

## FORM 51-102F3

### MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Acreage Holdings, Inc. (the “**Company**” or “**Acreage**”)  
366 Madison Avenue, 11th Floor  
New York, New York  
10017

2. **Date of Material Change**

February 7, 2020 and February 10, 2020

3. **News Release**

A news release was disseminated on each of February 7, 2020 and February 10, 2020, via GlobeNewswire.

4. **Summary of Material Change**

On February 7, 2020, Acreage announced:

- entry into an agreement (the “**Credit Agreement**”) through its subsidiary, HSCP CN Holdings ULC (the “**Borrower**”), among the Borrower, Acreage Finance Delaware, LLC (the “**Guarantor**”) an institutional lender (the “**Institutional Lender**”) party thereto and its administrative agent pursuant to which a US\$100,000,000 credit facility (the “**Credit Facility**”) was established with the Institutional Lender, with US\$49,000,000 to be available upon the First Close (as defined below);
- entry into non-binding letters of intent pursuant to which a subsidiary of Acreage is proposing to enter into a US\$50,000,000 private loan transaction (the “**Loan Transaction**”) to provide cash collateral as security for the Credit Facility; and
- a proposed private placement (the “**Private Placement**”) of 6,085,192 special warrants of the Company (the “**Special Warrants**”) at an issue price of US\$4.93 (the “**Issue Price**”) per Special Warrant for gross proceeds of US\$30,000,000 with a purchasers’ option (the “**Option**”) to increase the aggregate offering size by a further US\$20,000,000.

On February 10, 2020, Acreage announced the closing of the Private Placement and the granting of the Option.

5.1 **Full Description of Material Change**

The following full description of the material change section includes the disclosure required to be provided by Acreage pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) given that Mr. Kevin Murphy, Acreage’s Chief Executive Officer, entered into a letter of intent with Acreage pursuant to which Mr. Murphy agreed to indirectly fund US\$21,000,000 of the Borrowed Amount (as defined below). This constitutes a

“related party transaction” for purposes of MI 61-101.

### **Credit Facility**

The Borrower may draw down up to US\$100,000,000 from the Institutional Lender under the Credit Facility in three tranches, with the first advance, of US\$49,000,000, expected to be received in February, 2020, subject to satisfaction of the closing conditions, including completion of the Loan Transaction through which the IP Borrower (as defined below) will obtain US\$50,000,000 in cash (the “**Cash Collateral**”) over which the Institutional Lender will have a first priority lien securing the Borrower’s obligations under the Credit Facility (the “**First Closing**”).

Interest under the Credit Facility advances will be payable monthly as follows: 2.55% per annum on the first advance, 1.25% per annum on the second advance, and a rate to be negotiated for the third advance. The Borrower is also required to pay to the administrative agent under the Credit Facility set-up fees equal to 1.25% of the amount of the first advance, 0.5% of the second advance and such fee on the third advance as the Borrower and the administrative agent may agree.

Advances made pursuant to the Credit Facility will be secured by a guarantee from the Guarantor, and security over the Cash Collateral. The Borrower may draw down on the remaining US\$51,000,000 of the Credit Facility if such additional advances are secured by cash collateral equal to the additional amounts borrowed. The Institutional Lender will not have security over any of Acreage’s or its subsidiaries’ other property or assets. The Credit Facility has a two-year term and matures, subject to acceleration in certain limited instances, on the date that is two years from the First Closing. The Company will pay certain fees to an agent in connection with its arrangement of the Credit Facility.

### **Loan Transaction**

#### **(a) a description of the transaction and its material terms:**

In order to fund the Cash Collateral, an Acreage subsidiary (the “**IP Borrower**”) will borrow US\$50,000,000 in the aggregate (the “**Borrowed Amount**”) from IP Investment Company, LLC (the “**Lender**”).

Monthly interest under the Loan Transaction will be satisfied by the IP Borrower delivering to the Lender 83,333 Acreage Class A subordinate voting shares (“**Subordinate Voting Shares**”) per month, or 1,000,000 Subordinate Voting Shares in the aggregate (the “**Interest Shares**”). Acreage is required to use commercially reasonable efforts to ensure that the Interest Shares are not subject to resale restrictions.

The Lender will be granted a security interest in the non-U.S. intellectual property owned by Acreage and its subsidiaries (the “**IP Security**”). If the IP Borrower has not repaid the principal amount outstanding at maturity along with an additional repayment amount, being an aggregate of US\$55,000,000, the Lender shall have the right to enforce its IP Security and sell such collateral to a third party in satisfaction of the IP Borrower’s obligations to the Lender. In the event that the sale of the IP Security does not take place, the Lender may require Acreage to issue up to 20,000,000 Subordinate Voting Shares, with all net proceeds of the offering payable to the Lender in satisfaction of the repayment amount owing to it. If the Lender does not receive at least US\$55,000,000 from the net proceeds of such offering and Acreage does not make a cash payment in respect of any shortfall, certain subsidiaries of Acreage will be required to dispose of assets (“**Secured Assets**”) in transactions to make up the difference between US\$55,000,000 and the net

proceeds from such offering.

If, prior to the date that is four months from February 10, 2020, Acreage, or any of its affiliates has not (a) borrowed or otherwise raised debt or equity capital from any person of at least an additional US\$65,000,000, or (b) repaid US\$20,000,000 of the principal amount of the Borrowed Amount by paying US\$22,000,000 to the Lender and concurrently delivering to the Lender that number of Interest Shares equal to 48% of the Interest Shares that have yet to be delivered to the Lender, the Lender shall have the right to accelerate the maturity of US\$20,000,000 of the principal amount of the Borrowed Amount. If this acceleration occurs, (a) certain Secured Assets will be transferred to the Lender in satisfaction of the maturing amount, and (b) 320,000 Interest Shares that have yet to be delivered to the Lender shall be immediately delivered by the IP Borrower. If the Secured Assets cannot be transferred for regulatory reasons, Acreage and/or its applicable affiliates will make arrangements to provide the economic benefits thereof to the Lender.

The Lender shall have the right to put any Interest Shares that it still owns upon maturity of the Loan Transaction to the IP Borrower at a put price of US\$4.50 per Interest Share for a period of 10 business days following the Maturity Date.

Closing of the Loan Transaction is expected to occur in February, 2020 and is subject to execution of definitive transaction documents, required consent and approval, closing of the Private Placement, approval of the CSE and customary closing conditions.

Kevin Murphy, Acreage's Chief Executive Officer, is lending US\$21,000,000 of the Borrowed Amount to the Lender in connection with the Lender's loan to the IP Borrower. Acreage has been advised that Mr. Murphy will not be a member, an officer nor a director of the Lender and that Mr. Murphy will be entitled to receive, assuming full repayment of the Borrowed Amount at maturity, US\$23,100,000 along with up to 304,001 Interest Shares (as defined below). The maturity date for borrowings under the Loan Transaction, subject to acceleration in certain instances, will be 366 days from the closing date of the Loan Transaction (the "**Maturity Date**"). Mr. Murphy deposited US\$20,000,000 of the proposed Borrowed Amount, on behalf of the Lender, to the Borrower in early January of 2020. Mr. Murphy has agreed to subordinate his right to be repaid by the Lender to the interests of the other persons contributing funds to the Lender to facilitate its loan of the Borrowed Amount. Further, Mr. Murphy agreed to take approximately half of the shares that he otherwise would have been entitled to receive as Interest Shares (as defined below) should he have received the same terms as the other funders of the Lender, which has reduced the aggregate number of Interest Shares required to be delivered by the Borrower to the amounts set out below.

**(b) the purpose and business reasons for the transaction:**

Acreage expects to use the proceeds from the Loan Transaction, including the funds contributed to the Lender by Mr. Murphy, to fund a portion of the collateral required for drawing down on the Credit Facility and for working capital and general corporate purposes.

**(c) the anticipated effect of the transaction on the issuer's business and affairs:**

The Loan Transaction is designed to ultimately facilitate funding for Acreage's working capital and general corporate purposes.

**(d) a description of:**

**(i) the interest in the transaction of each interested party and of the related parties and associated entities of the interested parties:**

See (a) above.

**(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:**

See (a) above. There will not be a material change in the percentage ownership of Mr. Murphy as a result of the Loan Transaction.

**(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view of abstention by a director and any material disagreement between the board and the special committee:**

The board of directors of the Company (the “**Board**”) engaged in various formal and informal discussions regarding the terms of the Loan Transaction amongst themselves and with members of Acreage’s management team. Following advice of legal counsel, including input from counsel to members of the Board, the Board met on February 3, 2020 (without Mr. Murphy being present) to discuss the terms of the proposed Loan Transaction and Mr. Murphy’s interest therein. Following this meeting and further discussions and correspondence between the Board and members of Acreage management and outside legal counsel, on February 7, 2020 the Board approved the Loan Transaction. No director held a materially contrary view and no special committee was formed.

**(f) a summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:**

Not applicable. See Section (i) below.

**(g) disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction:**

**(i) that has been made in the 24 months before the date of the material change report:**

Not applicable.

**(ii) the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer:**

Not applicable.

**(h) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:**

See (a) above.

**(i) disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:**

The participation of Kevin Murphy in the Loan Transaction constitutes a “related party transaction” within the meaning of MI 61-101. The Company has relied on exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101 in respect of related party participation in the Loan Transaction as neither the fair market value (as determined under MI 61-101) of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involved the related parties (being Mr. Kevin Murphy), exceeded 25% of the Company’s market capitalization (as determined under MI 61-101).

### **Private Placement**

Acreege closed its previously announced Private Placement. The Special Warrants shall be automatically exercisable, without payment of any additional consideration, for one unit of the Company (each, a “Unit”) on that day (the “Qualification Date”) which is 3 business days following the earlier of: (i) (A) the Company filing an amendment to its shelf prospectus (the “Prospectus Supplement”) qualifying the distribution of the Units issued pursuant to the Private Placement and, if applicable, the Additional Units (as defined below), the Subordinate Voting Shares and Warrants (as defined below) comprising the Units, and the Warrant Shares (as defined below) issuable on the exercise of the Warrants (collectively the “Prospectus-Qualified Securities”) with the securities regulatory authorities in each Province of Canada other than Quebec, Prince Edward Island and Newfoundland and Labrador; and (B) the Company filing an amendment to its shelf registration statement on Form F-10 registering the issuance of the Prospectus-Qualified Securities (the “Qualification Registration Statement”) which is declared effective by the United States Securities and Exchange Commission; and (ii) June 11, 2020.

Each Unit will be comprised of one Subordinate Voting Share and one Subordinate Voting Share purchase warrant of the Company (a “Warrant”). Each Warrant will be exercisable to acquire one further Subordinate Voting Share (a “Warrant Share”) until February 10, 2025 at an exercise price of US\$5.80 per Warrant Share, subject to adjustment in certain events.

At the closing of the Private Placement, the lead subscriber was granted the Option to acquire up to US\$20,000,000 of additional Special Warrants at the Issue Price, or if the Prospectus Supplement has been filed prior to the time of exercise, additional Units (“Additional Units”) at the Issue Price, exercisable at the lead subscriber’s option on or before 8:00 a.m. (Eastern time) on March 16, 2020. The Prospectus Supplement will qualify the issuance of the Additional Units and Warrant Shares, and the Qualification Registration Statement will register the issuance of the Additional Units and the Warrant Shares.

The net proceeds from the Private Placement will be used for working capital and general corporate purposes. Canaccord Genuity Corp. acted as bookrunner and lead agent on a fully marketed, “best efforts” private placement basis. The Special Warrants were offered and sold by private placement to “accredited investors” within the meaning of National Instrument 45-106 - *Prospectus Exemptions* and other exempt purchasers only in those provinces of Canada in which a receipt (or deemed receipt) has been issued for the Company’s base shelf prospectus dated August 8, 2019 by the applicable securities regulatory authority. The Special Warrants, Units and the Warrants will not be listed on any stock exchange. The Subordinate Voting Shares and Warrant Shares are listed on the Canadian Securities Exchange (“CSE”). The Special Warrants issued pursuant to the Private Placement are subject to a statutory four month and one day hold period following the Closing Date subject to the earlier clearing of the Prospectus Supplement qualifying the distribution of the Units issuable upon exercise of the Special Warrants.

5.2 **Disclosure for Restructuring Transactions**

Not Applicable.

6. **Reliance on Section 7.1(2) of National Instrument 51-102**

Not Applicable.

7. **Omitted Information**

None

8. **Executive Officer**

The name of the executive officer of Acreage who is knowledgeable about the material change and this report is:

Glen Leibowitz, Chief Financial Officer  
Telephone: (347) 952-6840

9. **Date of Report**

February 18, 2020

**Forward-Looking Statements**

This material change report and each of the documents referred to herein contains “forward-looking information” within the meaning of applicable Canadian and United States securities legislation. All statements, other than statements of historical fact, included herein are forward-looking information, including, for greater certainty, statements regarding the financing transactions described herein meeting Acreage’s capital requirements, the closing of the Credit Facility and Loan Transaction and the use of proceeds thereof, the execution of definitive documentation in respect of the Loan Transaction, the filing of the Prospectus Supplement, future access to capital, and the proposed transaction with Canopy Growth Corporation (“**Canopy Growth**”), including the anticipated benefits and likelihood of completion thereof.

Generally, forward-looking information may be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “proposed”, “is expected”, “budgets”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. There can be no assurance that such forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information. This forward-looking information reflects Acreage’s current beliefs and is based on information currently available to Acreage and on assumptions Acreage believes are reasonable. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Acreage to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory approvals; the available funds of Acreage and the anticipated use of such funds; the availability of financing opportunities; the ability of Acreage and Canopy Growth to satisfy, in a timely manner, the conditions to the completion of the acquisition of all of the Subordinate Voting Shares of Acreage by Canopy Growth (the “**Acquisition**”); the likelihood of completion of the Acquisition; other expectations and assumptions concerning the transactions contemplated between Acreage and Canopy

Growth; legal and regulatory risks inherent in the cannabis industry; risks associated with economic conditions, dependence on management and currency risk; risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to contracts with third-party service providers; risks related to the enforceability of contracts; reliance on the expertise and judgment of senior management of Acreage; risks related to proprietary intellectual property and potential infringement by third parties; the concentrated voting control of Acreage's founder and the unpredictability caused by Acreage's capital structure; risks relating to the management of growth; increasing competition in the industry; risks inherent in an agricultural business; risks relating to energy costs; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risks related to the economy generally; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; and limited research and data relating to cannabis. A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in Acreage's disclosure documents, including the Circular and Acreage's Annual Information Form for the year ended December 31, 2018 filed on April 29, 2019, on the SEDAR website at [www.sedar.com](http://www.sedar.com). Although Acreage has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in this material change report is expressly qualified by this cautionary statement. The forward-looking information contained in this material change report represents the expectations of Acreage as of the date of this material change report and, accordingly, is subject to change after such date. However, Acreage expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.