as borrower, 11065220 Canada Inc., a wholly-owned subsidiary of Canopy Growth, VRT Agent and the loan parties thereto from time to time, entered into an amended and restated credit agreement (the “Amended and Restated Credit Agreement”). 11065220 Canada Inc. purchased all of the rights and interests of certain of our senior lenders under the Prime rate credit facilities due January 2026, as amended, for an aggregate amount equal to approximately \$99,800. Further, this amendment allowed the Company to capitalize accrued obligations that existed before the amendment on June 3, 2024, including accrued interest, which brought the principal outstanding under this Facility to \$143,287. The interest rate under the loan was a variable rate of U.S. prime (“Prime”) plus 5.75% per annum, payable monthly in arrears, with a Prime floor of 5.50%, and a maturity date of January 1, 2026. Interest under the Amended and Restated Credit Agreement was payable in cash or in kind, at the Company’s election, through November 30, 2024. The loan was secured by pledged equity interests and substantially all of the assets of the Company. Further, 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, 2024 and (ii) a minimum cash requirement of \$3.0 million as of quarter end for all periods beginning on or after December 31, 2024. As discussed further below, the Amended and Restated Credit Agreement was replaced with the Second Amended and Restated Credit Agreement (defined below) on September 13, 2024. The amendment was treated as a debt extinguishment and the Company recognized a loss of \$6,322 to *Other income (loss), net* on the Unaudited Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2024.

### Second Amended and Restated Credit Agreement

On September 13, 2024, the Company entered into a second amended and restated credit agreement with a third party lender (the “New Lender”) and 11065220 Canada Inc. (the “Canopy Lender”) (the “Second Amended and Restated Credit Agreement”). This agreement supersedes the Amended and Restated Credit Agreement.

The New Lender advanced \$65,000 with an original issue discount of 10%, being \$6,500. Approximately \$48,000 of the amount advanced by the New Lender was used to repay amounts owing by Acreage pursuant to the Amended and Restated Credit Agreement to the non-Canopy lender (the “Prior Lender”). As a result, the Prior Lender has been repaid in full. The net proceeds of the loan to Acreage totaled approximately \$8,000 after closing costs and expenses.

Under the Second Amended and Restated Credit Agreement, the loans bear interest at a rate of 13.5% and a maturity date of September 13, 2027, with the interest in favor of the New Lender payable in cash and interest in favor of 11065220 Canada Inc. payable in cash or in kind at Acreage's option and will initially be payable in kind.

The Second Amended and Restated Credit Agreement also provides the New Lender with a board observer right.

### 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



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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."

Private Placement

On June 5, 2024, the Company entered into a Subscription Agreement with ATB Securities (the "Agent") and certain investors ("Holder" or "Investor"). Under the agreement, the Company issued 12,000 units (the "Units") by way of a brokered private placement (the "Private placement") at a price of \$833.33 per Unit, for gross proceeds of \$10,000. Each Unit consists of \$1,000 principal amount of non-recourse unsecured convertible notes (the "Convertible Notes") and Fixed Share purchase warrants (the "Warrants" or "Warrant Liability"). Refer to Note 11 for further discussion regarding the Company's Warrant liability.

The initial fair values of the Convertible Notes and Warrant Liability of \$18,380, in the aggregate, exceeded the gross proceeds received of \$10,000 by \$8,380. As a result, the excess fair value over the proceeds is accounted for as a deemed dividend and recorded in Accumulated deficit, refer to *Private placement dividend* on the Unaudited Condensed Consolidated Statements of Shareholders' Equity (Deficit).

The Convertible Notes are convertible into that number of Fixed Shares of the Company at a to-be-determined conversion price. The conversion price per Fixed Share is determined by multiplying (i) the exchange ratio (as defined by the Fixed Share Arrangement Agreement) by (ii) the fair market value of the common shares of Canopy on the business day prior to the closing of the transactions with Canopy USA, LLC. If the transactions occur on or before the maturity date, which is 15 months from the issue date of June 5, 2024, the Convertible Note will automatically convert into Fixed Shares at the conversion price. If the Transactions do not occur before the maturity date, holders of the Units entered into a Put Agreement with Canopy USA, pursuant to which such investor will have the right to require Canopy USA to purchase the subscribed for Convertible Notes and the Warrants subscribed for. The Company elected the fair value option to account for the liability related to the convertible notes. Refer to Note 12 for further discussion.

While the number of Fixed Shares issuable upon conversion or exercise, as applicable, of the Convertible Notes and the Warrants remains unknown at this time, the completion of the Offering is expected to result in significant dilution of the Fixed Shares, particularly given that the Conversion Price of the Notes is based on the Exchange Ratio, which will be adjusted pursuant to the Fixed Share Arrangement Agreement for issuances in excess of the Purchaser Approved Share Threshold (as such term is defined in the Fixed Share Arrangement Agreement). The Offering is expected to result in the issuance of Fixed Shares under the Convertible Notes, and Warrants exercisable to acquire Fixed Shares, at the time of closing the Fixed Share Arrangement, well in excess of the Purchaser Approved Share Threshold, with the effect that the Fixed Share Exchange Ratio will be significantly reduced. The Fixed Share Exchange Ratio reduction is expected to have a material and adverse effect on the number of Canopy shares that holders of Fixed Shares could receive pursuant to the Fixed Share Arrangement Agreement may have a material and adverse effect on the value of the Fixed Shares. See Note 15 for further discussion.

**11. WARRANT LIABILITY**

On June 4, 2024, the Company issued units by way of a private placement, with each unit consisting of convertible notes and fixed share purchase warrants. Refer to Note 10 for further discussion on the private placement and convertible notes.

The fixed share purchase warrants are each exercisable to acquire one Fixed Share at a set exercise price at any time on or before the expiration date of June 5, 2029. The exercise price is determined by multiplying i) the exchange ratio (as defined by the Fixed Share Arrangement Agreement) by ii) the fair market value of the Canopy shares on the business day prior to the close of the Transactions. In the event the Transactions do not occur prior to the expiration date of June 5, 2029, the Warrants will become void and the subscription rights will expire and terminate. Refer to Note 12 for further discussion. Further, liability accounting has been applied to the Warrants as the units issued are linked to Canopy's publicly traded share price. Finally, the number of Fixed Shares issuable upon conversion of the Warrants remains unknown at this time; however, the completion of the Private Placement is expected to result in significant dilution of the Fixed Shares.

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**12. FAIR VALUE**

The following table summarize the Company's financial assets and liabilities recorded at fair value:

	September 30, 2024				
	Level 1	Level 2	Level 3	NAV	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 13,780	\$ —	\$ —	\$ —	\$ 13,780
Restricted cash	65	—	—	—	65
Long-term investments	—	—	—	33,170	33,170
<b>Liabilities</b>					
Convertible notes	\$ —	\$ —	\$ 11,693	\$ —	\$ 11,693
Warrant liability	—	—	7,133	—	7,133
	December 31, 2023				
	Level 1	Level 2	Level 3	NAV	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 13,631	\$ —	\$ —	\$ —	\$ 13,631
Restricted cash	3,984	—	—	—	3,984
Long-term investments	—	—	—	33,170	33,170

Convertible Notes and Warrant Liability related to the Private Placement

On June 4, 2024, the Company issued 12,000 units by way of a private placement, with each unit is comprised of convertible notes and warrants. Refer to Note 10 for further discussion. As part of the transaction, the Company recognized liabilities of \$11,408 and \$6,972 related to the Convertible notes and Warrant liability, respectively, that were classified as *Debt, non-current* on the Unaudited Condensed Consolidated Statements of Financial Position.

The following tables summarize the valuation techniques and quantitative inputs and assumptions used for financial assets and liabilities categorized as Level 3 as of September 30, 2024 (unless otherwise noted):

Financial Assets or Liability	Fair Value	Valuation Techniques	Unobservable Inputs	Value of Unobservable Inputs as of June 4, 2024	Value of Unobservable Inputs as of September 30, 2024
Convertible notes	\$ 11,693	Probability-weighted expected return model	Probability of each scenario	95.0 %	95.0 %
			Discount rate	5.1 %	4.3 %
			Credit-adjusted discount rate	18.0 %	12.1 %
Warrant liability	7,133	Monte Carlo simulation model	Probability of each scenario	95.0 %	95.0 %
			Black-Scholes method	4.3 %	3.6 %
			Canopy stock price at warrant exercise	\$ 7.81	\$ 4.82
			Canopy stock volatility	109.5 %	111.5 %



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The following are reconciliations for Level 3 liabilities measured at fair value for the three and nine months ended September 30, 2024:

Three months ended September 30, 2024					
	Beginning balance	Net purchases, issuances, sales and settlements	Change in fair value	Transfers in (out)	Ending Balance
<b>Liabilities</b>					
Convertible notes	\$ 11,447	\$ —	\$ 246 <sup>(1)</sup>	\$ —	\$ 11,693
Warrant liability	7,020	—	113	—	7,133

Nine months ended September 30, 2024					
	Beginning balance	Net purchases, issuances, sales and settlements	Change in fair value	Transfers in (out)	Ending Balance
<b>Liabilities</b>					
Convertible notes	\$ —	\$ 11,408	\$ 285 <sup>(2)</sup>	\$ —	\$ 11,693
Warrant liability	—	6,972	161	—	7,133

<sup>(1)</sup> Includes \$30 of unrealized fair value changes related to the Company's credit risk. As this amount is immaterial, it has been included in earnings rather than other comprehensive income.

<sup>(2)</sup> Includes \$37 of unrealized fair value changes related to the Company's credit risk. As this amount is immaterial, it has been included in earnings rather than other comprehensive income.

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

The table below details the change in Pubco shares outstanding by class for the nine months ended September 30, 2024:

Shareholders' Equity	Fixed Shares	Floating Shares	Fixed Shares Held in Treasury	Floating Shares Held in Treasury	Fixed Multiple Shares	Total Shares Outstanding
<b>December 31, 2023</b>	<b>80,700</b>	<b>36,019</b>	<b>(589)</b>	<b>(253)</b>	<b>118</b>	<b>115,995</b>
Vesting	246	4,945	—	—	—	5,191
<b>September 30, 2024</b>	<b>80,946</b>	<b>40,964</b>	<b>(589)</b>	<b>(253)</b>	<b>118</b>	<b>121,186</b>

*Warrants*

A summary of the warrants activity outstanding is as follows:

Warrants	Fixed Shares	Floating Shares
<b>December 31, 2023</b>	<b>5,817</b>	<b>2,524</b>
Expired	—	—
<b>September 30, 2024</b>	<b>5,817</b>	<b>2,524</b>

The exercise price of each Fixed Share warrants ranged from \$3.15 to \$4.00, respectively, and the exercise price of each Floating Share warrants ranged from \$3.01 to \$4.00, respectively. The warrants are exercisable for a period of 4 years. The weighted-average remaining contractual life of the warrants outstanding is approximately 0.4 years. There was no aggregate intrinsic value for warrants outstanding as of September 30, 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 September 30, 2024 and are convertible for either 0.7 of a Fixed Share and

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0.3 of a Floating Share of Pubco or cash, as determined by the Company. Summarized financial information of HSCP is presented below. USCo2 does not have discrete financial information separate from HSCP.

<b>HSCP net asset reconciliation</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Current assets	\$ 74,681	\$ 81,913
Non-current assets	214,616	233,666
Current liabilities	(65,260)	(9,263)
Non-current liabilities	(353,995)	(255,272)
Other NCI balances	(726)	(727)
Accumulated equity-settled expenses	(245,997)	(244,058)
Net assets	\$ (376,681)	\$ (193,741)
HSCP/USCo2 ownership % of HSCP	15.35 %	15.92 %
Net assets allocated to USCo2/HSCP	\$ (57,828)	\$ (30,850)
Net assets attributable to other NCIs	726	727
Total NCI	\$ (57,102)	\$ (30,123)

<b>HSCP Summarized Statement of Operations</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net loss allocable to HSCP/USCo2	\$ (17,865)	\$ (1,521)	\$ (70,941)	\$ (23,924)
HSCP/USCo2 weighted average ownership % of HSCP	15.29 %	15.37 %	15.76 %	16.23 %
Net loss allocated to HSCP/USCo2	\$ (2,732)	\$ (234)	\$ (11,177)	\$ (3,884)
Net loss allocated to other NCIs	—	—	—	(1)
Net loss attributable to NCIs	\$ (2,732)	\$ (234)	\$ (11,177)	\$ (3,885)

As of September 30, 2024, USCo2's non-voting shares owned approximately 0.20% 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 15.55% of HSCP units. The remaining 84.25% interest in HSCP is held by USCo and represents the members' equity attributable to shareholders of the parent.

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

<b>Convertible Units</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
<b>Beginning balance</b>	<b>22,698</b>	<b>22,698</b>
NCI units converted to Pubco	(19)	—
<b>Ending balance</b>	<b>22,679</b>	<b>22,698</b>

#### **14. 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 15). 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 15 for further discussion.

##### Equity-based compensation - Plan (Acreage Holdings, Inc. Omnibus Incentive Plan)

In connection with the RTO transaction, the Company's Board of Directors adopted an Omnibus Incentive Plan, as amended September 23, 2020 (the "Plan"), which permits the issuance of stock options, stock appreciation rights, stock awards, share units, performance shares, performance units and other stock-based awards up to an amount equal to 15% of the issued and outstanding Subordinate Voting Shares of the Company.

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Pursuant to the Amended Arrangement, the Company retained the Plan described above, the upper limit of issuances being up to an amount equal to 15% of the issued and outstanding Fixed Shares and Floating Shares of the Company. As of September 30, 2024, the Company had 14,059 shares authorized and available for grant under the Plan.

*Restricted Share Units (“RSUs”)*

Restricted Share Units (Fair value information expressed in whole dollars)	Fixed Shares		Floating Shares	
	RSUs	Weighted Average Grant Date Fair Value	RSUs	Weighted Average Grant Date Fair Value
<b>Unvested, January 1, 2024</b>	5,866	\$ 1.29	5,844	\$ 0.60
Granted	160	\$ 0.13	1,972	\$ 0.31
Forfeited	(4,370)	\$ 0.26	(120)	\$ 0.21
Vested	(670)	\$ 1.17	(7,696)	\$ 0.24
<b>Unvested, September 30, 2024</b>	<b>986</b>	<b>\$ 0.86</b>	<b>—</b>	<b>\$ 0.38</b>
Vested and unreleased <sup>(1)</sup>	16	\$ 18.34	5	\$ 20.93
<b>Outstanding, September 30, 2024</b>	<b>1,002</b>	<b>\$ 1.14</b>	<b>5</b>	<b>\$ 20.93</b>

<sup>(1)</sup>RSUs that are vested and unreleased represent RSUs that are pending delivery.

RSUs of the Company generally vest over a period of three years and RSUs granted to certain executives vest based on achievement of specific performance conditions. In certain situations for specified individuals, RSUs vest on an accelerated basis on separation. The fair value for RSUs is based on the Company’s share price on the date of the grant. The Company recorded \$(300) and \$1,678 as *Equity-based compensation expense* relating to RSUs on the Unaudited Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2024, respectively, and \$791 and \$2,019 during the three and nine months ended September 30, 2023, respectively. The fair value of RSUs vested during the three and nine months ended September 30, 2024 was \$1,876 and \$2,482, respectively, and \$890 and \$1,489 during the three and nine months ended September 30, 2023, respectively.

The total weighted average remaining contractual life and aggregate intrinsic value of unvested RSUs as of September 30, 2024 was approximately 0.3 years and \$185, respectively. Unrecognized compensation expense related to these awards at September 30, 2024 was \$466 and is expected to be recognized over a weighted average period of approximately 0.5 years.

*Stock options*

Stock Options (Exercise price expressed in whole dollars)	Fixed Shares		Floating Shares	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
<b>Options outstanding, January 1, 2024</b>	4,543	\$ 4.04	2,097	\$ 3.10
Granted	—	\$ —	—	\$ —
Forfeited	—	\$ —	—	\$ —
Expired	—	\$ —	—	\$ —
<b>Options outstanding, September 30, 2024</b>	<b>4,543</b>	<b>\$ 4.04</b>	<b>2,097</b>	<b>\$ 3.10</b>
<b>Options exercisable, September 30, 2024</b>	<b>3,500</b>	<b>\$ 5.01</b>	<b>2,076</b>	<b>\$ 3.10</b>

Stock options of the Company generally vest over a period of three years and options granted to certain executives vest based on achievement of specific performance conditions. Stock options of the Company have an expiration period of 5 or 10 years from the date of grant. The weighted average contractual life remaining for Fixed Share options outstanding and exercisable as of September 30, 2024 was approximately 3 years, respectively. The weighted average contractual life remaining for Floating Share options outstanding and exercisable as of September 30, 2024 was approximately 2 years, respectively. The Company recorded \$88 and \$261 as *Equity-based compensation expense* on Unaudited Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2024 and \$(46) and \$404 during the three and nine months ended September 30, 2023, respectively, in connection with these awards.

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As of September 30, 2024, unamortized expense related to stock options totaled \$392 and is expected to be recognized over a weighted-average period of approximately 0.4 years. As of September 30, 2024, the aggregate intrinsic value for unvested options and for vested and exercisable options was nil, respectively.

**15. COMMITMENTS AND CONTINGENCIES**

Commitments

The Company provides revolving lines of credit to certain of its portfolio companies. As of September 30, 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.

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 Share 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 Share 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 Share 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

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of Arrangement allows for various Canopy Growth rights that extend beyond the Acquisition Date, including, among others: (i) rights to nominate a majority of Acreage's Board of Directors following the Acquisition Time; (ii) restrictive covenants in respect of the business conduct in favor of Canopy Growth; (iii) termination of non-competition and exclusivity rights granted to Acreage by Canopy Growth in the event that Acreage does not meet certain specified financial targets; (iv) implementation of further restrictions on Acreage's ability to operate its business in the event that Acreage does not meet certain specified financial targets; and (v) termination of the Amended Plan of Arrangement in the event that Acreage does not meet certain specified financial targets in the trailing 12 month period. Each of the financial targets referred to above is specified in the Amending Agreement and related to the performance of Acreage relative to a business plan for Acreage for each fiscal year ended December 31, 2020 through December 31, 2029 set forth in the Proposal Agreement (the "Initial Business Plan").

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

*Floating Share Arrangement Agreement with Canopy Growth*

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

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

Subject to the provisions of the Floating Share Agreement, Canopy Growth has agreed to exercise the fixed option pursuant to the Amended Agreement to acquire all outstanding Fixed Shares, representing approximately 70% of the total shares of Acreage as at the date hereof, at the Fixed Share 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 Share Exchange Ratio from 0.3048 of a Canopy Share for each Fixed Share to 0.03048 of a Canopy Share for each Fixed Share.

*Effect of Private Placement on Exchange Ratio*

As discussed in Note 10, on June 5, 2024, the Company entered into a Subscription Agreement with ATB Securities (the "Agent") and certain investors ("Holder" or "Investor"). Under the agreement, the Company issued 12,000 units (the "Units") by way of a brokered private placement (the "Private Placement") at a price of \$833.33 per Unit, for gross proceeds of \$10,000. Each Unit consists of \$1,000 principal amount of non-recourse unsecured convertible notes (the "Convertible Notes") and Fixed Share purchase warrants (the "Warrants" or "Warrant Liability").

While the number of Fixed Shares issuable upon conversion or exercise, as applicable, of the Convertible Notes and the Warrants remains unknown at this time, the completion of the Offering is expected to result in significant dilution of the Fixed Shares, particularly given that the Conversion Price of the Notes is based on the Exchange Ratio, which will be adjusted pursuant to the Fixed Share Arrangement Agreement for issuances in excess of the Purchaser Approved Share Threshold (as such term is defined in the Fixed Share Arrangement Agreement). The Offering is expected to result in the issuance of Fixed Shares under the Convertible Notes, and Warrants exercisable to acquire Fixed Shares, at the time of closing the Fixed Share Arrangement, well in excess of the Purchaser Approved Share Threshold, with the effect that the Fixed Share Exchange Ratio will be significantly reduced. The Fixed Share Exchange Ratio reduction is expected to have a material and adverse effect on the number of Canopy shares that holders of Fixed Shares could receive pursuant to the Fixed Share Arrangement Agreement may have a material and adverse effect on the value of the Fixed Shares.



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The following table below sets forth the potential Exchange Ratio based on a range of Canopy Share prices during the previous 52-week period after giving effect to the Offering:

<b>Canopy Share Price</b>	<b>Fixed Share Exchange Ratio</b>
US\$5.00	≈ 0.00000
US\$6.00	0.0019
US\$7.00	0.0066
US\$8.00	0.0101
US\$9.00	0.0128
US\$10.00	0.0149
US\$11.00	0.0167
US\$12.00	0.0182
US\$13.00	0.0195
US\$14.00	0.0205
US\$15.00	0.0215
US\$16.00	0.0223
US\$17.00	0.0230
US\$18.00	0.0236
US\$19.00	0.0242

While the above chart shows indicative potential adjustment to the Fixed Share Exchange Ratio at the closing of the Fixed Share Acquisition (based on the number of Fixed Shares and securities convertible into or exercisable to acquire Fixed Shares, as of the date hereof), it assumes there have been no further actions taken by the Company to address the potential significant dilution and related impact on the Exchange Ratio.

On June 3, 2024, the Canopy Call Option was exercised in accordance with the terms of the Amended Arrangement. Upon closing of the Amended Arrangement and Floating Share Agreement (the “Acquisitions”), Canopy USA will own 100% of the Fixed Shares and Floating Shares and in connection therewith, Acreage would become a wholly owned subsidiary of Canopy USA. Closing of the Acquisitions remain subject to all of the closing conditions set forth in the Amended Arrangement and the Floating Share Agreement. There can be no certainty, nor can the Company provide any assurance, that all conditions precedent will be satisfied or waived, which may result in the Acquisitions not being completed.

*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 September 30, 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

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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 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 September 30, 2024, for which no liabilities are recorded on the Unaudited Condensed Consolidated Statements of Financial Position.

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The Company is subject to other capital commitments and similar obligations. As of September 30, 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 September 30, 2024, the Company has paid \$6,958 of the promissory note.

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company's applicable subsidiaries ceasing operations. While management of the Company believes that the Company's subsidiaries are in compliance with applicable local and state regulations as of September 30, 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.

*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.



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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.

On May 3, 2024, Plaintiff's counsel filed a motion to be relieved as counsel, which the Court granted at a May 22, 2024 hearing. On June 13, 2024, Plaintiff's former counsel filed a notice of charging lien, which purports to claim 18% of any recovery Plaintiff obtains in the action. On June 27, 2024, Plaintiff filed a motion to reargue the Court's order relieving its former counsel and a motion to quash the charging lien. Plaintiff's motions to reargue and quash remain pending. To date, Plaintiff has been unable to retain counsel.

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

### *Health Circle, Inc. litigation*

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

### *Alfred's Finest, Inc. arbitration*

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

On June 28, 2023, in response to AFI's demand for arbitration, the Company asserted its right under the AFI APA to submit the dispute to mediation before it proceeds to arbitration. An initial mediation was held on October 30, 2023, with no resolution to the matter. An initial arbitration conference was held on October 7, 2024, with the arbitration tentatively scheduled for April 2025.

## 16. 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

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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 September 30, 2024, the Company has not made any payments in relation to the Tax Receivable Agreement or the Tax Receivable Bonus Plans. Refer to Note 15 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 and nine months ended September 30, 2024 and 2023, the Company incurred interest expense attributable to the 6.10% Secured debenture due September 2030 of \$763 and \$2,288, respectively.

As a result of the transaction described above, Universal Hemp, a subsidiary of the Company, acquired 34,019 class B units, at \$1 par value per unit, which represented 100% financial interest in an Investment Partnership, a Canada-based limited partnership. An affiliate of the Institutional Investor holds Class A Units of the Investment Partnership. The general partner of the Investment Partnership is also an affiliate of the Institutional Investor. During the fourth quarter of 2023, Kevin Murphy acquired all Class A units and became the general partner of the Investment Partnership. The class B units are held by the Institutional Investor as agent for Universal Hemp. On September 28, 2020, the Company received gross proceeds of \$33,000 (less transaction costs of approximately \$959) from the Lender and used a portion of the proceeds of this loan to retire its short-term \$11,000 convertible note and its short-term note aggregating approximately \$18,000 in October 2020, with the remainder being used for working capital purposes. The Lender is controlled by the Institutional Lender. The Investment Partnership is the investor in the Lender.

#### Prime rate credit facilities due January 2026, as amended

On December 16, 2021, the Company entered into the Prime rate credit facilities due January 2026 with a syndicate of lenders, including Viridescent Realty Trust, Inc. ("Viridescent"), an entity affiliated with Kevin Murphy. Refer to Note 10 for further discussion. On October 24, 2022, the Company amended these credit facilities and the Company paid an amendment fee of \$1,250 to the lenders, with \$375 paid to Viridescent. On April 28, 2023, the Company and the lenders further amended the Prime rate credit facilities. Refer to Note 10 for further discussion.

On June 3, 2024, the Company, HSCP, as borrower, 11065220 Canada Inc., a wholly-owned subsidiary of Canopy Growth, VRT Agent and the loan parties thereto from time to time, entered into an Amended and Restated Credit Agreement. Interest under the loan was a variable rate of U.S. prime ("Prime") plus 5.75% per annum, payable monthly in arrears, with a Prime floor of 5.50%, and a maturity date of January 1, 2026. Interest under the Amended and Restated Credit Agreement was payable in cash or in kind, at the Company's election, through November 30, 2024. The loan was secured by pledged equity interests and substantially all of the assets of the Company. During the nine months ended September 30, 2024, the Company incurred interest expense attributable to Viridescent of \$2,560 related to the Prime rate credit facilities due January 2026 and \$488 of interest expense related to the Amended and Restated Credit Agreement.

On September 13, 2024, this loan was superseded by the Second Amended and Restated Credit Agreement, discussed above in Note 10. As a result of the Second Amended and Restated Credit Agreement, Mr. Murphy no longer has any interest in the credit facility.

#### Canopy Put Option

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

In connection with the private placement, investors also entered into a Put Agreement with Canopy USA, pursuant to which such investor will have the right to require Canopy USA to purchase the Convertible Notes and the Warrants subscribed for by it under the offering if: (i) the Fixed Share Acquisition is not completed before the Maturity Date; under this scenario, investors are assumed to exercise the Put right requiring Canopy USA to purchase the Convertible Notes and Warrants, and in this case, Acreage would be obligated to pay the aggregate principal amount back to Canopy of \$12,000, (ii) if the Fixed Share Acquisition is terminated at any time prior to the Maturity Date, or (iii) if the Company is subject to an insolvency event. Refer to Note 10 for further discussion.

**17. 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.

**18. 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss attributable to common shareholders of the Company	\$ (19,508)	\$ (7,625)	\$ (68,511)	\$ (38,371)
Weighted average shares outstanding - basic	119,965	114,171	117,422	113,181
Effect of dilutive securities	—	—	—	—
Weighted average shares - diluted	119,965	114,171	117,422	113,181
Net loss per share attributable to common shareholders of the Company - basic	\$ (0.16)	\$ (0.07)	\$ (0.58)	\$ (0.34)
Net loss per share attributable to common shareholders of the Company - diluted	\$ (0.16)	\$ (0.07)	\$ (0.58)	\$ (0.34)

During the nine months ended September 30, 2024, 5,817 Fixed warrants, 2,524 Floating warrants, 1,002 Fixed Share RSUs, 5 Floating Share RSUs, 4,543 Fixed Share stock options, 2,097 Floating Share stock options and 22,679 NCI convertible units were excluded from the calculation of net loss per share attributable to common shareholders of the Company - diluted, as they were anti-dilutive. During the nine months ended September 30, 2023, 5,817 Fixed warrants, 2,524 Floating warrants, 6,167 Fixed Share RSUs, 6,237 Floating Share RSUs, 5,462 Fixed Share stock options, 2,101 Floating Share stock options and 22,698 NCI convertible units were excluded from the calculation of net loss per share attributable to common shareholders of the Company - diluted, as they were anti-dilutive.

**19. SUBSEQUENT EVENTS**

**Amendment to Secured Debenture**

On October 9, 2024, Universal Hemp, LLC (the "Borrower"), Universal Hemp II, LLC and Universal Hemp Canada ULC (the "Guarantors"), and Canopy USA, LLC ("CUSA") entered into a First Amending Agreement to the Secured Debenture originally executed on September 23, 2020. Under the terms of the Amendment, the interest on the obligations under the Debenture will accrue and be paid in kind ("PIK Interest"), with the Borrower retaining the option to pay any portion of such interest in cash.