



This Supplemental News Report is published as required, is part of the annual MERGENT INDUSTRIAL and INTERNATIONAL Manuals and will be included in the bound December 2018 Monthly News Reports and is published on our Website.

## ACREAGE HOLDINGS INC

Company Website: [www.acreageholdings.com](http://www.acreageholdings.com)

**History:** Incorporated in Ontario, Canada on July 12, 1989 as Applied Inventions Management Inc. Reincorporated in British Columbia, Canada on Nov. 9, 2018. Present name adopted on Nov. 9, 2018.

On Feb. 26, 2016, Co. acquired an additional 50% ownership of 22nd & Burn, Inc., 35% of East 11th, Inc. and 45% of The Firestation 23 Inc. (together "Cannabliss") for a total consideration of US\$1,254,000. Total consideration consists of the following: (i) US\$800,000 in cash, (ii) US\$189,000 fair market value of the previously held interest and (iii) US\$265,000 fair market value of the non-controlling interest. The transaction brought Co.'s total ownership to 70%, 65% and 65% of the above-named components of Cannabliss, respectively.

In Jan. 2018, Co. purchased the remaining 51% non-controlling interest in HSCP Oregon, LLC for a total consideration of US\$500,000, which included cash and forgiveness of a shareholder advance.

In May 2018, Co. completed the sale of Compass Ventures, Inc., Greenhouse Compass, LLC, HSGH Properties, LLC and HSGH Properties Union, LLC, for cash proceeds of US\$9,634,000.

In May 2018, Co. purchased the remaining 20% non-controlling interest in Maryland Medicinal Research & Caring, LLC for a total consideration of US\$203,000 in cash.

In May 2018, Co. acquired 100% of D&B Wellness, LLC (doing business as Compassionate Care Center of Connecticut) for a total consideration of US\$14,500,000, which included cash, Class D units and seller's notes.

In May 2018, Co. purchased a management agreement through 100% acquisition of South Shore BioPharma, LLC, a management company located in Norwell, MS for a total consideration of US\$4,277,000, which included cash, Class D units and seller's notes.

In May 2018, Co. acquired a controlling interest in The Wellness & Pain Management Connection, LLC, increasing its ownership percentage from 39% to 83%, for total consideration of US\$19,368,000, consisting of cash and Class D units.

In June 2018, Co. acquired all remaining ownership interests in Impire State Holdings LLC, a financial intermediary located in New York State, for a total consideration of US\$2,500,000 consisting of Class D units.

In June 2018, Co. acquired all remaining non-controlling interests in Cannabliss for a total consideration of US\$1,311,000, consisting of cash, Class D units and seller's notes.

In July 2018, Co. acquired all remaining ownership interests in Prime Alternative Treatment Center Consulting, LLC for US\$16,082,000, which included Class D units and seller's notes.

In July 2018, Co. acquired all remaining non-controlling interests in MA RMD SVCS, LLC for US\$9,364,000, consisting of cash, Class D units and seller's notes.

In Aug. 2018, Co. acquired the all interests in license holder Prime Wellness Centers, LLC for approximately US\$22,717,000, consisting of cash, Class D units and seller's notes.

In Aug. 2018, Co. acquired all remaining ownership interests in NYCANNA, LLC for US\$37,646,000, consisting of cash, Class D units and seller's notes.

In Sept. 2018, Co. acquired all remaining ownership interests in Prime Wellness of Connecticut, LLC for US\$10,076,000, con-

sisting of cash, Class D units and seller's notes.

In Sept. 2018, Co. entered into a management agreement to provide certain advisory and consulting services for a monthly fee based on product sales. The management agreement will terminate and any outstanding obligations will convert to an ownership interest should New Jersey pass a law allowing recreational sales.

In Sept. 2018, Co. increased its ownership in The Wellness & Pain Management Connection, LLC from 83% to 87% in exchange for US\$1,225,000 in Class D units.

In Oct. 2018, Co. acquired all remaining non-controlling interests in Prime Wellness of Pennsylvania LLC for cash consideration of US\$16,500,000.

In Oct. 2018, Co. entered into a definitive agreement to acquire all ownership interests in GCCC Management, LLC for total cash consideration of US\$10,000,000.

In Oct. 2018, Co. entered into a Securities Purchase Agreement with In Grown Farms 2, LLC ("IGF"), an Illinois cultivation license holder, pursuant to which the Company will acquire IGF for a total purchase price of US\$15,500,000. The purchase price will be paid as follows: US\$8,000,000 will be payable on the closing date, US\$6,500,000 will be paid on Jan. 15, 2019 (assuming the transaction has closed) and US\$1,000,000 18 months following the closing date, less any amount subject to a potential indemnification claim at such time.

In Nov. 2018, Co. paid US\$10,000,000 cash into escrow for 5% equity in connection with the acquisition of Nature's Way Nursery of Miami, Inc. The acquisition is expected to be achieved in two stages: the initial 5% is expected to close in Jan. 2019, and the remaining 95% will be acquired for an additional US\$57,000,000 upon Florida state approval.

On Nov. 14, 2018, Applied Inventions Management Corp. ("Applied") and High Street Capital Partners, LLC (doing business as Acreage Holdings) ("Acreage Holdings") entered into a business combination agreement (the "Combination Agreement") pursuant to which, among other things, Acreage Holdings completed a reverse take over of Applied (the "Proposed Transaction") and the securityholders of Acreage Holdings hold substantially all of the outstanding securities of Applied following the Proposed Transaction.

**Business Summary:** Acreage Holdings is a vertically integrated, multi-state operator in the cannabis industry. Co. organizes its operations as follows: Cultivation: The growing of cannabis, typically conducted in controlled, indoor facilities or greenhouses. Processing: The production of sellable cannabis products, typically "derivative" products that require extraction of cannabinoids for use in vape pen oils, lotions, tinctures and extracts; Retail: The dispensing of cannabis products to patients or adult-use customers via storefronts that are typically referred to as dispensaries; Distribution: The wholesaling of cultivated or processed cannabis products to third-party retailers.

**Property:** Co. maintains its principle executive office in New York, NY and its registered office in Vancouver, British Columbia, Canada. In addition, Co. owns or operates cannabis businesses in 14 states across the U.S. of which eleven are in operation, including California, Connecticut, Illinois, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, Ohio, Oregon and Pennsylvania.

### Subsidiaries

(wholly owned unless otherwise noted)  
 22nd & Burn, Inc. (United States) (70%)  
 East 11th, Inc. (United States) (65%)  
 The Firestation 23, Inc. (United States) (65%)  
 HSCP Oregon, LLC (United States) (49%)  
 HSC Solutions, LLC (United States)  
 Florida Wellness, LLC (United States) (44%)  
 Impire State Holdings, LLC (United States) (80%)  
 Prime Wellness of Pennsylvania, LLC (United States) (50%)  
 MA RMD SVCS, LLC (United States) (51%)  
 Maryland Medicinal Research & Caring, LLC (United States) (80%)

### Associates

(wholly owned unless otherwise noted)  
 WPMC (United States) (39%)  
 NCC, LLC (United States) (30%)  
 HSRC NorCal, LLC (United States) (45%)  
 Prime Consulting Group, LLC (United States) (20%)  
 Prime Alternative Treatment Care Consulting, LLC (United States) (12%)

### Private Entities

(wholly owned unless otherwise noted)  
 San Felasco Nurseries, LLC (United States) (7%)  
 Prime Wellness of Connecticut, LLC (United States) (18%)  
 Dixie Brands, Inc. (United States) (7%)  
 NYCANNA, LLC (United States) (20%)  
 Kalyx Development, Inc. (United States) (14%)

### Officers

Kevin P. Murphy, Chairman; Chief Executive Officer; Founder  
 George M. Allen, President  
 Glen Leibowitz, Chief Financial Officer  
 Robert Daino, Chief Operating Officer  
 Harris Damashek, Chief Marketing Officer  
 James A. Doherty, General Counsel; Secretary

### Directors

Kevin P. Murphy, Chairman; Director  
 Douglas Maine, Lead Independent Director  
 John Boehner, Director  
 William F. Weld, Director  
 Larissa L. Herda, Director  
 Brian Mulrone, Director  
 William C. Van Faasen, Director

**Auditors:** Macias Gini & O'Connell LLP

**Annual Meeting:** In November

**Shareholder Relations:** Steve West, Shareholder Relations Contact **Tel:** 646-600-9181

**No. of Stockholders:** Nov. 15, 2018, 853, beneficial

**No. of Employees:** Nov. 12, 2018, 280

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**Consolidated Income Statement, Years Ended Dec. 31 (\$000):**

	2017	2016
Revenues, net	7,743	3,771
Less: cost of goods sold	(4,767)	(2,608)
Gross profit	2,976	1,163
General & administrative	(5,001)	(1,600)
Compensation expense	(4,790)	(1,313)
Marketing	(212)	(144)
Depreciation & amortization	(20)	(37)
Total operating expenses	(10,023)	(3,094)
Net operating income (loss)	(7,047)	(1,931)
Income (loss) from investments, net	2,313	(223)
Interest income	330	160
Interest expense	(1,465)	...
Income (loss) from investments, net	215	...
Other loss, net	(1,156)	(5)
Total other income (loss)	237	(68)
Net profit (loss) before income taxes	(6,810)	(1,999)
Income tax expense	(806)	(409)
Net profit (loss)	(7,616)	(2,408)
Less: net profit (loss) attributable to non-controlling interests	(613)	(462)
Net profit (loss) attributable to members of the parent	(7,003)	(1,946)
Year end shares outstanding	49,350	40,000
Total number of employees	280	...
Number of common stockholders	434	...

□ As is; □ As of November 12, 2018; □ Approximately; □ As of November 15, 2018

**Consolidated Balance Sheet, Years Ended Dec. 31 (\$000):**

	2017	2016
<b>Assets:</b>		
Cash	16,231	5,296
Restricted cash	269	...
Inventory	463	308
Other current assets	515	...
Total current assets	17,478	5,604
Investments	33,748	19,805
Promissory notes receivable	6,987	2,781
Capital assets, gross	11,096	679
Less: accumulated depreciation	(57)	(37)
Capital assets, net	11,039	642
Intangible asset	800	...
Goodwill	2,191	2,191
Other non-current assets	766	463
Total non-current assets	55,531	25,882
Total assets	73,009	31,486
<b>Liabilities:</b>		
Accounts payable & accrued liabilities	7,802	582
Taxes payable	1,114	409
Interest payable	143	...
Current portion of debt	20	19
Other current liabilities	917	880
Total current liabilities	9,996	1,890
Senior secured convertible notes	27,087	...
Loan payable	531	550
Total debt	27,618	550
Less current portion	(20)	(19)
Debt	27,598	531
Derivative liabilities	2,897	...
Other liabilities	1,975	124
Total non-current liabilities	32,470	655
Total liabilities	42,466	2,545
Members' equity	20,133	24,379
Non-controlling interests	10,410	4,562
Total members' equity	30,543	28,941
Total liabilities & members' equity	73,009	31,486

members' equity 73,009 31,486

**NOTE:** Above results are those of Acreage Holdings Inc. after the merger with Applied Inventions Management Corp., effective Nov. 14, 2018.

**NOTE:** Effective Nov. 14, 2018, Acreage Holdings Inc. merged with Applied Inventions Management Corp., with Applied Inventions Management Corp. being the surviving entity in the reverse acquisition.

**NOTE:** The results of Applied Inventions Management Corp. prior to its merger with Acreage Holdings Inc. follow the results of Acreage Holdings Inc.

**NOTE:** Pro forma results for Acreage Holdings Inc. prior to its merger with Applied Inventions Management Corp. follow the results of Applied Inventions Management Corp.

**Applied Inventions Management Corp. Consolidated Income Statement, years ended Aug. 31 (C\$):**

	2018	2017
<b>EXPENSES</b>		
Accretion expense	21,616	71,972
Bank charges	131	215
Interest on debentures & shareholder advances	48,801	63,639
Gain on extinguishment of subordinate voting debenture	(120,631)	...
Professional fees	106,963	51,554
Professional fees & expense recovery	(43,213)	...
Stock based compensation	3,017	...
Net loss & comprehensive loss for the year	16,684	187,380
Basic & diluted loss per common share	0.002	0.058
Basic & diluted weighted average number of common shares outstanding	8,228,034	3,216,607
Year end share outstanding	8,228,034	8,228,034

**Consolidated Balance Sheet, as of Aug. 31 (C\$):**

	2018	2017
<b>ASSETS</b>		
Current assets	799	599
Cash	28,243	29,042
Accounts receivable	29,042	599
Total current assets	29,042	599
<b>LIABILITIES</b>		
Current liabilities	106,142	94,693
Accounts payable & accrued liabilities	147,244	89,056
Shareholder advances	331,875	515,624
Subordinated voting debenture	253,386	515,624
Total current assets	304,348	515,624
Subordinated voting debenture	557,734	...
Total liabilities	2,520,946	2,520,9046
<b>SHAREHOLDERS' DEFICIENCY</b>		
Capital stock	806,381	749,685
Contributed surplus	46,323	46,323
Warrant capital	...	...
Equity component of convertible debentures	14,429	68,108
Deficit	(3,916,771)	(3,900,087)
Total shareholders deficiency	(528,692)	(515,025)

**Items not affecting cash**

Interest accrued on debentures & shareholder advances	48,801	63,639
Shareholder payment of professional fees	44,768	10,494
Accretion expense	21,616	71,972
Gain on extinguishment of debenture	(120,631)	...
Stock based compensation	3,017	...
Cash flows before changes in non-cash working capital	(19,113)	(41,275)
<b>Net changes in non-cash working capital</b>		
Accounts receivable	(28,243)	...
Accounts payable & accrued liabilities	46,356	37,048
Cash provided by (used) in operating activities	(1,000)	(4,227)
<b>FINANCING</b>		
Shareholder advances	1,200	4,100
Net change in cash	200	(127)
Cash, beginning of year	599	726
Cash, end of year	799	599

**Pro-Forma Consolidated Balance Sheet, as of June. 30 (US\$, 000):**

	2018
<b>ASSETS</b>	
Cash	385,466
Restricted cash	7,258
Inventory	1,743
Biological assets	1,027
Other current assets	366
Total current assets	395,860
Investments	26,580
Promissory notes receivable	14,682
Capital assets, net	15,678
Intangible assets, net	84,719
Goodwill	2,379
Deferred acquisition costs	9,021
Other non-current assets	396
Total non-current assets	153,455
<b>TOTAL ASSETS</b>	549,315
<b>LIABILITIES &amp; MEMBERS' EQUITY</b>	
Accounts payable & accrued liabilities	4,915
Taxes payable	1,530
Interest payable	232
Current portion of debt	123
Other current liabilities	935
Total current liabilities	7,735
Debt	745
Derivative liabilities	5,324
Deposits	7,163
Other liabilities	85
Total non-current liabilities	13,317
<b>TOTAL LIABILITIES</b>	21,052
Unit capital	518,447
Non-controlling interests	19,063
Accumulated deficit	(9,247)
<b>TOTAL MEMBERS' EQUITY</b>	528,263
<b>TOTAL LIABILITIES &amp; MEMBERS EQUITY</b>	549,315

**Pro-Forma Consolidated Income Statement, six months ended June. 30 (US\$, 000):**

	2018
Revenues, net	14,126
Less: cost of goods sold	(8,354)
Gross profit, excluding fair value items	5,772
Unrealized fair value gain on growth of biological assets	979
Gross profit	6,751

**Consolidated Cash Flows, years ended Aug. 31 (C\$):**

	2018	2017
<b>Cash provided by (used in) OPERATIONS</b>		
Net loss & comprehensive loss	(16,684)	(187,380)

<b>OPERATING EXPENSES</b>			
General & administrative .....	4,999	Net income (loss) before income taxes .....	(16,271)
Compensation expense .....	28,738	Income tax expense .....	(666)
Marketing .....	633	Net income (loss) .....	(16,937)
Depreciation & amortization ..	322	Less: net income attributable to non-controlling interests ...	200
Total operating expense .....	34,692	Net income (loss) attributable to members of the parent .....	(17,137)
Net operating income (loss) ..	(27,941)		
Income from investments, net ..	19,870		
Interest income .....	524		
Interest expense .....	(96)		
Change in fair market value of derivative liabilities .....	(5,976)	<b>Debt:</b> Dec. 31, 2017, US\$27,618,000 (including current portion of US\$20,000) comprised of:	(2) US\$531,000 3.7% loan payable.
Other loss, net .....	(2,265)	(1) US\$27,087,000 10% senior secured convertible notes, due Nov. 15, 2020.	<b>Capital Stock: 1. Acreage Holdings Inc multiple voting; no par.</b>
Total other income (loss) .....	11,670		<b>2. Acreage Holdings Inc proportionate voting; no par.</b>
			OUTSTANDING–Nov. 14, 2018, 168,000 shs; no par.
			<b>3. Acreage Holdings Inc subordinate voting; no par.</b>
			OUTSTANDING–Nov. 14, 2018, 21,443,042 shs; no par.
			WARRANTS–Warrants 5,575..
			WARRANTS–Warrants 1,877,607..
			PRIMARY EXCHANGE–Canadian Trading & Quotation System (CNQ): ACRG U.
			SECONDARY EXCHANGES–National Bulletin Board (NBB): ACRZ F.

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