As filed with the Securities and Exchange Commission on February 8, 2021 **Registration No**. 333-

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM S-1
**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

# ACREAGE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

| **British Columbia, Canada** | **5900** | **98-1463868** |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**450 Lexington Avenue, #3308**
**New York, New York 10163**
**United States**
**(646) 600-9181**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**James A. Doherty, Esq.**
**450 Lexington Avenue, #3308**
**New York, New York 10163**
**United States**
**(646) 600-9181**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

***Copies to:***

| James A. Doherty | Robert Fonn | Jessica S Lochmann |
|---|---|---|
| Acreage Holdings, Inc. | DLA Piper (Canada) LLP | Foley & Lardner LLP |
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| New York, New York 10163 | PO Box 367, 100 King St W | Milwaukee, WI 53202 |
| United States | Toronto, Ontario M5X 1E2 Canada | United States |
| (646) 600-9181 | (416) 369 5280 | (414) 297-5817 |

**From time to time after the effective date of this registration statement**
(Approximate date of commencement of proposed sale to public)

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☒ |
| | Emerging growth company ☒ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of Securities Act. ☐

**CALCULATION OF REGISTRATION FEE**

| **Title of each class of securities to be registered** | **Amount to be registered** | **Proposed Maximum Aggregate Offering Price per unit** | **Proposed Maximum Aggregate Offering Price** | **Amount of registration fee[3][4]** |
|---|---|---|---|---|
| Class E Subordinate Voting Shares Underlying Warrants (exercisable at $4.00) | 4,259,633 | | $ 27,730,211[1] | |
| Class D Subordinate Voting Shares Underlying Warrants (exercisable at $4.00) | 1,825,556 | | $ 6,663,280[2] | |
| Class E Subordinate Voting Shares | 16,799 | | $ 109,362[1] | |
| Class D Subordinate Voting Shares | 7,199 | | $ 26,277[2] | |
| Class E Subordinate Voting Shares Underlying Warrants (exercisable at $3.15) | 1,556,929 | | $ 10,135,608[1] | |
| Class D Subordinate Voting Shares Underlying Warrants (exercisable at $3.01) | 697,666 | | $ 2,546,481[2] | |
| **Total** | | | $ 47,211,219 | $ 5,151[5] |

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the United States Securities Act of 1933, as amended (the "**Securities Act**") based on the average of the high and low prices of our Class E subordinate voting shares reported on the OTCQX on February 2, 2021.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act based on the average of the high and low prices of our Class D subordinate voting shares reported on the OTCQX on February 2, 2021.

(3) Pursuant to Rule 457(o) under the Securities Act, the registration fee has been calculated on the basis of the maximum aggregate offering price and the number of securities being registered has been omitted.

(4) The registration fee has been calculated in accordance with Rule 457 under the Securities Act based on the current statutory fee of $109.10 per million.

Pursuant to Rule 457(p) under the Securities Act, a registration fee of $96,960 was paid with respect to securities available for issuance under a Registration Statement on Form F-10 (File No. 333-232313) filed on June 24, 2019, as amended on August 9, 2019, and declared effective on August 12, 2019 (the "**Prior F-10**"). In connection with a Registration Statement on Form S-3 (File No. 333-239332) filed on June 22, 2020, as amended on August 21, 2020, and declared effective on September 3, 2020 (the "**Prior S-3**"), and pursuant to Rule 457(p), $89,046 was available to offset the filing fees associated with the Prior S-3, which represented the registration fees associated with $734,705,886 of unsold securities under the Prior F-10. The $52,955 registration fee associated with the Prior S-3 was entirely offset against the prepaid registration fees made in connection with the securities available for issuance under the Prior F-10, with $36,091 remaining to be applied to future filings. Pursuant to Rule 415(a)(6), the offering of the unsold securities registered under the Prior F-10 was deemed terminated as of the date of effectiveness of the Prior S-3.

Pursuant to Rule 457(p), $88,737 is presently available for offset, which represents (i) the $36,091 prepaid registration fees remaining from the Prior F-10 after entirely offsetting the registration fees in connection with the Prior S-3 and (ii) the registration fees associated with $52,646 of unsold securities under the Prior S-3. Of this amount, $35,725 was used with respect to the filing of a Registration Statement on Form S-3 (File No. 333-249583) filed on October 20, 2020 but never declared effective (the "**Non-Effective S-3**"). The Non-Effective S-3 has been withdrawn by a filing of withdrawal request on January 26, 2021. Any fees associated with the Non-Effective S-3 now remain available for use. Accordingly, the $5,151 registration fee associated with this registration statement is hereby entirely offset against the prepaid registration fees made in connection with the securities available for issuance under the Prior F-10 and Prior S-3 with $83,586 remaining to be applied to future filings. Pursuant to Rule 415(a)(6), the offering of the unsold securities registered under the Prior S-3 will be deemed terminated as of the date of effectiveness of this registration statement.

(5) Previously paid.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

The information in this Prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion February 8, 2021

**PROSPECTUS**


# ACREAGE HOLDINGS, INC.

**4,259,633 Class E Subordinate Voting Shares Underlying Warrants (exercisable at $4.00) Previously Issued**
**1,825,556 Class D Subordinate Voting Shares Underlying Warrants (exercisable at $4.00) Previously Issued**
**16,799 Class E Subordinate Voting Shares**
**7,199 Class D Subordinate Voting Shares**
**1,556,929 Class E Subordinate Voting Shares Underlying Warrants (exercisable at $3.15) Previously Issued**
**697,666 Class D Subordinate Voting Shares Underlying Warrants (exercisable at $3.01) Previously Issued**

This Prospectus relates to the resale of Class E subordinate voting shares, no par value (the "**Fixed Shares**") and Class D subordinate voting shares, no par value (the "**Floating Shares**") as set out herein, including by the security holders named herein (the "**February Warrant Selling Security Holders**") of 4,259,633 Fixed Shares issuable upon the exercise of warrants previously issued by us in February 2020, with an exercise price of $4.00 per Fixed Share, subject to adjustment, and which expire five years after their issuance (the "**February Fixed Warrants**") and to 1,825,556 Class D Floating Shares, issuable upon the exercise of warrants previously issued by us in February 2020, with an exercise price of $4.00 per Floating Share, subject to adjustment, and which expire five years after their issuance (the "**February Floating Warrants**" and together with the February Fixed Warrants, the "**February Warrants**").

This Prospectus also relates to the resale by Pilgrim Foresight Fund, LLC ("**Pilgrim**" or the "**Commitment Shares Selling Security Holder**") of 16,799 Fixed Shares and 7,199 Floating Shares issued during two transactions completed in 2020 and further described below.

In addition, this Prospectus relates to the resale by the security holders named herein (the "**November Warrant Selling Security Holders**" and together with the February Warrant Selling Security Holders and the Commitment Shares Selling Security Holder, the **"Selling Security Holders"**) of 1,556,929 Fixed Shares, issuable upon the exercise of warrants previously issued by us in November 2020, with an exercise price of $3.15 per Fixed Share, subject to adjustment, and which expire four years after their issuance (the "**November Fixed Warrants**") and 697,666 Floating Shares, issuable upon the exercise of warrants previously issued by us in November 2020, with an exercise price of $3.01 per Floating Share, subject to adjustment, and which expire four years after their issuance (the "**November Floating Warrants**" and together with the November Fixed Warrants, the "**November Warrants**" and the November Warrants along with the February Warrants, the "**Warrants**").

The Fixed Shares are currently listed on the Canadian Securities Exchange (the "**CSE**") under the trading symbol "ACRG.A.U", quoted on the OTCQX® Best Market by OTC Markets Group ("**OTCQX**") under the trading symbol "ACRHF", and traded on the Frankfurt Stock Exchange ("**FRA**") under the trading symbol "0VZ1". The Floating Shares are currently listed on the CSE under the trading symbol "ACRG.B.U", quoted on the OTCQX under the trading symbol "ACRDF", and traded on the FRA under the trading symbol "0VZ2". On February 3, 2021, the last reported sale price of the Fixed Shares on the OTCQX was $7.00 per Fixed Share and on the CSE was $7.00 per Fixed Share. On February 3, 2021, the last reported sale price of the Floating Shares on the OTCQX was $4.01 per Floating Share and on the CSE was $4.04 per Floating Share.

**Investing in the Fixed Shares or Floating Shares involves risks. See "*Risk Factors*" on page 13.**

**These Fixed Shares and Floating Shares have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any state securities commission nor has the SEC or any state securities commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.**

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**THE DATE OF THIS PROSPECTUS IS , 2021.**

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## ABOUT THIS PROSPECTUS

This Prospectus relates to the resale by the February Warrant Selling Security Holders named herein of 4,259,633 Fixed Shares, issuable upon the exercise of the February Fixed Warrants and 1,825,556 Floating Shares, issuable upon the exercise of the February Floating Warrants.

This Prospectus also relates to the resale by the Commitment Shares Selling Security Holders named herein of 16,799 Fixed Shares and 7,199 Floating Shares issued during two transactions completed in 2020 and further described below.

In addition, this Prospectus relates to the resale by the November Warrant Selling Security Holders named herein of 1,556,929 Fixed Shares, issuable upon the exercise of the November Fixed Warrants and to 697,666 Floating Shares, issuable upon the exercise of the November Floating Warrants.

Under this Registration Statement on Form S-1, the Selling Security Holders may sell from time to time in one or more offerings the Fixed Shares or Floating Shares described in this Prospectus. Any statement contained in the prospectus concerning the provisions of any document filed as an exhibit to the registration statement or otherwise filed with the SEC is not necessarily complete, and in each instance, reference is made to the copy of the document filed. You should review the complete document to evaluate these statements.

You should carefully read this Prospectus and any free writing prospectus that we have authorized before making an investment decision. You should rely only on the information contained in this Prospectus any free writing prospectus that we have authorized. We have not authorized any other person to provide you with different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it.

This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this Prospectus is accurate as of any date other than the date on the front of each such document. Our business, financial condition, results of operations and prospects may have changed since those dates.

The information contained in this Prospectus, the documents and any free writing prospectus that we have authorized are accurate only as of their respective dates, regardless of the time of delivery of this Prospectus or of any sale of our Fixed Shares or Floating Shares. In this Prospectus, unless the context otherwise indicates, the terms “Acreage,” the “Company,” “Registrant,” “we,” “our” and “us” or similar terms refer to Acreage Holdings, Inc., including our subsidiaries. Any references in this Prospectus to our financial statements include, unless the context indicates otherwise, the related notes.

References in this Prospectus to “$” are to United States dollars. Canadian dollars are indicated by the symbol “C$”.

**Owning Fixed Shares or Floating Shares may subject you to tax consequences in Canada, the United States or in other applicable jurisdictions. You should read the tax discussion in this Prospectus with respect to the offering of Fixed Shares and Floating Shares and consult your own tax advisor with respect to your own particular circumstances.**

You should rely only on the information contained in this Prospectus. We have not authorized anyone to provide you with information different from that contained in this Prospectus. The distribution or possession of this Prospectus in or from certain jurisdictions may be restricted by law. This Prospectus is not an offer to sell these Fixed Shares or Floating Shares and is not soliciting an offer to buy these Fixed Shares or Floating Shares in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or of any sale of the Fixed Shares or Floating Shares. Our business, financial condition, results of operations and prospects may have changed since that date.

## IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

As a company with less than $1.07 billion in revenue during our most recently completed fiscal year, we qualify as an "emerging growth company" as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other exemptions from requirements that are otherwise applicable to public companies that are not emerging growth companies. These provisions include:

- Reduced disclosure about our executive compensation arrangements;
- Exemptions from non-binding shareholder advisory votes on executive compensation or golden parachute arrangements; and
- Exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions for up to five years, ending on December 31, 2024, or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.07 billion in annual revenues as of the end of a fiscal year, if we are deemed to be a large-accelerated filer under the rules of the SEC or if we issue more than $1.0 billion of non-convertible debt over a three-year period.

## SUMMARY

### The Company

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

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

Kevin Murphy, our Chairman, began investing in the cannabis space in 2011 with minority investments in dispensaries located in medical-use states on the east coast of the United States. High Street was founded by Mr. Murphy in April 2014 to invest in the burgeoning U.S. regulated cannabis market and, until April 2018, was an investment holding company and engaged in the business of investing in cannabis companies. As part of the formation of High Street in 2014, Mr. Murphy contributed his cannabis related investment portfolio valued at approximately $14.0 million to High Street in exchange for 20,000,000 Class B membership units of High Street.

We and High Street have invested in geographically diverse licensed entities that operate in both the adult-use and medical-use authorized U.S. states. The companies and other entities in which we and High Street have a direct or indirect ownership interest (collectively, the "**Subsidiaries**") focus on all aspects of the state regulated cannabis industry. As a result of its experience investing in the industry, and, in many cases, active involvement with the Subsidiaries, High Street's management gained significant experience in cultivation, processing and dispensing of cannabis and cannabis infused products.

From inception until April 2018, when High Street began the process of converting its minority investments in many of the Subsidiaries into controlling interests, the principal business activity of High Street was to provide debt and equity capital to existing cannabis license holders, cannabis license applicants and related management companies which are party to financing and consulting services agreements with High Street-owned entities in certain U.S. states where medical-use and/or adult-use of cannabis is legal. Such investments included straight debt securities (secured or unsecured), convertible debt instruments and/or common or preferred equity securities issued by the Subsidiaries. As an investor in these Subsidiaries, High Street was generally entitled to hold board seats and played an advisory role in the management and operations of such Subsidiaries, which afforded High Street the opportunity to build its institutional knowledge in the cannabis space. Additionally, being an investor in the Subsidiaries provided High Street with the ability to develop a vertically-integrated U.S. cannabis market participant with one of the largest footprints in the industry at the time.

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

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

*Amended Arrangement with Canopy Growth Corporation*

On June 24, 2020, we entered into a proposal agreement (the "**Proposal Agreement**") with Canopy Growth Corporation ("**Canopy Growth**") which set out, among other things, the terms and conditions upon which us and Canopy Growth were proposing to enter into an amending agreement (the "**Amending Agreement**") which, among other things, provided for certain amendments to the arrangement agreement entered into with Canopy Growth dated April 18, 2019, as amended on May 15, 2019 (the "**Original Arrangement Agreement**" and, as further amended on September 23, 2020, the "**Arrangement Agreement**") and the amendment and restatement of the plan of arrangement implemented by us on June 24, 2019 ((the "**Amended Plan of Arrangement**") to implement the arrangement contemplated in the Arrangement Agreement (the "**Amended Arrangement**") pursuant to the *Business Corporations Act* (British Columbia) ("**BCBCA**"). The effectiveness of the Amending Agreement and the implementation of the Amended Plan of Arrangement was subject to the conditions set out in the Proposal Agreement, which included, among others, approval by: (i) the Supreme Court of British Columbia (the "**Court**") at a hearing upon the procedural and substantive fairness of the terms and conditions of the Amended Arrangement; and (ii) our shareholders, as required by applicable corporate and securities laws.

The Amended Arrangement was approved by our shareholders at our special meeting held on September 16, 2020 and a final order approving the Amended Arrangement was obtained from the Court on September 18, 2020.

Following the satisfaction of various conditions set forth in the Proposal Agreement, on September 23, 2020, we entered into the Arrangement Agreement with Canopy Growth and implemented the Amended Plan of Arrangement effective at 12:01 a.m. (Vancouver time) (the "**Amendment Time**") on September 23, 2020 (the "**Amendment Date**").

Pursuant to the Amended Plan of Arrangement, among other things, Canopy Growth made a cash payment of $37,500,024 (the "**Aggregate Amendment Option Payment**"), which was delivered to our shareholders and certain holders of securities convertible or exchangeable into our shares. Holders of our then outstanding Class A subordinate voting shares (the "**SVS**"), Class B proportionate voting shares (the "**PVS**"), Class C multiple voting shares (the "**MVS**"), and certain other parties, received approximately $0.30 per SVS, being their pro rata portion (on an as-converted to SVS basis) of the Aggregate Amendment Option Payment, based on the number of our outstanding shares and certain holders of securities convertible or exchangeable into our shares, as of the close of business on September 22, 2020, the record date for payment of the Aggregate Amendment Option Payment. The Aggregate Amendment Option Payment was distributed to such holders of record on or about September 25, 2020.

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

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

As a condition to implementation of the Amended Arrangement, an affiliate of Canopy Growth advanced the first tranche of $50,000,000 of a loan of up to $100,000,000 (the "**Hempco Loan**") to Universal Hemp, LLC, an affiliate of the Company that operates solely in the hemp industry in full compliance with all applicable laws ("**Universal Hemp**") pursuant to a secured debenture (the "**Debenture**") bearing interest at a rate of 6.1% per annum and maturing 10 years from the date thereof. All interest payments made pursuant to the Debenture are payable in cash by Universal Hemp. The Debenture is not convertible and is not guaranteed by Acreage.. A further $50,000,000 advance will be made available upon satisfaction of specified conditions precedent. In accordance with the terms of the Debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States.

Pursuant to the Amended Plan of Arrangement, upon the occurrence, or waiver (at the discretion of Canopy Growth), of a change in federal laws in the United States to permit the general cultivation, distribution and possession of marijuana (as defined in the relevant legislation) or to remove the regulation of such activities from the federal laws of the United States (the "**Triggering Event**" and the date on which the Triggering Event occurs, the "**Triggering Event Date**"), 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) on the basis of 0.3048 (the "**Fixed Exchange Ratio**") of a common share of Canopy Growth (each, a "**Canopy Growth Share**") for each Fixed Share held at the time of the acquisition of the Fixed Shares (the "**Acquisition Time**"), subject to adjustment in accordance with the terms of the Amended Plan of Arrangement (the "**Canopy Call Option**"); and (ii) have the right (but not the obligation) (the "**Floating Call Option**"), exercisable for a period of 30 days following the Triggering Event Date to acquire all of the issued and outstanding Floating Shares. Upon exercise of the Floating Call Option, Canopy Growth may acquire the Floating Shares for cash or for Canopy Shares or a combination thereof, in Canopy Growth's sole discretion. If paid in cash, the price per Floating Share shall be equal to the volume-weighted average trading price of the Floating Shares on the CSE (or other recognized stock exchange on which the Floating Shares are primarily traded as determined by volume) for the 30 trading day period prior to the exercise (or deemed exercise) of the Canopy Call Option, subject to a minimum amount of $6.41 (the "**Floating Cash Consideration**"). If paid in Canopy Shares, each Floating Share will be exchanged for a number of Canopy Growth Shares equal to (i) the volume-weighted average trading price of the Floating Shares on the CSE (or other recognized stock exchange on which the Floating Shares are primarily traded as determined by volume) for the 30 trading day period prior to the exercise (or deemed exercise) of the Canopy Call Option, subject to a minimum amount of $6.41, divided by (ii) the volume-weighted average trading price (expressed in US$) of the Canopy Growth Shares on the New York Stock Exchange (the "**NYSE**") (or such other recognized stock exchange on which the Canopy Growth Shares are primarily traded if not then traded on the NYSE) for the 30 trading day period immediately prior to the exercise (or deemed exercise) of the Canopy Call Option (the "**Floating Ratio**"). The Floating Ratio is subject to adjustment in accordance with the Amended Plan of Arrangement if Acreage issues greater than the permitted number of Floating Shares prior to the Acquisition Date. No fractional Canopy Shares will be issued pursuant to the Amended Plan of Arrangement. The Floating Call Option cannot be exercised unless the Canopy Call Option is exercised (or deemed to be exercised). The closing of the acquisition of the Floating Shares pursuant to the Floating Call Option, if exercised, will take place concurrently with the closing of the acquisition of the Fixed Shares (the "**Acquisition**") pursuant to the Canopy Call Option, if exercised. The Canopy Call Option and the Floating 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 option, restricted stock unit, compensation option or warrant, as applicable, to acquire from Canopy Growth such number of Canopy Growth Shares as is equal to: (i) the number of Fixed Shares that were issuable upon exercise of such Fixed Share Replacement Security immediately prior to the Acquisition Time, multiplied by (ii) the Fixed Exchange Ratio in effect immediately prior to the Acquisition Time (provided that if the foregoing would result in the issuance of a fraction of a Canopy Growth Share, then the number of Canopy Growth Shares to be issued will be rounded down to the nearest whole number).

In the event that the Floating Call Option is exercised and Canopy Growth acquires the Floating Shares at the Acquisition Time, on the terms and subject to the conditions of the Amended Plan of Arrangement, each Floating Share Replacement Security will be exchanged for a replacement option, restricted stock unit, compensation option or warrant, as applicable, to acquire from Canopy Growth such number of Canopy Shares as is equal to: (i) the number of Floating Shares that were issuable upon exercise of such Floating Share Replacement Security immediately prior to the Acquisition Time, multiplied by (ii) the Floating Ratio (provided that if the foregoing would result in the issuance of a fraction of a Canopy Growth Share, then the number of Canopy Growth Shares to be issued will be rounded down to the nearest whole number).

In the event that Floating Call Option is exercised, and Canopy Growth acquires the Floating Shares at the Acquisition Time, we will be a wholly-owned subsidiary of Canopy Growth. If Canopy Growth completes the Acquisition of the Fixed Shares but does not acquire the Floating Shares, the Floating Call Option will terminate, and the Floating Shares shall remain outstanding. In such event, the Amending Agreement provides for, among other things: (i) various Canopy Growth rights that extend beyond the Acquisition Date and continue until Canopy Growth the date (the "**End Date**") Canopy Growth ceases to hold at least 35% of the issued and outstanding Acreage shares. These include, among other things, rights to nominate a majority of Acreage's Board of Directors (the "**Board**") following the Acquisition Time, and restrictions on Acreage's ability to incur certain indebtedness without Canopy Growth's consent

The Amending Agreement also provides that Acreage may issue a maximum of 32,700 shares (or convertible securities in proportion to the foregoing), which will include (i) 3,700 Floating Shares which are to be issued solely in connection with the exercise of stock options granted to Acreage management (the "**Option Shares**"); (ii) 8,700 Floating Shares other than the Option Shares; and (iii) 20,300 Fixed Shares, without a revision to the Fixed Exchange Ratio. Notwithstanding the foregoing, the Amending Agreement provides that Acreage may not issue any equity securities, without Canopy Growth's prior consent, other than: (i) upon the exercise or conversion of convertible securities outstanding as of the Amendment Date; (ii) contractual commitments existing as of the Amendment Date; (iii) the Option Shares; (iv) the issuance of up to $3,000,000 worth of Fixed Shares pursuant to an at-the-market offering to be completed no more than four times during any one-year period; (v) the issuance of up to 500 Fixed Shares in connection with debt financing transactions that are otherwise in compliance with the terms of the Arrangement Agreement, as amended by the Amending Agreement; or (vi) pursuant to one private placement or public offering of securities during any one-year period for aggregate gross proceeds of up to $20,000, subject to specific limitations as set out in the Amending Agreement.

For more information, please refer to the Amending Agreement included as an exhibit to this Registration Statement.

Pursuant to the Amending Agreement, Acreage agreed to submit an Approved Business Plan to Canopy Growth on a quarterly basis that complies with certain specified criteria, including a business plan for the fiscal years ending December 31, 2020 through December 31, 2029 attached as a Schedule to the Proposal Agreement (the "**Initial Business Plan**"). The Initial Business Plan contains annual revenue and earnings targets for each of Acreage's fiscal years ending on December 31, 2020 to December 31, 2029, as outlined below:

| Fiscal Year Ending | Pro-Forma Net Revenue Target (in US$000's) | Consolidated Adj. EBITDA Target (in US$000's) |
|---|---|---|
| 2020 | 166,174 | (22,499) |
| 2021 | 253,296 | 36,720 |
| 2022 | 289,528 | 53,222 |
| 2023 | 375,274 | 102,799 |
| 2024 | 558,599 | 166,744 |
| 2025 | 641,047 | 190,385 |
| 2026 | 740,194 | 218,108 |
| 2027 | 848,498 | 244,402 |
| 2028 | 973,402 | 273,434 |
| 2029 | 1,120,177 | 305,840 |

A number of factors may cause Acreage to fail to meet the Pro-Forma Net Revenue Targets or the Consolidated Adj. EBITDA Targets set forth in the Initial Business Plan and outlined above. See "*Risk Factors*".

In the event that Acreage has not satisfied: (i) 90% of the Pro-Forma Net Revenue Target or the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan, measured on a quarterly basis, an Interim Failure to Perform will occur and the Austerity Measures shall become applicable. The Austerity Measures include, among other things:

(a) restrictions on Acreage's ability to issue shares (or securities convertible into shares) other than:

  (i) upon the exercise or conversion of convertible securities outstanding as such date; and

  (ii) contractual commitments existing as of the;

(b) prohibitions on entering into any contract in respect of Company Debt, other than in respect of trade payables or similar obligations incurred in the ordinary course;

(c) granting any options to acquire Fixed Shares or Floating Shares;

(d) making payments of fees owed to the Board;

(e) making short-term incentive or bonus payments to any Acreage employee;

(f) entering into any contract with respect to the disposition of any assets other than inventory in the ordinary course;

(g) entering into any contract with respect to any business combination, merger or acquisition of assets, other than assets acquired in the ordinary course;

(h) making any new capital investments or incurring any new capital expenditures; and

(i) increasing the number of Acreage employees that have a base salary of $150,000 or more or more than five full time employees that would be included in corporate overhead expenditures.

The Austerity Measures provide significant restrictions on Acreage's ability to take certain actions otherwise permitted by the Amended Arrangement Agreement; (ii) 80% of the Pro-Forma Net Revenue Target or the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan, as determined on an annual basis (commencing in respect of the fiscal year ending December 31, 2021), a Material Failure to Perform will occur and (a) certain restrictive covenants applicable to Canopy Growth under the Amended Arrangement Agreement will cease to apply in order to permit Canopy Growth to acquire, or conditionally acquire, a competitor of the Company in the United States should it wish to do so, and (b) an event of default under the Debenture will likely occur resulting in the Hempco Loan becoming immediately due and payable; and (iii) 60% of the Pro-Forma Net Revenue Target or the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan for the trailing 12 month period ending on the date that is 30 days prior to the proposed Acquisition Time, a Failure to Perform shall occur and a material adverse impact will be deemed to have occurred for purposes of Section 6.2(2)(h) of the Arrangement Agreement and Canopy Growth will not be required to complete the Acquisition of the Fixed Shares pursuant to the Canopy Call Option.

**Recent Developments**

*Secured bridge loan*

On June 16, 2020, we, though a subsidiary, entered into a short-term definitive funding agreement with an institutional investor for a total of $15.0 million in gross proceeds (the "**Bridge Loan**"). The short-term definitive funding agreement had a maturity date of four months and bore interest at a per annum rate of 60%. It was secured by, among other items, our cannabis operations in Illinois, New Jersey and Florida, as well as our U.S. intellectual property.

On October 16, 2020, we retired our subsidiary's borrowing under the Bridge Loan. Our subsidiary paid in aggregate $18.0 million to retire the full principal amount and all accrued interest owing on the Bridge Loan.

*Promissory note payable*

In October 2020, Foros Securities LLC extended a promissory note of $2.0 million to us bearing interest at a rate of 10% per annum. The promissory note matures on the earlier of July 5, 2021 or the date the principal is repaid in full.

*Senior secured term loan facility*

On October 30, 2020, High Street and a syndicate of lenders (the "**Term Loan Lenders**") entered into a loan agreement (the "**Term Loan Agreement**") in respect of a secured term loan facility for up to an aggregate of $70.0 million (the "**Facility**"). The Facility is guaranteed by us and certain of our subsidiaries (collectively, the "**Guarantors**") and is secured by all existing personal and real property of High Street and the Guarantors, and the equity interests of our subsidiaries. The sole placement agent for the Facility is Seaport Global Securities LLC.

The Facility matures in four years and bears an annual interest rate of 15%. In the event that High Street prepays all or any portion of the amount outstanding under the Facility prior to the second anniversary of the Term Loan Agreement, High Street will be obligated to pay a prepayment premium equal to 7.5%. In the event that High Street prepays all or any portion of the amount outstanding under the Facility after the second anniversary but prior to the third anniversary of the Term Loan Agreement (but prior to maturity), High Street will be obligated to pay a prepayment premium equal to 3.5%. After the third anniversary of the Term Loan Agreement, High Street may prepay all or any portion of the amount outstanding under the Facility together with all interest accrued thereon, without any premium, bonus, penalty or other charge.

On November 2, 2020, the Term Loan Lenders made a first advance to High Street under the Facility of $28.0 million. In connection with the advance, the Company issued the Term Loan Lenders an aggregate of 1,556,929 November Fixed Warrants and 697,666 November Floating Warrants, as further described below under the section entitled "*The Securities Offered under this Prospectus*".

*GreenAcreage Exchange*

On November 17, 2020, we completed the exchange and redemption as contemplated by that certain Exchange and Redemption Agreement between High Street, GreenAcreage Real Estate Corp. ("**GreenAcreage**") and its affiliates (the "**Exchange and Redemption Agreement**"). Pursuant to the Exchange and Redemption Agreement, the Company, by way of High Street, exchanged all of its equity interests in an affiliate of GreenAcreage for the fee interest in the Sanderson, Florida property previously sold to GreenAcreage in the 2019 sale-leaseback transaction described in Note 14 of our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019.

*Construction-Financing Loan*

On November 25, 2020, we entered into a loan agreement with a cannabis-focused real estate investment trust for a construction financing loan in the amount of $13.3 million. The loan agreement provides for an annual interest rate of 16% and a term of 18 months. The loan will be used to complete the expansion of our existing cultivation and processing facility in Illinois (the "**Illinois Property**"). The loan is secured by the Illinois Property.

*Standby Equity Distribution Agreement and Commitment Shares*

On May 29, 2020, we entered into a standby equity distribution agreement (the "**Standby Equity Distribution Agreement**" or "**SEDA**") with SAFMB Concord LP (the "**Institutional Investor**"), pursuant to which we may, in our discretion, periodically sell to the Institutional Investor, and pursuant to which the Institutional Investor may, at its discretion, require us to sell to it, up to $35.0 million Fixed Shares and up to $15.0 million Floating Shares. For each Fixed Share or Floating Share purchased under the SEDA, the Institutional Investor will pay us the greater of (i) 95% of the lowest daily volume weighted average price of the Fixed Shares or Floating Shares on the CSE or other principal market on which the Fixed Shares or Floating Shares are traded (the "**Principal Market**") for the five consecutive trading days immediately following the date we or the Institutional Investor delivers notice requiring the Institutional Investor to purchase or us to sell the Fixed Shares or Floating Shares under the SEDA; or (ii) the lowest price allowable under the rules of the Principal Market.

As of the date of this Prospectus, we have not drawn down against the SEDA. It is a condition of the Institutional Investor's obligation to purchase our shares under the SEDA that we borrow an amount equal to the amount of the purchase price for the shares requested to be sold under a credit agreement with the Institutional Investor, and all conditions precedent to such borrowing under such credit agreement are satisfied prior to completion of the sale of any such shares under the SEDA.

The Institutional Investor obligation to purchase, and our obligation to sell, Fixed Shares and Floating Shares under the SEDA is subject to certain conditions, including obtaining requisite relief from applicable Canadian securities regulators in respect of transactions of this nature, us filing and maintaining the effectiveness of a registration statement, and a supplement to our Canadian shelf prospectus, qualifying the issue of the commitment shares described below and up to an aggregate of $35.0 million of Fixed Shares and $15.0 million of Floating Shares sold under the SEDA, and is limited to $500,000 per advance.

On January 25, 2021, we entered into a letter agreement with the Institutional Investor extending the termination deadline of the SEDA to the earliest of June 30, 2021 and the date that we have obtained both a receipt from the Ontario Securities Commission for a short-form final base shelf prospectus and a declaration from the United States Securities and Exchange Commission that its registration statement is effective, in each case qualifying an At-The-Market equity offering program.

*Appointment of New Chief Executive Officer*

On December 18, 2020, we announced that Filippo (Peter) Caldini was appointed as the Company's Chief Executive Officer, effective upon his first day of employment with the Company on December 21, 2020.

*Appointment of New Director*

On January 11, 2021, we announced that Katie Bayne was appointed to our Board of Directors and Audit Committee.

**The Securities Offered under this Prospectus**

***A. Warrants Issued in February 2020***

On February 10, 2020, we closed an offering made pursuant to an agency agreement dated February 10, 2020 between us and Canaccord Genuity Corp. (the "**February 2020 Offering**"). The February 2020 Offering consisted of (i) 6,085,192 special warrants (the "**Special Warrants**") and (ii) up to 4,056,795 units issuable upon the exercise of an option granted to the lead purchaser ("**Additional Units**"). The Special Warrants were automatically converted into units ("**Initial Units**") each comprised of one SVS and one SVS purchase warrant (each, an "**Initial Warrant**"). Each Additional Unit is comprised of one SVS and one SVS purchase warrant.

In connection with the Amended Arrangement, we and the Warrant Agent entered into the Supplemental Indenture to amend the Warrant Indenture. In accordance with the Supplemental Indenture, each outstanding Warrant at the Amendment Time, of which there were 6,085,192, was exchanged for: (i) 0.7 of a Fixed Warrant; and (ii) 0.3 of a Floating Warrant. Upon completion of the Amended Arrangement, there were 4,259,633 Fixed Warrants and 1,825,556 Floating Warrants outstanding, each having an exercise price of $4.00.

This Prospectus registers the resale the Fixed Shares and Floating Shares now underlying the February Warrants offered as part of the February 2020 Offering.

***B. Loan Transaction***

On February 7, 2020, we entered into a credit agreement (the "**February Credit Agreement**") through our subsidiary, HSCP CN Holdings ULC (the "**Borrower**"), by and among the Borrower, Acreage Finance Delaware, LLC (the "**Guarantor**"), and the institutional lender party thereto and its administrative agent.

The February Credit Agreement provides for a secured credit facility in the amount of up to $100.0 million, which may be drawn down on by the Borrower in three tranches, maturing on the date that is two years from the date the first tranche is drawn down on. The obligations under the February Credit Agreement are guaranteed by the Guarantor, and secured by a first priority lien (the "**Security Interest**") over $50.0 million in cash deposited in a bank account by us (the "**Restricted Account**").

In order to fund the Restricted Account, on March 6, 2020, our subsidiary, the IP Borrower entered into the Original Credit Agreement, which provided for a credit facility in the amount of up to $50.0 million ("**Credit Facility**") to be available in two advances. The maturity date for the first advance of borrowings under the March Credit Agreement, subject to acceleration in certain instances, is 366 days from the closing date of the Credit Facility. All funds drawn under the Credit Facility are required to be deposited into the Restricted Account as security for repayment of funds borrowed and amounts owing pursuant to the February Credit Agreement.

On March 11, 2020, IP Borrower drew the first advance of $22.0 million (the "**Borrowed Amount**") under the Original Credit Agreement and deposited the funds into the Restricted Account (the "**Loan Transaction**"). Kevin Murphy, our Chair and former Chief Executive Officer, loaned $21.0 million of the Borrowed Amount to the IP Lender in connection with the Loan Transaction (the "**Murphy Amount**").

Interest on the principal amount borrowed under the Credit Facility was to be satisfied by the IP Borrower delivering to the IP Lender 83,333 SVS per month (or 58,333 Fixed Shares and 24,999 Floating Shares), or 1,000,000 SVS (or 700,000 Fixed Shares and 300,000 Floating Shares) in the aggregate (the "**Interest Shares**"). We were advised that Mr. Murphy was not a member, an officer nor a director of IP Lender and that Mr. Murphy was entitled to receive, assuming full repayment of the Borrowed Amount at maturity, $23.1 million along with up to 304,001 SVS, forming part of the Interest Shares, which entitlement to Interest Shares he forfeited in accordance with the Amended Arrangement.

In connection with, and as a condition to the implementation of, the Amended Arrangement, the Original Credit Agreement was amended in accordance with the Credit Agreement Amendment. The Credit Agreement Amendment provides that: (i) with respect to the Murphy Amount, effective as of the Amendment Time, the Original Credit Agreement was amended to (a) remove any entitlement to "Interest Shares" (as defined in the Original Credit Agreement) in respect of this amount, (b) provide for an interest rate of 12% per annum payable in cash, (c) amend Section 9.3 of the Original Credit Agreement to amend the obligation of IP Borrower to cause us to sell up to 8,800,000 SVS to repay the amount outstanding such that the obligation was reduced to cause the issuance of up to 2,000,000 Fixed Shares, and (ii) with respect to $1.0 million of the principal amount advanced pursuant to the Original Credit Agreement, the lender is entitled to (a) 16,799 Fixed Shares and 7,199 Floating Shares, (b) upon maturity of the Original Credit Agreement, a return of $1.1 million and (c) otherwise be treated in accordance with the current terms of the Original Credit Agreement.

IP Lender was entitled to 23,999 SVS under the Original Credit Agreement, of which 12,000 SVS were issued to IP Lender prior to the Capital Reorganization. The 12,000 SVS issued to IP Lender prior to the Capital Reorganization were subsequently transferred to Pilgrim Foresight Fund, LLC ("**Pilgrim**"), an affiliate of IP Lender, pursuant to applicable securities laws. Subsequent to the Capital Reorganization, the SVS originally issued to IP Lender and currently held by Pilgrim were exchanged for 8,400 Fixed Shares and 3,600 Floating Shares. In accordance with the Credit Agreement Amendment, IP Lender is entitled to receive an additional 8,399 Fixed Shares and 3,599 Floating Shares, with such shares replacing the 11,999 SVS IP Lender was entitled to pursuant to the Original Credit Agreement; IP Lender will receive 1,527 Fixed Shares and 654 Floating Shares each month (the "**Unissued Interest Shares**"), with any remaining balance to be issued and delivered upon maturity of the Loan Transaction. We understand that IP Lender intends to transfer the Unissued Interest Shares to Pilgrim, pursuant to applicable securities laws, once such shares are received.

This Prospectus registers the resale of the 16,799 Fixed Shares and 7,199 Floating Shares by Pilgrim in connection with the Loan Transaction (the "**Loan Shares**"). We will not receive any cash proceeds from the sale of the Loan Shares.

C. ***Warrants Issued in November 2020***

On November 3, 2020, we announced that we had received initial commitments and funding from the Term Loan Lenders for a first advance of $28.0 million under the Facility at an annual interest rate of 15% with a maturity of 48 months from closing.

In connection with the advance, we issued the lenders an aggregate of 1,556,929 November Fixed Warrants with each November Fixed Warrant exercisable for one Fixed Share and 697,666 November Floating Warrants with each November Floating Warrant exercisable for one Floating Share. The exercise price of each November Fixed Share Warrant is $3.15 and the exercise price of each November Floating Share Warrant is $3.01. The November Warrants are exercisable for a period of four years.

***Fixed Shares***

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

**Any Fixed Shares resold pursuant to this Prospectus will be subject in all respects to the Canopy Call Option to acquire such Fixed Shares.**

Our Fixed Shares are described in greater detail in this Prospectus under "*Description of Fixed Shares*."

***Floating Shares***

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

**Any Floating Shares resold pursuant to this Prospectus will be subject in all respects to the Floating Call Option to acquire such Floating Shares.**

Our Floating Shares are described in greater detail in this Prospectus under "*Description of Floating Shares*."

**Risk Factors**

See "*Risk Factors,"* as well as other information included in this Prospectus, for a discussion of factors you should read and consider carefully before investing in our securities.

**Corporate Information**

Our principal executive offices are located at 450 Lexington Avenue, #3308 New York, New York 10163 and our telephone number is (646) 600-9181.

**THE OFFERING**

| | |
|---|---|
| Fixed Shares Offered by Selling Security Holders | 4,259,633 Fixed Shares issuable upon exercise of the February Fixed Warrants. Each February Fixed Warrant has an exercise price of $4.00 per share, has been exercisable since issuance and will expire five years from the issuance date.<br><br>16,799 Fixed Shares comprised in the Commitment Shares<br><br>1,556,929 Fixed Shares issuable upon exercise of the November Fixed Warrants. Each November Fixed Warrant has an exercise price of $3.15 per share, has been exercisable since issuance and will expire four years from the issuance date. |
| Floating Shares Offered by Selling Security Holders | 1,825,556 Floating Shares issuable upon exercise of the February Floating Warrants. Each February Floating Warrant has an exercise price of $4.00 per share, has been exercisable since issuance and will expire five years from the issuance date.<br><br>7,199 Floating Shares comprised in the Commitment Shares.<br><br>697,666 Floating Shares issuable upon exercise of the November Floating Warrants. Each November Floating Warrant has an exercise price of $3.01 per share, has been exercisable since issuance and will expire four years from the issuance date. |
| Fixed Shares To Be Outstanding After This Offering If All Fixed Warrants Are Exercised | 77,163,002 Fixed Shares. |
| Floating Shares To Be Outstanding After This Offering If All Floating Warrants Are Exercised | 33,151,460 Floating Shares. |
| Use Of Proceeds | All proceeds from the sale of Fixed Shares and Floating Shares offered hereby will be for the account of the Selling Security Holders. We will not receive any proceeds from the sale of Fixed Share or Floating Shares offered pursuant to this Prospectus. Assuming the exercise of all of the previously issued Warrants, we will receive gross proceeds of $31,345,056. We do not expect to pay any expenses in connection with the exercise of any the Warrants.<br><br>The net proceeds from the exercise of the Warrants will be used to fund our working capital and for general corporate purposes.<br><br>See “Use of Proceeds” on page 39. |
| Risk Factors | This investment involves a high degree of risk. You should read the “Risk Factors” section of this Prospectus and of any free writing prospectus we authorize for use in connection with this offering for a discussion of factors to consider before deciding to purchase Fixed Shares or Floating Shares. |
| Trading Symbol | The Fixed Shares are currently listed on the CSE under the trading symbol “ACRG.A.U”, quoted on the OTCQX under the trading symbol “ACRHF”, and traded on the FRA under the trading symbol “0VZ1”. The Floating Shares are currently listed on the CSE under the trading symbol “ACRG.B.U”, quoted on the OTCQX under the trading symbol “ACRDF”, and traded on the FRA under the trading symbol “0VZ2”. |

The number of Fixed Shares shown above to be outstanding after this offering is based on 71,346,440 Fixed Shares outstanding (including 589,165 Fixed Shares held by Acreage Holdings America, Inc. (the “**Acreage Subsidiary**”)) as of December 31, 2020, and excludes 1,555,423 Fixed Shares issuable upon exercise of outstanding options.

The number of Floating Shares shown above to be outstanding after this offering is based on 30,628,238 Floating Shares outstanding (including 252,499 Floating Shares held by the Acreage Subsidiary) as of December 31, 2020, and excludes 1,817,010 Floating Shares issuable upon exercise of outstanding options.

Under our equity compensation plan, we are entitled to issue up to 15% of the aggregate fixed and floating shares outstanding from time to time. As of December 31, 2020, there were approximately 7.0 million shares available for issuance under our equity compensation plan.

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our selected consolidated financial data for the periods, and as of the dates, indicated. The (i) consolidated statements of operations data for the nine months ended September 30, 2020 and the years ended December 31, 2019, 2018 and 2017 and (ii) consolidated balance sheet data as of September 30, 2020 and December 31, 2019 and 2018 have been derived from the unaudited interim condensed consolidated and the audited consolidated financial statements of Acreage Holdings, Inc. and its subsidiaries, which are included elsewhere in this prospectus. The information set forth below for the nine months ended September 30, 2020 and the years ended December 31, 2019, 2018 and 2017 is not necessarily indicative of results of future operations, and should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included in Part II, Item 8 of this prospectus to fully understand factors that may affect the comparability of the information presented below.

**Selected Financial Data**

| | Nine Months Ended September 30 | | Year Ended December 31, | | |
|---|---|---|---|---|---|
| (in thousands, except per share amounts) | 2020 | 2019 | 2019 | 2018 | 2017 |
| | (unaudited) | | | | |
| Revenues, net | $ 83,039 | $ 53,044 | $ 74,109 | $ 21,124 | $ 7,743 |
| Net operating loss | (329,197) | (124,264) | (191,444) | (41,133) | (7,047) |
| Net loss | (314,635) | (129,571) | (195,162) | (32,261) | (9,536) |
| Net loss attributable to Acreage | (249,694) | (99,634) | (150,268) | (27,483) | (8,543) |
| Net loss per share attributable to Acreage, basic and diluted | (2.54) | (1.17) | (1.74) | (0.41) | (0.19) |
| Weighted average shares outstanding, basic and diluted | 98,304 | 84,817 | 86,185 | 66,699 | 45,076 |

| | September 30, | | December 31, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2018 |
| | (unaudited) | | | |
| Cash and cash equivalents | $ 46,363 | $ 37,638 | $ 26,505 | $ 104,943 |
| Total assets | 600,264 | 658,138 | 691,677 | 554,582 |
| Total long-term liabilities | 186,825 | 108,131 | 139,730 | 35,447 |

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference herein contains forward-looking statements within the meaning of applicable United States securities legislation ("**forward-looking statements**"), including the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based upon our current beliefs, expectations, and assumptions regarding the future of the business, future plans and strategies, and other future conditions. Forward-looking statements can be identified by the words such as "expect", "likely", "may", "will",, "would", "could", "should", "continue", "contemplate", "intend", or "anticipate", "believe", "envision", "estimate", "expect", "plan", "predict", "project", "target", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this Prospectus. Forward-looking statements in this Prospectus include, but are not limited to, statements with respect to:

- the performance of our business and operations;
- our product offerings;
- the competitive conditions of the cannabis industry;
- our competitive and business strategies;
- the sufficiency of capital including our ability to obtain capital to develop our business;
- our operations in the United States, the characterization and consequences of those operations under United States federal law and applicable State law, and the framework for the enforcement of applicable laws in the United States;
- on-going implications of the novel coronavirus ("**COVID-19**");
- statements relating to the business and future activities of, and developments related to, us, including such things as future business strategy, competitive strengths, goals, expansion and growth of our business, operations and plans;
- expectations that planned acquisitions will be completed, and the expected financial results of such acquisitions;
- expectations that licenses applied for will be obtained;
- expectations regarding future cash flows from operations;
- statements regarding the proposed transaction with Canopy Growth, including the anticipated benefits and likelihood of completion thereof;
- our ability and Canopy Growth's ability to receive, in a timely manner and on satisfactory terms, the necessary regulatory approvals;
- the likelihood of the Triggering Event (as defined herein) occurring or being waived by the expiry date of the Canopy Call Option;
- the likelihood that the Canopy Call Option will be exercised;
- the likelihood that the Floating Call Option will be exercised;
- our ability and Canopy Growth's ability to satisfy, in a timely manner, the conditions to closing following the occurrence or waiver of the Triggering Event; the timing and outcome of the Acquisition;
- the likelihood of the Acquisition being completed and any benefits to be derived therefrom;
- potential future legalization of adult-use and/or medical cannabis under U.S. federal law;
- expectations of market size and growth in the U.S. and the states in which we operate;
- expectations for other economic, business, financial market, political, regulatory and/or competitive factors related to us or the cannabis industry generally; and
- other events or conditions that may occur in the future.

Forward-looking statements contained herein concerning the cannabis industry and its medical and adult-use markets and the general expectations of us concerning the industry and our business and operations are based on estimates prepared by us using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which we believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While we are not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

Forward-looking statements speak only as at the date they are made and are based on information currently available and on the then current expectations. Potential purchasers of our securities are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of our management at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of us, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- risks related to the occurrence of changes in U.S. federal laws regarding the cultivation, distribution or possession of marijuana;
- the likelihood of the Triggering Event occurring or being waived by the expiry of the Canopy Call Option;
- the ability of us and Canopy Growth to receive, in a timely manner and on satisfactory terms, the necessary regulatory approvals;
- the ability of Canopy Growth and us to satisfy, in a timely manner, the closing conditions to the Acquisition;
- the likelihood of Canopy Growth completing the acquisition of the Fixed Shares and/or Floating Shares;
- the ability of us and Canopy Growth to satisfy, in a timely manner, the conditions to closing following the occurrence or waiver of the Triggering Event;
- other expectations and assumptions concerning the Acquisition;
- our available funds and the anticipated use of such funds;
- the availability of financing opportunities for us and the risks associated with the completion thereof;
- regulatory and licensing risks;
- changes in general economic, business and political conditions, including changes in the financial and stock markets;
- risks related to infectious diseases, including the impacts of the COVID-19;
- risks associated with dependence on management and currency risk;
- legal and regulatory risks inherent in the cannabis industry, including the global regulatory landscape and enforcement related to cannabis, political risks and risks relating to regulatory change;
- risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks;
- risks relating to anti-money laundering laws and regulations;
- other governmental and environmental regulations;
- compliance with extensive government regulations and the interpretation of various laws regulations and policies;
- risk associated with divesting certain assets;
- 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 our senior management;
- risks related to proprietary intellectual property and potential infringement by third parties;
- the concentrated voting control of our founder and the unpredictability caused by our capital structure;
- risks relating to the management of growth;
- risks related to cash flow from operations;
- 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 effecting service outside of Canada;
- risks related to future acquisitions or dispositions;
- sales by existing shareholders; and
- limited research and data relating to cannabis,

as well as those risk factors described under the heading "*Risk Factors*" and elsewhere in this Prospectus and the documents incorporated by reference herein and therein and as described from time to time in documents filed by us with securities regulatory authorities. A description of additional assumptions used to develop such forward-looking statements and a description of additional risk factors that may cause actual results to differ materially from forward-looking statements can be found in Part I, Item 1A under the heading "*Risk Factors*" of our Annual Report on Form 10-K for the year ended December 31, 2019 dated May 29, 2020 and the amendment thereto on Form 10-K/A dated August 14, 2020.

Readers are cautioned that the above list of cautionary statements is not exhaustive. A number of factors could cause actual events, performance or results to differ materially from what is projected in forward-looking statements. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Prospectus. Although we believe that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The forward-looking statements contained in this Prospectus are expressly qualified in their entirety by this cautionary statement. Potential purchasers of our securities should read this entire Prospectus, and consult their own professional advisors to ascertain and assess the income tax and legal risks and other aspects associated with holding our securities.

## RISK FACTORS

*Before deciding to invest in our securities, prospective investors in our securities should consider carefully the risk factors and the other information contained in this Prospectus relating to a specific offering of our securities.*

*Before making an investment decision, prospective purchasers of our securities should carefully consider the information described in this Prospectus. Some of the risk factors described herein are interrelated and, consequently, investors should treat such risk factors as a whole. If any event arising from these risks occurs, our business, prospects, financial condition, results of operations and cash flows, and the investor's investment in our securities could be materially adversely affected. Additional risks and uncertainties of which we are currently unaware or that are unknown or that we currently consider to be immaterial could have a material adverse effect on our business, financial condition and results of operation. We cannot assure an investor that we will successfully address any or all of these risks.*

**Risks Specifically Related to the Regulatory Matters**

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

Cannabis (with the exception of hemp containing no more than 0.3% THC by dry weight) is illegal under U.S. federal law. In those states in which the use of cannabis has been legalized, its use remains a violation of federal law pursuant to the *Controlled Substances Act* of 190 (the "CSA"). The CSA classifies marijuana (cannabis) as a Schedule I controlled substance, and as such, medical and adult use cannabis consumption is illegal under U.S. federal law. Unless and until Congress amends the CSA with respect to cannabis (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. If that occurs, the Subsidiaries or other entities in which the Company may have an interest from time to time may be deemed to be producing, cultivating or dispensing cannabis and drug paraphernalia in violation of federal law, or the Company may be deemed to be facilitating the selling or distribution of cannabis and drug paraphernalia in violation of federal law with respect to the Company's investment in the Subsidiaries. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis is a significant risk which would greatly harm the Company's business, prospects, results of operation, and financial condition. As all of our operations are cannabis-related and conducted in the United States, our balance sheet and operating statement exposure to U.S. marijuana related activities is 100% in each case.

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

There are 37 states in the U.S., in addition to Washington D.C., Puerto Rico, and the U.S. Virgin Islands, that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, Oregon, South Dakota, Vermont, Washington, Washington, D.C., and Guam have legalized cannabis for adult use.

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

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

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

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

Furthermore, Acting Attorney General Monty Wilkinson, who began in his position on January 20, 2021, has not provided a clear policy directive for the United States as it pertains to state-legal cannabis-related activities. President Biden has nominated Merrick Garland to serve as Attorney General in his administration. It is not yet known whether the Department of Justice under President Biden and Attorney General Garland, if confirmed, will re-adopt the Cole Memorandum or announce a substantive cannabis enforcement policy. If the Department of Justice policy under Acting Attorney General Wilkinson or Attorney General Garland, if confirmed, were to aggressively pursue financiers or owners of cannabis-related businesses, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis operations, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) the barring of its employees, directors, officers, managers and investors who are not United States citizens from entry into the United States for life.

One legislative safeguard for the medical cannabis industry, appended to federal appropriations legislation, remains in place. Currently referred to as the "Rohrabacher-Blumenauer Amendment", this so-called "rider" provision has been appended to the Consolidated Appropriations Acts for fiscal years 2015, 2016, 2017, 2018, and 2019. Under the terms of the Rohrabacher-Blumenauer rider, the federal government is prohibited from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. On December 20, 2019, then President Donald Trump signed the Consolidated Appropriations Act, 2020 which included the Rohrabacher-Blumenauer Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law. On December 27, 2020, the omnibus spending bill passed including the Rohrabacher-Blumenauer Amendment, extending its application until September 30, 2021. There can be no assurances that the Rohrabacher-Blumenauer Amendment will be included in future appropriations bills to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law.

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

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

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

*Nature of the Business Model*

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

*U.S. State Regulatory Uncertainty*

There is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's business or operations in those states or under those laws would be materially and adversely affected. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect the Company, its business and its assets or investments.

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

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

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

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

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

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

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

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

*Restricted Access to Banking*

In February 2014, FinCEN issued the FinCEN Memorandum (which is not law) which provides guidance with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the executive branch. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. While the United States House of Representatives has passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it remains under consideration by the Senate, and if Congress fails to pass the SAFE Banking Act, the Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

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

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

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

*Heightened Scrutiny by Canadian Authorities*

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

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

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

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

*Constraints on Marketing Products*

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies for products containing cannabis or ingredients derived from cannabis, including but not limited, to the Food and Drug Administration ("FDA"), the United States Department of Agriculture ("USDA") and state regulatory agencies that may institute new regulatory requirements. The regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

*Reliance on Management or Consulting Services Agreements with Subsidiaries and Affiliates*

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

*European Anti-Money Laundering Laws and Regulation*

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

*Tax Risks Related to Controlled Substances*

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

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

*Emerging Growth Company Status*

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

For as long as we continue to be an emerging growth company, we intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our Fixed Shares and Floating Shares less attractive because we will rely on these exemptions. If some investors find our Fixed Shares and Floating Shares less attractive as a result, then there may be a less active trading market for our Fixed Shares and Floating Shares and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the last day of the year in which we have total annual gross revenue of $1.07 billion or more; (ii) the last day of the year following the fifth anniversary of the first sale of the common equity securities pursuant to an effective registration under the Securities Act of 1933, as amended (the "Securities Act"), expected to be December 31, 2024; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

*Limited Trademark Protection*

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

*Civil Asset Forfeiture*

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

*FDA Regulation*

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

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

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

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

*Limitation on Ownership of Licenses*

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

**Risks Generally Related to the Company**

*Our Results of Operations May be Continue to be Negatively Impacted by the COVID-19 Outbreak*

In December 2019, a novel strain of coronavirus ("COVID-19") emerged in Wuhan, China. Since then, it has spread to several other countries and infections have been reported around the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic.

In response to the outbreak, governmental authorities in the United States, Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 in the United States, Canada and globally could continue to have an adverse impact on our business, operations and financial results, including through disruptions in our cultivation and processing activities, supply chains and sales channels, as well as a deterioration of general economic conditions including a possible national or global recession. Shelter-in-place orders and social distancing practices designed to limit the spread of COVID-19 may affect our retail business. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on our business, operations or financial results; however, the impact could be material. We own a cultivational, processing and wholesale license and lease a property in Medford, Oregon and in part as a response to the COVID-19 pandemic, we temporarily halted cultivation/processing operations in Oregon.

*Unfavorable Publicity or Consumer Perception*

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

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

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

Further, a shift in public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the U.S. or elsewhere. A negative shift in the perception of the public with respect to medical cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on its business, financial condition and results of operations.

*Limited Operating History*

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

*Competition with the Company*

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

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

*Competition with the Subsidiaries*

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

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

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

*Dependence on Performance of Subsidiaries*

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

*Competition from Synthetic Production and Technological Advances*

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

*Ability to Identify Investments*

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

*Risks Associated with Failure to Manage Growth Effectively*

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

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

*Future Material Acquisitions or Dispositions of Strategic Transactions*

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

*Acreage may be restricted from making Non-Core Divestitures within the prescribed time limit*

The Debenture requires that we divest from our assets outside of Connecticut, Maine, Massachusetts, New Hampshire, New York, New Jersey, Pennsylvania, Illinois and Ohio (the "**Identified States**") within 18 months of the date the Debenture is executed.

Canopy Growth has provided its consents to the Company with respect to the proposed divestiture by us of all assets outside of the Identified States (the **"Non-Core Divestitures**"***)***. The Debenture will provide that, among other things, if the Non-Core Divestitures are not completed within 18 months from the Amendment Date, whether as a result of regulatory delays or otherwise, such failure shall constitute an event of default thereunder. Upon the occurrence of an event of default under the Debenture, the Loan will become immediately due and payable.

The Company may not have adequate resources to repay the Debenture. There is no assurance that the Company will be able to raise the necessary amount of capital to repay the Debenture or otherwise refinance these obligations. Accordingly, failure to complete the Non-Core Divestitures within the prescribed time would have a material adverse effect on the Company's business, financial condition, results of operations and prospects and could threaten its ability to satisfy its obligations or continue as a going concern.

In addition, if the Loan is required to be repaid prior to the maturity date, it would have an immediate and lasting material adverse effect on Acreage and its ability to complete the Acquisition. If the Amended Arrangement is not completed, Acreage will be subject to the restrictive covenants and consent requirements under the Existing Arrangement.

*Ability to Access Public and Private Capital*

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

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

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

*Investments May be Pre-Revenue*

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

*Enforceability of Judgments Against Subsidiaries*

High Street and the Subsidiaries are organized under the laws of various U.S. states. All of the assets of these entities are located outside of Canada and certain of the experts retained by the Company or its affiliates are residents of countries other than Canada. As a result, it may be difficult or impossible for shareholders of the Company to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws or otherwise. There is some doubt as to the enforceability in the U.S. by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the U.S. may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the U.S. agrees to hear a claim, it may determine that the local law in the U.S., and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by U.S. law in such circumstances.

*Research and Market Development*

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

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

*Results of Future Clinical Research*

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

*Environmental Risk and Regulation*

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

*Governmental Approvals and Permits and Laws*

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

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

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

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

*Enforceability of Contracts*

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

*Liability and Enforcement Complaints*

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

*Service Providers*

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

*Reliance on Management or Consulting Services Agreements with Subsidiaries and Affiliates*

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

*Product Liability*

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

*Product Recalls*

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

*Risks Inherent in an Agricultural Business*

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

*Reliance on Key Inputs*

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

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

*Key Personnel*

The success of the Company will depend on the abilities, experience, efforts and industry knowledge of senior management and other key employees of the Company and High Street. If one or more of the executive officers or key personnel of the Company, High Street or the Subsidiaries were unable or unwilling to continue in their present positions, the Company, High Street or the relevant Subsidiary, as applicable, might not be able to replace them easily or at all. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on business, financial condition, results of operations or prospects of the Company. In addition, if any of the executive officers or key employees of the Company, High Street or the Subsidiaries joins a competitor or forms a competing company, the Company, High Street or the relevant Subsidiary may lose know-how, key professionals and staff members. Further, the hiring of any officer and the nomination of any director to the board of directors of the Company is subject to such proposed officer or director satisfying the criteria agreed to with Canopy Growth in the Amendment Agreement or otherwise obtaining prior written consent from Canopy Growth.

*Talent Pool*

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

*Fraudulent or Illegal Activity by Employees, Contractors and Consultants*

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

*Intellectual Property*

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

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

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

*Insurance Coverage*

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

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

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

*Litigation*

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

*Internal Controls*

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

We are exposed to potential risks from legislation requiring companies to evaluate internal controls under Section 404(a) of the Sarbanes-Oxley Act of 2002. As an emerging growth company, we will not be required to provide a report on the effectiveness of its internal controls over financial reporting until our second Annual Report on Form 10-K, and we will be exempt from auditor attestation requirements concerning any such report so long as we are an emerging growth company. We have not yet evaluated whether our internal control procedures are effective and therefore there is a greater likelihood of material weaknesses in our internal controls, which could lead to misstatements or omissions in our reported financial statements as compared to issuers that have conducted such evaluations.

*Operational Risks*

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

*Conflicts of Interest*

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

*Effect of General Economic and Political Conditions*

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

*Information Technology Systems and Cyber Security Risk*

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

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

*Security Risks*

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

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

*Past Performance Not Indicative of Future Results*

The investment and operational performance of High Street prior to the completion of the RTO is not indicative of the future operating results of the Company. There can be no assurance that the historical operating results achieved by High Street or its affiliates will be achieved by the Company, and the Company's performance may be materially different.

*Going Concern Risk*

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

As reflected in the Company's audited consolidated financial statements for the year ended December 31, 2019 (the "**Consolidated Financial Statements**"), the Company had an accumulated deficit and a negative net working capital (current liabilities greater than current assets) as of December 31, 2019, as well as a net loss and negative cash flow from operating activities for the reporting period then ended. These factors raise substantial doubt about the Company's ability to continue as a going concern.

However, management believes that substantial doubt of our ability to meet our obligations for the next twelve months from the date of the financial statements included herein were first made available has been alleviated due to, but not limited to, (i) capital raised between January and March 2020, (ii) access to future capital commitments (see Note 17 of the Consolidated Financial Statements), (iii) continued sales growth from our consolidated operations, (iv) latitude as to the timing and amount of certain operating expenses as well as capital expenditures, (v) restructuring plans that have already been put in place to improve the Company's profitability.

If the Company is unable to raise additional capital whenever necessary, it may be forced to decelerate or curtail its footprint buildout or other operational activities until such time as additional capital becomes available. Such limitation of the Company's activities would allow it to slow its rate of spending and extend its use of cash until additional capital is raised. However, management cannot provide any assurances that we will be successful in accomplishing any of our plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur at any time within the next twelve months or thereafter which could increase our need to raise additional capital on an immediate basis. There are limits on the number of shares we can issue provided for in the Arrangement Agreement. See "*Amended Arrangement with Canopy Growth Corporation*".

*Indemnification*

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

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

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

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

**Risks Related to Ownership**

*Voting Control*

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

As a member of the Board, Mr. Murphy owes fiduciary duties to the Company, including those of care and loyalty, and must act in good faith and with a view to the best interests of the Company. As a shareholder, even a controlling shareholder, Mr. Murphy will be entitled to vote his shares, and shares over which he has voting control, in his own interests, which may not always be in the interests of the Company's shareholders generally. Because Mr. Murphy holds most of his economic interest in the Company's business through High Street, rather than through the Company, he may have conflicting interests with holders of our shares. For example, Mr. Murphy may have different tax positions from the Company, which could influence his decisions regarding whether and when the Company should dispose of assets or incur new or refinance existing indebtedness, especially in light of the existence of the Tax Receivable Agreement, and whether and when the Company should undergo certain changes of control within the meaning of the Tax Receivable Agreement or terminate the Tax Receivable Agreement. In addition, the structuring of future transactions may take into consideration these tax or other considerations even where no similar benefit would accrue to the Company. In addition, the significant ownership of Mr. Murphy in the Company and his resulting ability to effectively control the Company may discourage someone from making a significant equity investment in the Company, or could discourage transactions involving a change in control, including transactions in which holders of our shares might otherwise receive a premium for their shares over the then-current market price.

*Unpredictability Caused by Voting Control*

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

*Price Volatility of Publicly Traded Securities*

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

*Price Volatility Caused by COVID-19*

The COVID-19 outbreak, and the response of governmental authorities to try to limit it, are having a significant impact on the securities markets in the U.S. and Canada. Since the COVID-19 outbreak commenced, the securities markets in the U.S. and Canada have experienced a high level of price and volume volatility and wide fluctuations in the market prices of securities of many companies, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The speed with which the COVID-19 situation has developed and continues to develop and the uncertainty of its magnitude, outcome and duration may adversely impact the price of the Fixed Shares or the Floating Shares. See "O*ur Results of Operations May be Negatively Impacted by the COVID-19 Outbreak*" and "*Price Volatility of Publicly Traded Securities*".

*Dividends*

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

*Dilution*

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

*Costs of Maintaining a Public Listing*

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

*Cash Flow From Operations*

During the year ended December 31, 2019, the Company sustained net losses from operations and had negative cash flow from operating activities. The Company's cash and cash equivalents as at December 31, 2019 was approximately $26.5 million. As at December 31, 2019, the Company's capital deficit was approximately $1.8 million. As at September 30, 2020, the Company's cash and cash equivalents and restricted cash was approximately $68.4 million. See "*Sufficiency of Capital*".

*Sufficiency of Capital*

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

*United States Tax Classification of the Company*

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

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

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

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

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

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

**Risks Related to the Company's Organizational Structure**

*Corporate Structure Risks*

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

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

*High Street Tax Receivable Agreement*

USCo is a party to the tax receivable dated November 14, 2018 (the "Tax Receivable Agreement") between USCo, High Street and certain executive employees of the Company (the "Tax Receivable Recipients"). Under the Tax Receivable Agreement, USCo is required to make cash payments to the Tax Receivable Recipients equal to 65% of the tax benefits, if any, that USCo actually realizes, or in certain circumstances is deemed to realize, as a result of (i) the increases in its share of the tax basis of assets of High Street resulting from any redemptions or exchanges of Units from the High Street Members, and (ii) certain other tax benefits related to USCo making payments under the Tax Receivable Agreement. Although the actual timing and amount of any payments that USCo makes to the Tax Receivable Recipients under the Tax Receivable Agreement will vary, it expects those payments will be significant. Any payments made by USCo to the Tax Receivable Recipients under the Tax Receivable Agreement may generally reduce the amount of overall cash flow that might have otherwise been available to it. Furthermore, USCo's future obligation to make payments under the Tax Receivable Agreement could make the Company a less attractive target for an acquisition. Payments under the Tax Receivable Agreement are not conditioned on any Tax Receivable Recipient's continued ownership of Units or our shares after the completion of the RTO.

The actual amount and timing of any payments under the Tax Receivable Agreement will vary depending upon a number of factors, including the timing of redemptions or exchanges by the holders of Units, the amount of gain recognized by such holders of Units, the realized tax benefit by USCo, the amount and timing of the taxable income USCo generates in the future, and the applicable federal and state tax rates.

The Company's organizational structure, including the Tax Receivable Agreement, confers certain benefits upon the Tax Receivable Recipients that will not benefit the holders of our shares to the same extent as it will benefit the Tax Receivable Recipients. High Street is a party to the Tax Receivable Agreement, which provides for the payment by USCo to the Tax Receivable Recipients of 65% of the amount of tax benefits, if any, that High Street actually realizes, or in some circumstances is deemed to realize, as a result of (i) the increases in the tax basis of assets of High Street resulting from any redemptions or exchanges of Units from the High Street Members, and (ii) certain other tax benefits related to USCo making payments under the Tax Receivable Agreement. An additional 20% of such tax benefits will be paid to certain executives of High Street upon the Tax Receivable Bonus Plan. Although USCo will retain 15% of the amount of such tax benefits, this and other aspects of the Company's organizational structure may adversely impact the Company's financial results.

The Tax Receivable Agreement provides that upon certain mergers, asset sales, other forms of business combinations or other changes of control or if, at any time, USCo elects an early termination of the Tax Receivable Agreement, then its obligations, or its successor's obligations, under the Tax Receivable Agreement to make payments thereunder would be based on certain assumptions, including an assumption that USCo would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement.

As a result of the foregoing, (i) USCo could be required to make payments under the Tax Receivable Agreement that are greater than the specified percentage of the actual benefits it ultimately realizes in respect of the tax benefits that are subject to the Tax Receivable Agreement, and (ii) if it elects to terminate the Tax Receivable Agreement early, it would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, USCo's obligations under the Tax Receivable Agreement could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control of the Company. There can be no assurance that USCo will be able to fund or finance its obligations under the Tax Receivable Agreement.

*Payments Made Under the Tax Receivable Agreement*

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

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

The Company will be subject to taxes by the Canadian federal, state, local and foreign tax authorities, and the Company's tax liabilities will be affected by the allocation of expenses to differing jurisdictions. The Company records tax expenses based on estimates of future earnings, which may include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets. At any one time, many tax years may be subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these matters. The Company expects that throughout the year there could be ongoing variability in the quarterly tax rates as events occur and exposures are evaluated. The Company's future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

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

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

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

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

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

**Risks Related to the Acquisition**

*The Arrangement Agreement and the Amending Agreement each contain restrictive covenants which may adversely limit management's discretion in operating our business.*

The Arrangement Agreement and the Amending Agreement each contain restrictive covenants that may potentially impair the discretion of our management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of us to make any material change to the nature of our business, to pay distributions or make certain other payments, to create liens or encumbrances, to issue securities, or to take on indebtedness not permitted by the Arrangement Agreement and to sell or otherwise dispose of certain assets. A failure to comply with these terms, if not cured or waived, could result in a breach of the Arrangement Agreement.

*If we do not comply with the initial business plan set forth in the Proposal Agreement, there may be significant restrictions on the operation of our business and Canopy Growth may not be required to complete the Acquisition.*

Pursuant to the Arrangement Agreement, we are required to comply with the initial business plan set forth in the Proposal Agreement (the "**Initial Business Plan**"). The Initial Business Plan sets forth certain Pro-Forma Net Revenue Targets (as defined in the Arrangement Agreement) and Consolidated Adj. EBITDA Targets (as defined in the Arrangement Agreement) for each applicable fiscal year of the Initial Business Plan.

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

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

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

*The Company could fail to receive the necessary regulatory approval*

The Arrangement is not required to be completed unless the Arrangement receives approval under the *United States Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended, and approvals of each of the TSX, NYSE and CSE, including the approval of the listing of the Canopy Growth Shares to be issued pursuant to the Acquisition on the TSX and NYSE.

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

There can be no assurance that the Acquisition will be completed, or if completed, that it will be completed on the same or similar terms to those set out in the Arrangement Agreement. The completion of the Acquisition is subject to the satisfaction of a number of conditions which include, among others, (i) obtaining necessary approvals, including the Acquisition Regulatory Approvals (as defined in the Arrangement Agreement), (ii) performance by us, and Canopy Growth, of our, and their, respective obligations and covenants in the Arrangement Agreement, and (iii) cannabis production, distribution and sale becoming legal under United States federal law, or being removed from regulation under such law. If these conditions are not fulfilled or waived or the Acquisition is not completed for any other reason, our shareholders will not receive Canopy Growth Shares as consideration for their shares of Acreage, or, if applicable, the Floating Cash Consideration. Certain of these conditions, including the occurrence of the Triggering Event Date, are outside of our control. There can be no certainty, nor can we provide any assurance, that all conditions precedent will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived and, accordingly, the Acquisition may not be completed.

In addition, if the Acquisition is not completed, our ongoing business may be adversely affected as a result of the costs (including opportunity costs) incurred in respect of pursuing the Acquisition, and we could experience negative reactions from the financial markets, which could cause a decrease in the market price of the Fixed Shares, particularly if the market price reflects market assumptions that the Acquisition will be completed or completed on certain terms. We may also experience negative reactions from our customers and employees and there could be negative impact on our ability to attract future acquisition opportunities. Failure to complete the Acquisition or a change in the terms of the Acquisition could each have a material adverse effect on Acreage's business, financial condition and results of operations.

*If we issue more Fixed Shares or Floating Shares than permitted under the Arrangement Agreement or if we, or one of our subsidiaries, make a $20.0 million payout in certain situations, the holders of our Fixed Shares or Floating Shares may receive fewer Canopy Growth Shares upon completion of the Acquisition.*

There is a fixed maximum number of Canopy Growth Shares that may be issued in connection with the Acquisition. In the event that we issue more Fixed Shares than the permitted threshold under the Arrangement Agreement or if we or any of our subsidiaries are required to make a payout over $20.0 million in order to either (i) settle, (ii) satisfy a judgment, or (iii) acquire the disputed minority non-controlling interest, in connection with the claim filed by EPMMNY LLC against certain of our subsidiaries, the Fixed Exchange Ratio will be automatically reduced. In addition, in the event that we issue more Floating Shares than the permitted threshold under the Arrangement Agreement, the Floating Ratio will be automatically reduced. Any such reduction of the Fixed Exchange Ratio or Floating Ratio will result in the holders of Fixed Shares or Floating Shares, as applicable, receiving fewer Canopy Growth Shares upon completion of the Acquisition.

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

There is the possibility that Canopy Growth will only acquire the Fixed Shares and not the Floating Shares as part of the Acquisition. If Canopy were to do so then some risks include, but are not limited to: risks associated with holding securities of a company with a majority controlling shareholder; risk that there may not be an active trading market for the Floating Shares; risk that the Floating Shares will not trade at an intrinsic value; risks that the Company will be restricted from pursuing strategic and organic growth opportunities without Canopy Growth's consent; risk of loss of revenue under the Management Services Agreements; and risks that Canopy Growth may compete with the Company or divert opportunities to its other investees that participate in the U.S. cannabis industry.

Additional risks and uncertainties, including those currently unknown or considered immaterial by the Company and Canopy Growth, may also adversely affect the business of the Company or Canopy Growth following the Acquisition of the Fixed Shares only and not the Floating Shares.

*The Exchange Ratio may be decreased in certain instances*

There is a fixed maximum number of Canopy Growth Shares to be issued in connection with the Acquisition. In addition, in the event that the Company issues more shares than the permitted threshold under the Arrangement Agreement or if the Company or any of its Subsidiaries is required to make a payout over $20.0 million in order to either (i) settle, (ii) satisfy a judgment, or (iii) acquire the disputed minority non-controlling interest, in connection with the claim filed by EPMMNY LLC against certain Subsidiaries, the Fixed Exchange Ratio will be automatically reduced. Any such reduction of the Fixed Exchange Ratio will result in the shareholders of the Company receiving fewer Canopy Growth Shares upon completion of the Acquisition.

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

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

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

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

*The Company and Canopy Growth may not integrate successfully*

The Acquisition will involve the integration of companies that previously operated independently. As a result, the Acquisition will present challenges to Canopy Growth's management, including the integration of the operations, systems and personnel of the two companies, and special risks, including possible unanticipated liabilities, unanticipated costs, diversion of management's attention and the loss of key employees. The difficulties management encounters in the transition and integration process could have an adverse effect on the revenues, level of expenses and operating results of Canopy Growth following completion of the Acquisition. If actual results are less favorable than the Company and Canopy Growth currently estimate, the combined company's business, results of operations, financial condition and liquidity could be materially adversely impacted.

The ability to realize the benefits of the Acquisition will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on the combined company's ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating the Company's and Canopy Growth's businesses following completion of the Acquisition.

Most operational and strategic decisions and certain staffing decisions with respect to the combined company have not yet been made. These decisions and the integration of the two companies will present challenges to management, including the integration of systems and personnel of the two companies and special risks, including possible unanticipated liabilities, unanticipated costs, and the loss of key employees. The performance of the combined company's operations after completion of the Acquisition could be adversely affected if the combined company cannot retain key employees to assist in the integration and operation of the combined company. As a result of these factors, it is possible that the cost reductions and synergies expected from the combination of the Company and Canopy Growth will not be realized.

This integration will require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities following completion of the Acquisition and from operational matters during this process. The amount and timing of the synergies the parties hope to realize may not occur as planned. In addition, the integration process may result in the disruption of ongoing business that may adversely affect the ability of the combined company to achieve anticipated benefits of the Acquisition.

*Canopy Growth may issue additional equity securities*

Canopy Growth may issue equity securities to finance its activities, including in order to finance acquisitions. If Canopy Growth issues additional equity securities, whether prior to or following the Acquisition, the ownership interest of existing shareholders of the Company in Canopy Growth assuming completion of the Acquisition may be diluted and some or all of Canopy Growth's financial measures on a per share basis could be reduced. Moreover, if the intention to issue additional equity securities becomes publicly known, Canopy Growth's share price may be materially adversely affected.

*Following the completion of the Acquisition, the combined company may issue additional equity securities*

Following the completion of the Acquisition, the combined company may issue equity securities to finance its activities, including in order to finance acquisitions. If the combined company were to issue additional equity securities, the ownership interest of existing shareholders may be diluted and some or all of the combined company's financial measures on a per share basis could be reduced. Moreover, as the combined company's intention to issue additional equity securities becomes publicly known, the combined company's share price may be materially adversely affected.

*The Acquisition will affect the rights of the Company's shareholders*

Following the completion of the Acquisition, shareholders will no longer have a direct interest in the Company, its assets, revenues or profits. In the event that the actual value of Company's assets or business, as at the effective date of the Acquisition exceeds the implied value of the Company under the Arrangement, shareholders will not be entitled to additional consideration for their shares.

*Canopy Growth may be acquired before the completion of the Acquisition*

In the event of any business consolidation, amalgamation, arrangement, merger, redemption, compulsory acquisition or similar transaction of or involving Canopy Growth, or a sale or conveyance of all or substantially all of the assets of Canopy Growth to any other body corporate, trust, partnership or other entity, but excluding, for greater certainty, any transactions involving Canopy Growth and one or more of its subsidiaries (a "Canopy Growth Change of Control") before the completion of the Acquisition, shareholders of the Company will not be entitled to vote or exercise any dissent rights in connection with such proposed acquisition, however, all such shareholders of the Company will be bound by the terms of any such acquisition if approved. Accordingly, in the event of the exercise or deemed exercise of the Canopy Call Option or the Floating Call Option following a successful Canopy Growth Change of Control, it is anticipated that shareholders of the Company would receive securities of the entity resulting from such Canopy Growth Change of Control. The projected synergies and anticipated benefits of being acquired by Canopy Growth may not be realized if the Company is acquired in turn by a third-party purchaser or successor entity, as applicable, following a successful Canopy Growth Change of Control. The Company and such third-party purchaser or successor entity may not successfully integrate. If actual results are less favorable than the Company and Canopy Growth currently estimate, the business, results of operations, financial condition and liquidity of any such third-party purchaser or successor entity, as applicable, could be materially adversely impacted.

**Risks Related to the Fixed Shares and Floating Shares**

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

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

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

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

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

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

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

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

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

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

There is no guarantee that the Fixed Shares will trade at a price that reflects our performance or at a price relative to the trading price of the Canopy Growth Shares based upon the Fixed Exchange Ratio. Given the uncertainties regarding the completion of the Acquisition, it is possible the Fixed Shares will trade at a significant discount to the Fixed Exchange Ratio.

*Our Floating Shares may trade at a price that is not indicative of our performance or the minimum price required to be paid by Canopy Growth pursuant to the Floating Call Option.*

The intrinsic value of the Floating Shares is indeterminate. There is no guarantee that the Floating Shares will trade at a price that reflects our performance nor at the minimum price required to be paid by Canopy Growth pursuant to the Floating Call Option. Moreover, the Floating Shares will not trade at a price that is necessarily proportionate to the trading price of the Fixed Shares.

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

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

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

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

**Risks Related to our Articles**

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

**Risks Related to the United States Regulatory System**

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

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

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

The Agriculture Improvement Act of 2018, otherwise known as the Farm Bill was signed into law on December 20, 2018. Under Section 10113 of the Farm Bill, state departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the U.S. Department of Agriculture the ("**USDA**"). A state's plan to license and regulate hemp can only commence once the Secretary of USDA approves that state's plan. In states opting not to devise a hemp regulatory program, the USDA will need to construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally-run program. Even if a state creates a plan in conjunction with its governor and chief law enforcement officer, the Secretary of the USDA must approve such plan. There can be no guarantee that any state plan will be approved. Review times may be extensive. Although interim rules for hemp production under the Farm Bill are now in place federally, the timing of finalized federal rules and regulations, in addition to state specific rules and regulations, cannot be assured. There may be amendments and the ultimate plans, if approved by the states and the USDA, may materially limit our hemp business depending upon the scope of the regulations.

*Laws and regulations affecting our industry governing operations under the Farm Bill are in development.*

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

*The possible FDA Regulation of hemp and industrial hemp-derived CBD, and the possible registration of facilities where hemp is grown and hemp-derived products are produced, if implemented, could negatively affect our hemp business.*

As a result of the passage of the Farm Bill, at some indeterminate future time, the U.S. Food and Drug Administration ("**FDA**") may choose to change its position concerning products containing hemp, or cannabidiol ("**CBD**") and other cannabinoids derived from hemp, and may choose to enact regulations that are applicable to such products, including, but not limited to: the processing of hemp into hemp products and applicability of good manufacturing practices to such processing; regulations covering the physical facilities where hemp is grown and/or processed; and possible testing to determine efficacy and safety of products containing hemp-derived CBD. In this hypothetical event, the proposed products, which we plan to introduce will likely contain CBD and may be subject to regulation. In the hypothetical event that some or all of these regulations are imposed, we do not know what the impact would be on the hemp industry in general, and what costs, requirements and possible prohibitions may be enforced. If we are unable to comply with the conditions and possible costs of possible regulations and/or registration, as may be prescribed by the FDA, we may be unable to continue to operate segments of our hemp business.

*Our current officers and directors do not have experience in the hemp business.*

Although management has business experience in cannabis, they have limited experience in the hemp-based product business or retail business. Therefore, without industry-specific experience, their business experience may not be enough to effectively start-up and maintain a hemp-based product company. As a result, the implementation of our hemp business plan may be delayed, or eventually, unsuccessful.

## USE OF PROCEEDS

This Prospectus relates to the Fixed Shares and Floating Shares that may be offered and sold from time to time by the Selling Security Holders. We will not receive any of the proceeds resulting from the sale of the Fixed Shares or Floating Shares by the Selling Security Holders. The Selling Security Holders will receive all of the proceeds from this offering.

Assuming the exercise of all of the previously issued Warrants, we will receive gross proceeds of $31,345,056. We do not expect to pay any expenses in connection with the exercise of any the Warrants.

The net proceeds from the exercise of the Warrants will be used to fund our working capital and for general corporate purposes. However, there can be no assurance that any Warrants will be exercised.

## MARKET FOR OUR SHARES

Our Fixed Shares and Floating Shares are currently listed on the Canadian Securities Exchange ("CSE") under the trading symbol "ACRG.A.U" and "ACRG.B.U, respectively, quoted on the OTCQX under the trading symbol "ACRHF" and "ACRDF", respectively, and are traded on the FRA under the symbols "0VZ1" and "0VZ2", respectively.

## SELLING SECURITY HOLDERS

With respect to the resale by the February Warrant Selling Security Holders of 4,259,633 Fixed Shares and 1,825,556 Floating Shares, by the Commitment Shares Selling Security Holders of 16,799 Fixed Shares and 7,199 Floating Shares and by the November Warrant Selling Security Holders of 1,556,929 Fixed Shares and 697,666 Floating Shares, the following tables set forth certain information with respect to the below Selling Security Holders including (i) the Fixed Shares and Floating Shares beneficially owned by each Selling Security Holder prior to this offering, (ii) the number of Fixed Shares and Floating Shares being offered by each Selling Security Holder pursuant to this Prospectus and (iii) each Selling Security Holder's beneficial ownership after completion of this offering, assuming that all of the Fixed Shares and Floating Shares covered hereby (but no other securities, if any, held by each Selling Security Holder) are sold to third parties.

The tables are based on information supplied to us by each Selling Security Holder, with beneficial ownership and percentage ownership determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to our shares. This information does not necessarily indicate beneficial ownership for any other purpose. In computing the number of Fixed Shares and Floating Shares beneficially owned by each Selling Security Holder and the percentage ownership of each Selling Security Holder, Fixed Shares and Floating Shares subject to stock options or other rights to acquire our Fixed Shares or Floating Shares held by each Selling Security Holder that are exercisable as of or will be exercisable within 60 days after February 8, 2021, are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. The percentage of beneficial ownership after this offering is based on 71,346,440 Fixed Shares and 30,628,238 Floating Shares outstanding (including 589,165 Fixed Shares and 252,499 Floating Shares held by the Acreage Subsidiary) on December 31, 2020.

The registration of these Fixed Shares and Floating Shares does not mean that the below Selling Security Holders will sell or otherwise dispose of all or any of those securities. The Selling Security Holders may sell or otherwise dispose of all, a portion or none of such shares from time to time. We do not know the number of shares, if any, that will be offered for sale or other disposition by the Selling Security Holders under this Prospectus. Furthermore, the Selling Security Holders may have sold, transferred or disposed of the Fixed Shares or Floating Shares covered hereby in transactions exempt from the registration requirements of the Securities Act, since the date on which we filed this Prospectus.

| | Beneficial Ownership Before this Offering | | | Beneficial Ownership After this Offering[3] | |
|---|---|---|---|---|---|
| **Selling Security Holder[1]** | **Number of Fixed Shares Owned** | **Percentage of Outstanding Fixed Shares[2]** | **Maximum Number of Fixed Shares to be Sold Pursuant to this Prospectus** | **Number of Fixed Shares Owned** | **Percentage of Outstanding Fixed Shares** |
| *February Warrant Security Holders* | | | | | |
| Investor Company ITF 5J5636 Anson Investments Master Fund LP [4] | 1,703,854 | 2.3% | 1,703,853 | 0 | 0% |
| Anson Investments Master Fund LP - 6040208925 [4] | 283,976 | * | 283,976 | 0 | 0% |
| Investor Company ITF 5J5C40 Anson East Master Fund LP [4] | 496,957 | * | 496,957 | 0 | 0% |
| Investor Company ITF 5J5904 AC Anson Investments LTD. [4] | 411,764 | * | 411,764 | 0 | 0% |
| Investor Company ITF 5J5988 Anson Opportunities Master Fund LP [4] | 298,174 | * | 298,174 | 0 | 0% |
| Nomis Bay Ltd [5] | 638,945 | * | 638,945 | 0 | 0% |
| BPY LTD [6] | 425,963 | * | 425,963 | 0 | 0% |
| *Commitment Shares Selling Security Holder* | | | | | |
| Pilgrim Foresight Fund, LLC [7] | 22,745 | * | 16,799 | 5,946 | 0% |
| *November Warrant Security Holders* | | | | | |
| William Ryan Goldman | 41,703 | * | 41,703 | 0 | 0% |
| Tricia M. Hedberg Revocable Trust u/a July 18, 2006 [8] | 166,814 | * | 166,814 | 0 | 0% |
| Thomas E. Bernard | 278,024 | * | 278,024 | 0 | 0% |
| Stephen Oplinger | 55,604 | * | 55,604 | 0 | 0% |
| Jayvee & Co ITF PDRF0002002 - Pender Corporate Bond Fund [9] | 556,048 | * | 556,048 | 0 | 0% |
| Max Bertz | 13,901 | * | 13,901 | 0 | 0% |
| Matthew Dillig Revocable Trust [10] | 27,802 | * | 27,802 | 0 | 0% |
| Intrepid Income Fund [11] | 111,209 | * | 111,209 | 0 | 0% |
| Hanley Foundation [12] | 55,604 | * | 55,604 | 0 | 0% |
| CKP South LLC [13] | 55,604 | * | 55,604 | 0 | 0% |
| AMFCO-4 LLC [14] | 166,814 | * | 166,814 | 0 | 0% |
| Armory Fund LP[14] | 27,802 | * | 27,802 | 0 | 0% |

* Less than one percent.

(1) This table and the information in the notes below are based upon information supplied by the Selling Security Holder.

(2) The actual number of Fixed Shares offered hereby and included in the registration statement, of which this Prospectus forms a part, includes, in accordance with Rule 416 under the Securities Act, such indeterminate number of additional Fixed Shares as may become issuable in connection with any proportionate adjustment for any stock splits, stock combinations, stock dividends, recapitalizations or similar events with respect to our Fixed Shares.

(3) The "Beneficial Ownership After this Offering" assumes the sale of all shares offered by the Selling Security Holders pursuant to this Prospectus.

(4) Anson Advisors Inc. ("**AAI**") and Anson Funds Management LP ("**AFM**", and together with AAI, "**Anson**") are the Co-Investment Advisers of Anson Investments Master Fund LP ("**AIMF**"), Anson East Master Fund LP ("**AEMF**"), Anson Opportunities Master Fund LP ("**AOMF**") and AC Anson Investments Ltd. ("**AC**", and together with AIMF,AEMF and AOMF, the "**Anson Funds**"). Anson holds voting and dispositive power over the securities held by the Anson Funds. Bruce Winson is the managing member of Anson Management GP LLC, which is the general partner of AFM. Moez Kassam and Amin Nathoo are directors of AAI. Mr. Winson, Mr. Kassam and Mr. Nathoo each disclaim beneficial ownership of these securities except to the extent of their pecuniary interest therein. The principal business address of the Anson Funds is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

(5) Investment decisions for Nomis Bay Ltd. regarding the shares listed above are made by its Director, Mr. Peter Poole. The address of Nomis Bay Ltd. is Wessex House 3rd Floor, 45 Reid Street, Hamilton, HM 12, Bermuda.

(6) Investment decisions for BPY Limited regarding the shares listed above are made by its Director, Mr. Peter Poole. The address of BPY Limited is Wessex House 3rd Floor, 45 Reid Street, Hamilton, HM 12, Bermuda.

(7) Investment decisions for Pilgrim regarding the shares listed above are made by its Managing Member, Mr. Kevin J. Murphy. The address of Pilgrim is 21 Pilgrim Road Rye, New York 10580.

(8) Investment decisions for Tricia M. Hedberg Revocable Trust u/a July 18, 2006 (the "**Trust**") regarding the shares listed above are made by its Trustee, Mr. Jeremy Hedberg. The address of the Trust is 420 Mississippi River Blvd., St. Paul, Minnesota 55105.

(9) Investment decisions for Jayvee & Co ITF PDRF0002002 - Pender Corporate Bond Fund ("**Pender**") regarding the shares listed above are made by its Portfolio Member, Mr. Geoff Castle. The address of Pender is1830-1066 West Hastings Street, Vancouver, BC, V6E 3X2, Canada.

(10) Investment decisions for the Matthew Dillig Revocable Trust (the "**Dillig Trust**") regarding the shares listed above are made by its Trustee, Mr. Matthew Dillig. The address of the Dillig Trust is 1304 Trapp Lane, Winnetka, Illinois, 60093.

(11) Investment decisions for Intrepid Income Fund regarding the shares listed above are made by its Vice President and Portfolio Manager, Mr. Hunter Hayes. The address of Intrepid Income Fund is 1400 March Landing Parkway, Suite 106, Jacksonville Beach, Florida 32250.

(12) Investment decisions for the Hanley Foundation regarding the shares listed above are made by Mr. George Hanley. The address of the Hanley Foundation is 900 Bay Dr. Apt. 904, Miami Beach, Florida, 33141.

(13) Investment decisions for CKP South LLC regarding the shares listed above are made by its Managing Member, Mr. Philip DeSantis.

(14) Seaport Global Asset Management, LLC ("SGAM") is the manager of Armory Fund, LP and AMFCO-4, LLC. Stephen C. Smith is the Chief Executive Officer of SGAM. The business address of Mr. Smith is 319 Clematis Street, Suite 1000, West Palm Beach, FL 33401 and the business address of SGAM is 360 Madison Avenue, 20th Floor, New York, New York 10017. Mr. Smith and SGAM also have voting control and investment discretion over the securities described herein held by Armory Fund, LP and AMFCO-4 LLC. As a result, Mr. Smith and SGAM may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange Act of 1934, as amended) of the securities described herein held by Armory Fund, LP and AMFCO-4, LLC.

| Selling Security Holder[1] | Beneficial Ownership Before this Offering | | Maximum Number of Floating Shares to be Sold Pursuant to this Prospectus | Beneficial Ownership After this Offering[3] | |
|---|---|---|---|---|---|
| | Number of Floating Shares Owned | Percentage of Outstanding Floating Shares[2] | | Number of Floating Shares Owned | Percentage of Outstanding Floating Shares |
| *February Warrant Security Holders* | | | | | |
| Investor Company ITF 5J5636 Anson Investments Master Fund LP [4] | 730,225 | * | 730,223 | 0 | 0% |
| Anson Investments Master Fund LP - 6040208925 [4] | 121,704 | * | 121,704 | 0 | 0% |
| Investor Company ITF 5J5C40 Anson East Master Fund LP [4] | 212,981 | * | 212,981 | 0 | 0% |
| Investor Company ITF 5J5904 AC Anson Investments LTD. [4] | 176,470 | * | 176,470 | 0 | 0% |
| Investor Company ITF 5J5988 Anson Opportunities Master Fund LP [4] | 127,788 | * | 127,788 | 0 | 0% |
| Nomis Bay Ltd [5] | 273,833 | * | 273,833 | 0 | 0% |
| BPY LTD [6] | 182,555 | * | 182,555 | 0 | 0% |
| *Commitment Shares Selling Security Holder* | | | | | |
| Pilgrim Foresight Fund, LLC [7] | 9,747 | * | 7,199 | 2,548 | * |
| *November Warrant Security Holders* | | | | | |
| William Ryan Goldman | 18,687 | * | 18,687 | 0 | 0% |
| Tricia M. Hedberg Revocable Trust u/a July 18, 2006 [8] | 74,750 | * | 74,750 | 0 | 0% |
| Thomas E. Bernard | 124,584 | * | 124,584 | 0 | 0% |
| Stephen Oplinger | 24,916 | * | 24,916 | 0 | 0% |
| Jayvee & Co ITF PDRF0002002 - Pender Corporate Bond Fund [9] | 249,169 | * | 249,169 | 0 | 0% |
| Max Bertz | 6,229 | * | 6,229 | 0 | 0% |
| Matthew Dillig Revocable Trust [10] | 12,458 | * | 12,458 | 0 | 0% |
| Intrepid Income Fund [11] | 49,833 | * | 49,833 | 0 | 0% |
| Hanley Foundation [12] | 24,916 | * | 24,916 | 0 | 0% |
| CKP South LLC [13] | 24,916 | * | 24,916 | 0 | 0% |
| AMFCO-4 LLC [14] | 74,750 | * | 74,750 | 0 | 0% |
| Armory Fund LP[14] | 12,458 | * | 12,458 | 0 | 0% |

* Less than one percent.

(1) This table and the information in the notes below are based upon information supplied by the Selling Security Holder.

(2) The actual number of Floating Shares offered hereby and included in the registration statement, of which this Prospectus forms a part, includes, in accordance with Rule 416 under the Securities Act, such indeterminate number of additional Floating Shares as may become issuable in connection with any proportionate adjustment for any stock splits, stock combinations, stock dividends, recapitalizations or similar events with respect to our Floating Shares.

(3) The "Beneficial Ownership After this Offering" assumes the sale of all shares offered by the Selling Security Holders pursuant to this Prospectus.

(4) Anson Advisors Inc. ("**AAI**") and Anson Funds Management LP ("**AFM**", and together with AAI, "**Anson**") are the Co-Investment Advisers of Anson Investments Master Fund LP ("**AIMF**"), Anson East Master Fund LP ("**AEMF**"), Anson Opportunities Master Fund LP ("**AOMF**") and AC Anson Investments Ltd. ("**AC**", and together with AIMF,AEMF and AOMF, the "**Anson Funds**"). Anson holds voting and dispositive power over the securities held by the Anson Funds. Bruce Winson is the managing member of Anson Management GP LLC, which is the general partner of AFM. Moez Kassam and Amin Nathoo are directors of AAI. Mr. Winson, Mr. Kassam and Mr. Nathoo each disclaim beneficial ownership of these securities except to the extent of their pecuniary interest therein. The principal business address of the Anson Funds is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

(5) Investment decisions for Nomis Bay Ltd. regarding the shares listed above are made by its Director, Mr. Peter Poole. The address of Nomis Bay Ltd. is Wessex House 3rd Floor, 45 Reid Street, Hamilton, HM 12, Bermuda.

(6) Investment decisions for BPY Limited regarding the shares listed above are made by its Director, Mr. Peter Poole. The address of BPY Limited is Wessex House 3rd Floor, 45 Reid Street, Hamilton, HM 12, Bermuda.

(7) Investment decisions for Pilgrim regarding the shares listed above are made by its Managing Member, Mr. Kevin J. Murphy. The address of Pilgrim is 21 Pilgrim Road Rye, New York 10580.

(8) Investment decisions for Tricia M. Hedberg Revocable Trust u/a July 18, 2006 (the "**Trust**") regarding the shares listed above are made by its Trustee, Mr. Jeremy Hedberg. The address of the Trust is 420 Mississippi River Blvd., St. Paul, Minnesota 55105.

(9) Investment decisions for Jayvee & Co ITF PDRF0002002 - Pender Corporate Bond Fund ("**Pender**") regarding the shares listed above are made by its Portfolio Member, Mr. Geoff Castle. The address of Pender is1830-1066 West Hastings Street, Vancouver, BC, V6E 3X2, Canada.

(10) Investment decisions for the Matthew Dillig Revocable Trust (the "**Dillig Trust**") regarding the shares listed above are made by its Trustee, Mr. Matthew Dillig. The address of the Dillig Trust is 1304 Trapp Lane, Winnetka, Illinois, 60093.

(11) Investment decisions for Intrepid Income Fund regarding the shares listed above are made by its Vice President and Portfolio Manager, Mr. Hunter Hayes. The address of Intrepid Income Fund is 1400 March Landing Parkway, Suite 106, Jacksonville Beach, Florida 32250.

(12) Investment decisions for the Hanley Foundation regarding the shares listed above are made by Mr. George Hanley. The address of the Hanley Foundation is 900 Bay Dr. Apt. 904, Miami Beach, Florida, 33141.

(13) Investment decisions for CKP South LLC regarding the shares listed above are made by its Managing Member, Mr. Philip DeSantis.

(14) Seaport Global Asset Management, LLC ("SGAM") is the manager of Armory Fund, LP and AMFCO-4, LLC. Stephen C. Smith is the Chief Executive Officer of SGAM. The business address of Mr. Smith is 319 Clematis Street, Suite 1000, West Palm Beach, FL 33401 and the business address of SGAM is 360 Madison Avenue, 20th Floor, New York, New York 10017. Mr. Smith and SGAM also have voting control and investment discretion over the securities described herein held by Armory Fund, LP and AMFCO-4 LLC. As a result, Mr. Smith and SGAM may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange Act of 1934, as amended) of the securities described herein held by Armory Fund, LP and AMFCO-4, LLC.

## DILUTION

*Fixed Share Dilution*

Net tangible book value per share represents the amount of total tangible assets less total liabilities attributable to the Fixed Share class, divided by the number of Fixed Shares outstanding as of September 30, 2020.

After giving effect to the issuance of an aggregate of 4,259,633 Fixed Shares to the February Warrant Selling Security Holders assuming exercise of the February Warrants of $4.00, our pro forma as adjusted net tangible book value as of September 30, 2020 would have been $89,559,066, or $1.19 per Fixed Share. This represents an immediate increase in net tangible book value of $0.17 per Fixed Share to our already existing shareholders and an immediate dilution in net tangible book value of $2.81 per Fixed Share to purchasers in this offering.

After giving effect to the issuance of an aggregate of 1,556,929 Fixed Shares to the November Warrant Selling Security Holders assuming exercise of the November Warrants in this offering at an exercise price of $3.15, our pro forma as adjusted net tangible book value as of September 30, 2020 would have been $77,424,860, or $1.07 per Fixed Share. This represents an immediate increase in net tangible book value of $0.05 per Fixed Share to our already existing shareholders and an immediate dilution in net tangible book value of $2.08 per Fixed Share to purchasers in this offering.

*Floating Share Dilution*

Net tangible book value per share represents the amount of total tangible assets less total liabilities attributable to the Floating Share class, divided by the number of Floating Shares outstanding as of September 30, 2020.

We have not given effect to the issuance of an aggregate of 1,825,556 Floating Shares in this offering at an exercise price of $4.00 as the market price of Floating Shares as of date of the offering is below the exercise price.

After giving effect to the issuance of an aggregate of 697,666 Floating Shares to the November Warrant Selling Security Holders assuming exercise of the November Warrants in this offering at an exercise price of $3.01, our pro forma as adjusted net tangible book value as of September 30, 2020 would have been $33,180,203 or $1.06 per Floating Share. This represents an immediate increase in net tangible book value of $0.04 per Floating Share to our already existing shareholders and an immediate dilution in net tangible book value of $1.95 per Floating Share to purchasers in this offering.

The following table illustrates this calculation on a per share basis for each respective share class and its related exercise price:

| | Fixed | Fixed | Floating | Total |
|---|---|---|---|---|
| Underlying warrant exercise price per share | $ 4.00 | $ 3.15 | $ 3.01 | |
| Net tangible book value as of September 30, 2020 | $ 72,520,534 | $ 72,520,534 | $ 31,080,229 | $ 103,600,762 |
| Increase attributable to exercise of warrants under this offering | $ 17,038,532 | $ 4,904,326 | $ 2,099,975 | $ 24,042,833 |
| | $ 89,559,066 | $ 77,424,860 | $ 33,180,203 | $ 127,463,595 |
| Pro forma as adjusted net tangible book value per share as of September 30, 2020 | $ 1.19 | $ 1.07 | $ 1.06 | |
| Dilution per share to investors participating in this offering | $ 2.81 | $ 2.08 | $ 1.95 | |

The above discussion and table are based on 70,944,208 Fixed Shares and 30,476,355 Floating Shares issued and outstanding as of September 30, 2020 on a pro forma basis, after giving effect to the Capital Reorganization, and excludes (i) Fixed and Floating Shares issuable upon exercise of outstanding options and (ii) Fixed and Floating Shares authorized and available for issuance under our equity compensation plan.

## SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated financial data for the periods, and as of the dates, indicated. The (i) consolidated statements of operations data for the nine months ended September 30, 2020 and the years ended December 31, 2019, 2018 and 2017 and (ii) consolidated balance sheet data as of September 30, 2020 and December 31, 2019 and 2018 have been derived from the unaudited interim condensed consolidated and the audited consolidated financial statements of Acreage Holdings, Inc. and its subsidiaries, which are included elsewhere in this prospectus.

The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, the unaudited interim condensed consolidated financial statements and the accompanying notes presented in this prospectus. Our consolidated financial statements and unaudited interim condensed consolidated financial statements have been prepared in accordance with GAAP and on a going-concern basis that contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business.

The information set forth below for the nine months ended September 30, 2020 and the years ended December 31, 2019, 2018 and 2017 is not necessarily indicative of results of future operations, and should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included in Part II, Item 8 of this prospectus to fully understand factors that may affect the comparability of the information presented below.

As an emerging growth company, we are not required to present selected financial data for any period prior to the earliest audited financial statements presented in connection with our first registration statement that became effective under the Exchange Act. Consequently, we do not present financial data for the years ended December 31, 2016 and 2015 in the table below.

| **Selected Financial Data** | **Nine Months Ended September 30** | | **Year Ended December 31,** | | |
|---|---|---|---|---|---|
| (in thousands, except per share amounts) | **2020** | **2019** | **2019** | **2018** | **2017** |
| | **(unaudited)** | | | | |
| Revenues, net | $ 83,039 | $ 53,044 | $ 74,109 | $ 21,124 | $ 7,743 |
| Net operating loss | (329,197) | (124,264) | (191,444) | (41,133) | (7,047) |
| Net loss | (314,635) | (129,571) | (195,162) | (32,261) | (9,536) |
| Net loss attributable to Acreage | (249,694) | (99,634) | (150,268) | (27,483) | (8,543) |
| Net loss per share attributable to Acreage, basic and diluted | (2.54) | (1.17) | (1.74) | (0.41) | (0.19) |
| Weighted average shares outstanding, basic and diluted | 98,304 | 84,817 | 86,185 | 66,699 | 45,076 |

| | **September 30,** | | **December 31,** | |
|---|---|---|---|---|
| | **2020** | **2019** | **2019** | **2018** |
| | **(unaudited)** | | | |
| Cash and cash equivalents | $ 46,363 | $ 37,638 | $ 26,505 | $ 104,943 |
| Total assets | 600,264 | 658,138 | 691,677 | 554,582 |
| Total long-term liabilities | 186,825 | 108,131 | 139,730 | 35,447 |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*The following discussion should be read in conjunction with, and is qualified in its entirety by, the consolidated and combined financial statements and the unaudited interim condensed consolidated financial statements and the accompanying notes presented in this prospectus. In addition to historical information, the discussion in this section contains forward-looking statements that involve risks and uncertainties. Future results could differ materially from those discussed below for many reasons, including the risks described in "Cautionary Note Regarding Forward-Looking Statements," "Risk Factors" and elsewhere in this prospectus.*

### Overview

This management discussion and analysis, which we refer to as the MD&A, of the financial condition and results of operations of Acreage Holdings Inc. ("Acreage", "we", "our" or the "Company") is for the years ended December 31, 2019, 2018 and 2017 and for the three and nine months ended September 30, 2020 and 2019. It is supplemental to, and should be read in conjunction with, the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019, the consolidated financial statements for the years ended December 31, 2019, 2018 and 2017 and the accompanying notes for each respective period. Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which we refer to as GAAP. Financial information presented in this MD&A is presented in United States dollars ("$" or "US$"), unless otherwise indicated.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Information," identified in the "Risks and Uncertainties" section of this MD&A. As a result of many factors, our actual results may differ materially from those anticipated in these forward-looking statements and information.

Acreage is a leading multi-state operator in the U.S. cannabis industry. Our operations include (i) cultivating cannabis plants, (ii) manufacturing branded consumer products, (iii) distributing cannabis flower and manufactured products, and (iv) retailing high-quality, effective and dosable cannabis products to consumers. We appeal to medical and adult-use customers through brand strategies intended to build trust and loyalty.

Operational and Regulation Overview

We believe Acreage's operations are in material compliance with all applicable state and local laws, regulations and licensing requirements in the states which we operate. However, cannabis is illegal under U.S. federal law. Substantially all our revenue is derived from U.S. cannabis operations.

### Results of Operations

The following table presents selected financial data derived from the Unaudited Condensed Consolidated Financial Statements of the Company for the three and nine months ended September 30, 2020 and 2019 and the consolidated financial statements of the Company for the years ended December 31, 2019, 2018 and 2017. The comparative amounts presented for the year ended December 31, 2017 are those of High Street. The selected financial information set out below may not be indicative of the Company's future performance.

**Summary Results of Operations**

| in thousands, except per share amounts | Three Months Ended September 30, | | Better/(Worse) 2020 vs. 2019 | | Nine Months Ended September 30, | | Better/(Worse) 2020 vs. 2019 | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| Revenues, net | $ 31,742 | $ 22,402 | $ 9,340 | 42% | $ 83,039 | $ 53,044 | $ 29,995 | 57% |
| Operating loss | (38,580) | (46,591) | 8,011 | 17% | (329,197) | (124,264) | (204,933) | (165)% |
| Net loss attributable to Acreage | (40,548) | (38,716) | (1,832) | (5)% | (249,694) | (99,634) | (150,060) | (151)% |
| Basic and diluted loss per share attributable to Acreage | $ (0.39) | $ (0.43) | $ 0.04 | 9% | $ (2.54) | $ (1.17) | $ (1.37) | (117)% |

| Summary Results of Operations | | | | Better/(Worse) | | Better/(Worse) | |
|---|---|---|---|---|---|---|---|
| in thousands, except per share amounts | Year Ended December 31, | | | 2019 vs. 2018 | | 2018 vs. 2017 | |
| | 2019 | 2018 | 2017 | $ | % | $ | % |
| Revenues, net | $ 74,109 | $ 21,124 | $ 7,743 | $ 52,985 | 251% | $ 13,381 | 173% |
| Operating loss | (191,444) | (41,133) | (7,047) | (150,311) | (365) | (34,086) | (484) |
| Net loss attributable to Acreage | (150,268) | (27,483) | (8,543) | (122,785) | (447) | (18,940) | (222) |
| Basic and diluted loss per share attributable to Acreage | $ (1.74) | $ (0.41) | $ (0.19) | $ (1.33) | (324)% | $ (0.22) | (116)% |

Revenues, net, cost of goods sold and gross profit

The Company derives its revenues from sales of cannabis and cannabis-infused products through retail dispensary, wholesale, manufacturing and cultivation businesses, as well as from management or consulting fees from entities for whom we provide management or consulting services. As of September 30, 2020, Acreage owned and operated five dispensaries in Oregon (three in Portland, one in Eugene and one in Springfield), four in New York (Buffalo, Farmingdale, Middletown, and Queens), two in New Jersey (Atlantic City and Egg Harbor), three in Connecticut (Bethel, South Windsor and Uncasville), one in Worcester, Massachusetts, two in Illinois (Chicago and Rolling Meadows) and one in Florida (Spring Hill). Acreage has cultivation facilities in Sinking Spring, Pennsylvania, Sterling, Massachusetts, Syracuse, New York, Freeport, Illinois, Sanderson, Florida and Egg Harbor, New Jersey. Acreage also collects management services revenues, substantially all in Maine. As of December 31, 2019, Acreage owned and operated five dispensaries in Oregon (three in Portland, one in Eugene and one in Springfield), four in New York (Buffalo, Farmingdale, Middletown, and Queens), three in Connecticut (Bethel, South Windsor and Uncasville), one in Baltimore, Maryland, one in Worcester, Massachusetts, one in Rolling Meadows, Illinois and one in Fargo, North Dakota. Acreage has cultivation facilities in Sinking Spring, Pennsylvania, Sterling, Massachusetts, Syracuse, New York, Freeport, Illinois and Cedar Rapids, Iowa. Acreage also collects management services revenues, substantially all in Maine.

Gross profit is revenue less cost of goods sold. Cost of goods sold include costs directly attributable to inventory sold such as direct material, labor, and overhead. Such costs are further affected by various state regulations that limit the sourcing and procurement of cannabis and cannabis-related products, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes.

| Gross profit | | | Better/(Worse) | | | | Better/(Worse) |
|---|---|---|---|---|---|---|---|
| in thousands | Three Months Ended September 30, | | 2020 vs. 2019 | | Nine Months Ended September 30, | | 2020 vs. 2019 |
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| Retail revenue, net | $ 23,914 | $ 15,306 | $ 8,608 | 56% | $ 61,362 | $ 38,566 | $ 22,796 | 59% |
| Wholesale revenue, net | 7,798 | 6,696 | 1,102 | 16% | 21,513 | 13,639 | 7,874 | 58% |
| Other revenue, net | 30 | 400 | (370) | (93)% | 164 | 839 | (675) | (80)% |
| Total revenues, net | $ 31,742 | $ 22,402 | $ 9,340 | 42% | $ 83,039 | $ 53,044 | $ 29,995 | 57% |
| Cost of goods sold, retail | (14,134) | (9,548) | (4,586) | (48)% | (37,004) | (23,622) | (13,382) | (57)% |
| Cost of goods sold, wholesale | (4,133) | (3,160) | (973) | (31)% | (11,395) | (6,795) | (4,600) | (68)% |
| Total cost of goods sold | $ (18,267) | $ (12,708) | $ (5,559) | (44)% | $ (48,399) | $ (30,417) | $(17,982) | (59)% |
| Gross profit | $ 13,475 | $ 9,694 | $ 3,781 | 39% | $ 34,640 | $ 22,627 | $ 12,013 | 53% |
| Gross margin | 43% | 43% | | —% | 42% | 43% | | (1)% |

| **Gross profit** in thousands | Year Ended December 31, | | | Better/(Worse) 2019 vs. 2018 | | Better/(Worse) 2018 vs. 2017 | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | $ | % | $ | % |
| Retail revenue, net | $ 54,401 | $ 17,475 | $ 7,743 | $ 36,926 | 211% | $ 9,732 | 126% |
| Wholesale revenue, net | 18,539 | 2,969 | — | 15,570 | 524 | 2,969 | n/m |
| Other revenue, net | 1,169 | 680 | — | 489 | 72 | 680 | n/m |
| Total revenues, net | $ 74,109 | $ 21,124 | $ 7,743 | $ 52,985 | 251% | $ 13,381 | 173% |
| Cost of goods sold, retail | (33,844) | (10,038) | (4,308) | (23,806) | (237) | (5,730) | (133) |
| Cost of goods sold, wholesale | (9,821) | (1,666) | — | (8,155) | (489) | (1,666) | n/m |
| Total cost of goods sold | $ (43,665) | $ (11,704) | $ (4,308) | $ (31,961) | (273)% | $ (7,396) | (172)% |
| Gross profit | $ 30,444 | $ 9,420 | $ 3,435 | $ 21,024 | 223% | $ 5,985 | 174% |
| Gross margin | 41% | 45% | 44% | | (4)% | | 1% |

**n/m - Not Meaningful**

*Three Month and Nine Month Period Ended September 30, 2020*

Retail revenue saw a net increase of 56% and 59% for the three and nine months ended September 30, 2020, respectively, as compared to the corresponding periods of fiscal 2019. The increase in retail revenue, net of $8.6 million for the three months ended September 30, 2020, was primarily due to increased demand and production across various states totaling $5.4 million, driven by the opening of another adult-use dispensary in Illinois, the launching of new Botanist products into the retail channel in New York, and the openings of new stores in New York and increased business in Connecticut. The increase in retail revenue, net was also due to the impact of production from Compassionate Care Foundation, Inc. (“CCF”) ($3.8 million), driven by its acquisition in June 2020. These increases for the three months ended September 30, 2020 were partially offset by the thee-month impact of decreased business in Maryland Medicinal Research & Caring, LLC (“MMRC”) ($0.3 million) as well as the divestiture of Acreage North Dakota, LLC ($0.3 million), which occurred in May 2020. The increase in retail revenue, net of $22.7 million for the nine months ended September 30, 2020 was driven by the nine-month impacts of increased demand and production across various states of $12.3 million (primarily Connecticut, New York, Florida and Massachusetts), along with CCF ($3.9 million) driven by its acquisition in June 2020, and further driven by the impact of NCC LLC (“NCC”), a dispensary license holder in Illinois, being acquired and fully operational since March 2019 ($6.6 million). These increases were partially offset by the net impact of the divestiture of Acreage North Dakota, LLC in May 2020, offset by the increase in production in 2020 prior to divestiture.

Wholesale revenue, net increased 16% and 58% for the three and nine months ended September 30, 2020, respectively, as compared to the corresponding periods of fiscal 2019. The increases in wholesale revenue, net for the three and nine months ended September 30, 2020 were primarily due to increased capacity coupled with maturing operations in our Pennsylvania, Massachusetts and Illinois cultivation facilities. This resulted in higher yields and product mix in each of the respective markets.

Cost of goods sold increased 44% and 59% for the three and nine months ended September 30, 2020, respectively, as compared to the corresponding periods of fiscal 2019. Cost of goods sold, retail increased in line with the retail revenue increases. Cost of goods sold, wholesale increased as a result of increases to wholesale revenue. In addition, the increase was further driven by the initial set up costs and consequential expansion impact of various cultivation facilities. The suspension of operations at Form Factory Holdings, LLC (“Form Factory”), a manufacturer and distributor of cannabis-based edibles and beverages, since March 2020 further increased costs of goods sold, wholesale as a result of consequential inventory write-offs.

The increase in gross profit was driven by the factors discussed above. Gross margin for the three months ended September 30, 2020 was 42.5%, compared to 43.3% for the three months ended September 30, 2019. Gross margin for the nine months ended September 30, 2020 was 41.7%, compared to 42.7% for the nine months ended September 30, 2019.

*Year ended December 31, 2019 vs. 2018*

The increase in total revenues during the year ended December 31, 2019 was primarily driven by acquisitions, which contributed 183%. Acquisitions drove 198% and 118% of retail and wholesale revenue increases, respectively. The remaining increase in wholesale revenue was primarily driven by our Pennsylvania cultivation facility.

The increase in total cost of goods sold during the year ended December 31, 2019 was primarily driven by acquisitions, which contributed 206%. Acquisitions contributed 217% and 135% to the retail and wholesale costs of goods sold, respectively. The remaining increase in wholesale cost of goods sold was primarily driven by our Pennsylvania cultivation facility.

The increase in gross profit was driven by the factors discussed above. Acquisitions contributed 155% to the increase. Gross margin for the year ended December 31, 2019 was 41.1%, compared to 44.6% for the year ended December 31, 2018.

Excluding Form Factory, the average estimated wholesale price per gram sold during the years ended December 31, 2019 and 2018 was $7.20 and $7.17, respectively. Excluding Form Factory, the average estimated wholesale cost per gram sold during the years ended December 31, 2019 and 2018 was $3.82 and $4.02, respectively.

*Year ended December 31, 2018 vs. 2017*

The increase in total revenues during the year ended December 31, 2018 was primarily driven by acquisitions, which contributed 120%. Acquisitions drove 111% of retail revenue increase. Substantially all of our wholesale revenue during the year was attributable to the start of cultivation sales in Pennsylvania.

The increase in total cost of goods sold during the year ended December 31, 2018 was primarily driven by acquisitions, which contributed 119% to both total cost of goods sold and retail cost of goods sold. Substantially all of our wholesale cost of goods sold during the year was attributable to the start of cultivation sales in Pennsylvania.

The increase in gross profit was driven by the factors discussed above. Acquisitions contributed 121% to the increase. Gross margin for the year ended December 31, 2018 was 44.6%, compared to 44.4% for the year ended December 31, 2017.

*Revenue by geography*

While the Company operates under one operating segment, the production and sale of cannabis products, the below revenue breakout by geography is included as management believes it provides relevant and useful information to investors.

| **Revenue by region** | | | **Better/(Worse)** | | | | **Better/(Worse)** | |
|---|---|---|---|---|---|---|---|---|
| in thousands | **Three Months Ended September 30,** | | **2020 vs. 2019** | | **Nine Months Ended September 30,** | | **2020 vs. 2019** | |
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| New England | $ 12,598 | $ 11,249 | $ 1,349 | 12% | $ 36,520 | $ 26,866 | $ 9,654 | 36% |
| Mid-Atlantic | 11,217 | 6,066 | 5,151 | 85% | 25,622 | 13,688 | 11,934 | 87% |
| Midwest | 4,810 | 2,057 | 2,753 | 134% | 12,040 | 4,475 | 7,565 | 169% |
| West | 2,700 | 3,030 | (330) | (11)% | 8,081 | 8,015 | 66 | 1% |
| South | 417 | — | 417 | n/m | 776 | — | 776 | n/m |
| Total revenues, net | $ 31,742 | $ 22,402 | $ 9,340 | 42% | $ 83,039 | $ 53,044 | $ 29,995 | 57% |

**n/m - Not Meaningful**

| **Revenue by region** | | | | **Better/(Worse)** | | **Better/(Worse)** | |
|---|---|---|---|---|---|---|---|
| in thousands | **Year Ended December 31,** | | | **2019 vs. 2018** | | **2018 vs. 2017** | |
| | 2019 | 2018 | 2017 | $ | % | $ | % |
| New England | $ 36,875 | $ 9,139 | $ — | $ 27,736 | 303% | $ 9,139 | n/m |
| Mid-Atlantic | 19,797 | 3,122 | — | 16,675 | 534 | 3,122 | n/m |
| Midwest | 6,839 | 20 | — | 6,819 | n/m | 20 | n/m |
| West | 10,598 | 8,843 | 7,743 | 1,755 | 20 | 1,100 | 14 |
| Total revenues, net | $ 74,109 | $ 21,124 | $ 7,743 | $ 52,985 | 251% | $ 13,381 | 173% |

**n/m - Not Meaningful**

Total operating expenses

Total operating expenses consist primarily of compensation expense at our corporate offices as well as operating subsidiaries, professional fees, which includes, but is not limited to, legal and accounting services, depreciation and other general and administrative expenses.

**Operating expenses**

| in thousands | Three Months Ended September 30, | | Better/(Worse) 2020 vs. 2019 | | Nine Months Ended September 30, | | Better/(Worse) 2020 vs. 2019 | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| General and administrative | $ 14,819 | $ 12,977 | $ (1,842) | (14)% | $ 40,237 | $ 41,039 | $ 802 | 2% |
| Compensation expense | 8,306 | 11,801 | 3,495 | 30% | 30,740 | 29,542 | (1,198) | (4)% |
| Equity-based compensation expense | 10,445 | 28,174 | 17,729 | 63% | 65,369 | 67,844 | 2,475 | 4% |
| Marketing | 46 | 1,151 | 1,105 | 96% | 1,514 | 3,153 | 1,639 | 52% |
| Loss on impairment | — | — | — | n/m | 187,775 | — | (187,775) | n/m |
| Loss on notes receivable | — | — | — | n/m | 8,161 | — | (8,161) | n/m |
| Write down of assets held-for-sale | 2,893 | — | (2,893) | n/m | 11,003 | — | (11,003) | n/m |
| Loss from legal settlements | 14,150 | — | (14,150) | n/m | 14,150 | — | (14,150) | n/m |
| Depreciation and amortization | 1,396 | 2,182 | 786 | 36% | 4,888 | 5,313 | 425 | 8% |
| Total operating expenses | $ 52,055 | $ 56,285 | $ 4,230 | 8% | $ 363,837 | $ 146,891 | $ (216,946) | (148)% |

**n/m - Not Meaningful**

**Operating expenses**

| in thousands | Year Ended December 31, | | | Better/(Worse) 2019 vs. 2018 | | Better/(Worse) 2018 vs. 2017 | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | $ | % | $ | % |
| General and administrative | $ 56,224 | $ 18,647 | $ 4,560 | $ (37,577) | (202)% | $ (14,087) | (309)% |
| Compensation expense | 42,061 | 15,356 | 3,853 | (26,705) | (174) | (11,503) | (299) |
| Equity-based compensation expense | 97,538 | 11,230 | 1,837 | (86,308) | (769) | (9,393) | (511) |
| Marketing | 5,009 | 1,571 | 212 | (3,438) | (219) | (1,359) | (641) |
| Loss on impairment | 13,463 | — | — | (13,463) | n/m | — | n/m |
| Depreciation and amortization | 7,593 | 3,749 | 20 | (3,844) | (103) | (3,729) | n/m |
| Total operating expenses | $ 221,888 | $ 50,553 | $ 10,482 | $ (171,335) | (339)% | $ (40,071) | (382)% |

**n/m - Not Meaningful**

Compensation expense decreased during the three months ended September 30, 2020, compared to the corresponding period of fiscal 2019, primarily due to reorganization efforts. Compensation expense increased during the nine months ended September 30, 2020, compared to the corresponding period of fiscal 2019, primarily driven by stock compensation to attract and retain talent and increased headcount to scale our operations, partially offset by the suspension of operations at Form Factory since March 2020. General and administrative expenses increased during the three months ended September 30, 2020, compared to the corresponding period of fiscal 2019 driven by expansion efforts in Illinois for new adult-use dispensaries. General and administrative expenses remained relatively flat for the nine months ended September 30, 2020, compared to the corresponding period of fiscal 2019. During the three and nine months ended September 30, 2020, the Company determined certain businesses and assets met the held-for-sale criteria. In accordance with ASC 360-10, *Property, Plant and Equipment*, the assessed disposal groups for such assets held-for-sale were written down to fair value less costs to sell, resulting in the recognition of a charges of $2.8 million and $11.0 million for the three and nine months ended September 30, 2020, respectively. The Company recognized an impairment loss on certain intangible assets during the nine months ended September 30, 2020 as a result of our interim impairment testing, primarily due to declines in future cash flow projections at Form Factory and certain cannabis licenses and management services contracts. These impairments resulted in the recognition of a tax provision benefit and an associated reversal of deferred tax liabilities of $31.4 million during the nine months ended September 30, 2020. The Company recognized a loss on notes receivable and associated accrued interest during the nine months ended September 30, 2020, as it was determined that the note was no longer collectible. The increase in *Loss from legal settlements* was driven by the recognition of litigation accruals during the three and nine months ended September 30, 2020.

Increases to compensation expense during both the years ended December 31, 2019 and 2018 were primarily driven by stock compensation to attract and retain talent and increased headcount to scale our operations. Increases to general and administrative expenses were primarily driven by the increased volume and complexity of services such as legal and other professional services required as the Company's operations increased during the years ended December 31, 2019 and 2018. The Company recognized an impairment loss on certain intangible assets during the year ended December 31, 2019 as a result of our annual impairment testing, primarily due to declines in future cash flow projections at Form Factory and certain management services contracts.

Total other income (loss)

| **Other income** | | | **Better/(Worse)** | | | | **Better/(Worse)** | |
|---|---|---|---|---|---|---|---|---|
| in thousands | **Three Months Ended September 30,** | | **2020 vs. 2019** | | **Nine Months Ended September 30,** | | **2020 vs. 2019** | |
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| (Loss) income from investments, net | $ (433) | $ (1,458) | $ 1,025 | 70% | $ (195) | $ 770 | $ (965) | n/m |
| Interest income from loans receivable | 1,606 | 1,190 | 416 | 35% | 5,083 | 2,921 | 2,162 | 74% |
| Interest expense | (6,147) | (96) | (6,051) | n/m | (11,106) | (345) | (10,761) | n/m |
| Other loss, net | (656) | (220) | (436) | (198)% | (853) | (2,528) | 1,675 | 66% |
| Total other (loss) income | $ (5,630) | $ (584) | $ (5,046) | (864)% | $ (7,071) | $ 818 | $ (7,889) | n/m |

**n/m - Not Meaningful**

| **Other income (loss)** | | | | **Better/(Worse)** | | **Better/(Worse)** | |
|---|---|---|---|---|---|---|---|
| in thousands | **Year Ended December 31,** | | | **2019 vs. 2018** | | **2018 vs. 2017** | |
| | 2019 | 2018 | 2017 | $ | % | $ | % |
| Income (loss) from investments, net | $ (480) | $ 21,777 | $ 406 | $ (22,257) | n/m | $ 21,371 | n/m |
| Interest income from loans receivable | 3,978 | 1,178 | 330 | 2,800 | 238 | 848 | 257 |
| Interest expense | (1,194) | (4,617) | (1,215) | 3,423 | 74 | (3,402) | (280) |
| Other loss, net | (1,033) | (7,930) | (1,040) | 6,897 | 87 | (6,890) | (663) |
| Total other income (loss) | $ 1,271 | $ 10,408 | $ (1,519) | $ (9,137) | (88)% | $ 11,927 | n/m |

**n/m - Not Meaningful**

*Three Month and Nine Month Period Ended September 30, 2020*

Income from investments, net increased during the three and nine months ended September 30, 2020, compared to the corresponding periods of fiscal 2019 primarily due to increased ownership interest resulting from the internalization of GreenAcreage Real Estate Corp. (“GreenAcreage”) as well as the mark-to-market fluctuations in our portfolio. This increase is partially offset by the impact of the equity method investment described at Note 5 of our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019, as well as the absence of treasury bills during the three and nine months ended September 30, 2020, respectively, compared to the corresponding periods of fiscal 2019. Interest expense increased during the three and nine months ended September 30, 2020, compared to the corresponding periods of fiscal 2019 primarily due to the effects of increased financing transactions as well as the Company’s failed sale-leaseback transaction. Interest income from loans receivable increased during the three and nine months ended September 30, 2020, compared to the corresponding periods of fiscal 2019 as our amount of outstanding loans increased. The improvement in *Other loss, net* was primarily driven by higher expenses related to day one charges for the acquisition of Form Factory incurred during the nine months ended September 30, 2019.

*Year ended December 31, 2019 vs. 2018*

The decline in income (loss) from investments, net was due to the roll up of our investments to consolidated subsidiaries during the year ended December 31, 2018. The improvement to other loss, net was driven by increased expenses related to our public listing incurred during the year ended December 31, 2018. The decline in interest expense was due to the conversion of our convertible notes to equity at the time of our public listing. Interest income from loans receivable increased as our amount of outstanding loans increased.

*Year ended December 31, 2018 vs. 2017*

The increase in income (loss) from investments, net was primarily driven by the roll up of our investments to consolidated subsidiaries during the year ended December 31, 2018. The increase to other loss, net was driven by increased expenses related to our public listing incurred during the year ended December 31, 2018. The increase in interest expense was driven by convertible notes issued towards the end of 2017, as well as seller’s notes issued during 2018. Interest income from loans receivable increased as our amount of outstanding loans increased.

Net loss

| **Net loss** in thousands | Three Months Ended September 30, | | Better/(Worse) 2020 vs. 2019 | | Nine Months Ended September 30, | | Better/(Worse) 2020 vs. 2019 | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | $ | % | 2020 | 2019 | $ | % |
| Net loss | $ (48,036) | $ (49,502) | $ 1,466 | 3% | $ (314,635) | $ (129,571) | $ (185,064) | (143)% |
| Less: net loss attributable to non-controlling interests | (7,488) | (10,786) | 3,298 | 31% | (64,941) | (29,937) | (35,004) | (117)% |
| Net loss attributable to Acreage Holdings, Inc. | $ (40,548) | $ (38,716) | $ (1,832) | (5)% | $ (249,694) | $ (99,634) | $ (150,060) | (151)% |

| **Net loss** in thousands | Year Ended December 31, | | | Better/(Worse) 2019 vs. 2018 | | Better/(Worse) 2018 vs. 2017 | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | $ | % | $ | % |
| Net loss | $ (195,162) | $ (32,261) | $ (9,536) | $ (162,901) | (505)% | $ (22,725) | (238)% |
| Less: net loss attributable to non-controlling interests | (44,894) | (4,778) | (993) | (40,116) | (840) | (3,785) | (381) |
| Net loss attributable to Acreage Holdings, Inc. | $ (150,268) | $ (27,483) | $ (8,543) | $ (122,785) | (447)% | $ (18,940) | (222)% |

**n/m - Not Meaningful**

The increases in net loss are driven by the factors discussed above.

The increase in loss allocated to the non-controlling interests was driven by the shift in ownership structure resulting from the RTO transaction. Certain former High Street members contributed their units in High Street to Acreage Holdings, WC, Inc. ("USCo2") in exchange for non-voting shares of USCo2, and certain executive employees and profits interests holders remained unitholders of High Street. These non-voting shares and units are exchangeable for either one Subordinate Voting Share of the Company or cash, as determined by the Company.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

***Sources and uses of cash***

Our primary uses of capital include acquisitions, capital expenditures, servicing of outstanding debt and operating expense. Our primary sources of capital include funds generated by cannabis sales as well as financing activities. Through September 30, 2020, we have primarily used private financing as a source of liquidity for short-term working capital needs and general corporate purposes. In September 2020, we closed on a financing transaction described in detail in Note 10 to of our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 where a subsidiary of Canopy Growth advanced gross proceeds of $50.0 million (less transaction costs of approximately $4.0 million) to Universal Hemp, LLC, an affiliate of the Company, pursuant to the terms of the 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. An additional $50.0 million may be advanced pursuant to the debenture subject to the satisfaction of certain conditions by Universal Hemp, LLC. Additionally in September 2020, Acreage received gross proceeds of $33.0 (less transaction costs of approximately $0.9 million) from an institutional lender and used a portion of the proceeds to retire its short-term $11.0 million convertible note. The loan is unsecured, matures in three years and bears interest at a 7.5% annual interest rate. See additional disclosure in the Company's financial statements for the period ended September 30, 2020, footnote 10, *September 2020 Transactions*, regarding the Institutional lender and the Investment Partnership. Through December 31, 2019, we have primarily used private financing as a source of liquidity for short-term working capital needs and general corporate purposes. Our ability to fund our operations, capital expenditures, acquisitions, and other obligations depends on our future operating performance and ability to obtain financing, which are subject to prevailing economic conditions, as well a financial, business and other factors, some of which are beyond our control.

We expect that our cash on hand and cash flows from operations, along with our ability to obtain private and/or public financing, will be adequate to support the capital needs of the existing operations as well as expansion plans for the next 12 months from the date of the financial statements included herein. While the Company's rapid growth and continued expansion resulted in negative operating cash flow for the year ended December 31, 2019, we do not believe our liquidity risk has increased significantly since our RTO transaction.

***Cash flows***

Cash and cash equivalents and restricted cash were $68.4 million as of September 30, 2020, an increase of $30.7 million from September 30, 2019. The following table summarizes the change in cash, cash equivalents and restricted cash for the nine months ended September 30, 2020 and 2019.

| **Cash flows** in thousands | **Nine Months Ended September 30,** | | **Better/(Worse) 2020 vs. 2019** | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Net cash used in operating activities | $ (44,208) | $ (55,703) | $ 11,495 | 21% |
| Net cash (used in) provided by investing activities | (63,681) | 14,667 | (78,348) | n/m |
| Net cash provided by (used in) financing activities | 149,748 | (26,269) | 176,017 | n/m |
| Net increase (decrease) in cash, cash equivalents and restricted cash | $ 41,859 | $ (67,305) | $ 109,164 | n/m |

**n/m - Not Meaningful**

Cash and cash equivalents were $26,505 as of December 31, 2019, a decline of $78,438 from December 31, 2018. The following table details the change in cash, cash equivalents and restricted cash for the years ended December 31, 2019, 2018 and 2017.

| **Cash flows** in thousands | **Year Ended December 31,** | | | **Better/(Worse) 2019 vs. 2018** | | **Better/(Worse) 2018 vs. 2017** | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | $ | % | $ | % |
| Net cash used in operating activities | $ (70,879) | $ (35,536) | $ (5,557) | $ (35,343) | (99)% | $ (29,979) | (539)% |
| Net cash used in investing activities | (14,609) | (235,692) | (19,382) | 221,083 | 94 | (216,310) | n/m |
| Net cash provided by financing activities | 7,050 | 359,766 | 36,143 | (352,716) | (98) | 323,623 | 895 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | $ (78,438) | $ 88,538 | $ 11,204 | $ (166,976) | n/m | $ 77,334 | 690 |

**n/m - Not Meaningful**

Net cash used in operating activities

The decrease in cash used in operating activities were primarily driven by a decrease in compensation, marketing and general and administrative expenses during the nine months ended September 30, 2020, as compared to the corresponding period of fiscal 2019.

The increases in cash used in operating activities were primarily driven by an increase in general and administrative and compensation expenses during the nine months ended September 30, 2019, as compared to the corresponding period of fiscal 2018.

The increases in cash used in operating activities were primarily driven by an increase in general and administrative and compensation expenses during the years ended December 31, 2019 and 2018.

Net cash used in investing activities

Cash used in investing activities during the nine months ended September 30, 2020, as compared to the corresponding period of fiscal 2019 was primarily driven by the long-term investment of $34.0 million, acquisition of CCF for $9.9 million, net of cash acquired, $7.9 million spent on capital expenditures to build out our owned operations and $13.9 million advanced to entities, net of collections, with which we have a management or consulting services arrangement. This is partially offset by proceeds received from the sale of capital assets and the proceeds from the sale of Acreage North Dakota, LLC for $1.1 million and $0.9 million, respectively.

Cash provided by investing activities during the nine months ended September 30, 2019 was primarily driven by the maturing of short-term investments, which contributed $149.8 million. Partially offsetting this cash receipt were cash disbursements of $77.6 million spent on the advanced payments and purchases of cannabis license holders and management contracts, $32.2 million spent on capital expenditures to build out our owned operations, and $21.4 million advanced to entities, net of collections, with which we have a management or consulting services arrangement.

Cash provided by investing activities during the year ended December 31, 2019 was primarily driven by the maturing of short-term investments, which contributed $149.8 million. Partially offsetting this cash receipt were cash disbursements of $77.6 million spent on the advanced payments and purchases of cannabis license holders and management contracts, $47.0 million spent on capital expenditures to build out our owned operations and $35.9 million advanced to entities, net of collections, with which we have a management or consulting services arrangement.

Cash used in investing activities during the year ended December 31, 2018 was primarily driven by the purchase of $148.6 million in short-term investments, $61.2 million spent on the advanced payments and purchases of cannabis license holders and management contracts, $22.3 million spent on capital expenditures to build out our owned operations, and $10.9 million advanced to entities, net of collections, with which we have a management or consulting services arrangement. Proceeds of $9.6 million related to the sale of an investment partially offset these outflows.

Cash used in investing activities during the year ended December 31, 2017 was primarily driven by $10.9 million spent on long-term investments, $4.7 million spent on capital expenditures to build out our owned operations and $3.8 million advanced to entities with which we have a management or consulting services arrangement.

Net cash provided by financing activities

Cash provided by financing activities during the nine months ended September 30, 2020 was primarily driven by proceeds from raising $27.8 million as a result of the issuance of warrants, $129.0 million related to financing proceeds, as well as $22.0 million related to collateral received pursuant to a portion of the financing proceeds. This is partially offset by the repayment of debt of $10.8 million, repayment of short-term related party debt of $15.0 million as well as payments of deferred financing costs of $3.3 million.

Cash used in financing activities during the nine months ended September 30, 2019 was primarily driven by $12.1 million in debt repayments, $9.7 million paid to settle taxes withheld, and $4,363 related to net capital distributions for non-controlling interests.

Cash provided by financing activities during the year ended December 31, 2019 was primarily driven by proceeds from financing of $19.0 million related to sale-leaseback transactions that were subsequently classified as finance leases and $15.0 million in proceeds from short-term related party debt, partially offset by $12.3 million in debt repayments and $10.3 million paid to settle taxes withheld.

Cash provided by financing activities during the year ended December 31, 2018 was primarily driven by $298.6 million in net proceeds from the private placement that preceded the RTO and $116.8 million in net proceeds from our Series E funding round. Partially offsetting these proceeds were payments of $21.0 million to settle tax obligations on behalf of certain investors, $19.6 million used to purchase additional ownership in non-controlling interests and $17.8 million in debt repayments.

Cash provided by financing activities during the year ended December 31, 2017 was primarily driven by $29.7 million in net proceeds from the issuance of convertible notes.

**Capital Resources**

***Capital structure and debt***

Our debt outstanding as of September 30, 2020 is as follows:

| **Debt balances** | **September 30, 2020** |
|---|---|
| NCCRE loan | $ 476 |
| Seller's notes | 2,581 |
| Financing liability (related party) | 15,253 |
| Finance lease liabilities | 5,622 |
| 3.55% Credit facility due 2022 | 19,841 |
| 3.55% Credit facility collateral (related party) | 22,116 |
| Bridge loan | 14,884 |
| 7.5% Loan due 2023 | 32,043 |
| 6.1% Secured debenture due 2030 | 45,984 |
| **Total debt** | **$ 158,800** |
| Less: current portion of debt | 37,097 |
| **Total long-term debt** | **$ 121,703** |

Our debt outstanding as of December 31, 2019 and 2018 is as follows:

| Debt balances | December 31, 2019 | December 31, 2018 |
|---|---|---|
| NCCRE loan | $ 492 | $ 511 |
| Seller's notes | 2,810 | 15,124 |
| Related party debt | 15,000 | — |
| Financing liability | 19,052 | — |
| Finance lease liabilities | 6,132 | — |
| **Total debt** | **$ 43,486** | **$ 15,635** |
| Less: current portion of debt | 15,300 | 15,144 |
| **Total long-term debt** | **$ 28,186** | **$ 491** |

***Commitments and contingencies***

Please see Note 13 of our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019.

Contractual obligations

Our contractual obligations include amounts reflected on our balance sheet, as well as off-balance sheet arrangements. As of December 31, 2019, our significant contractual arrangements were as follows:

| **Contractual obligations** in thousands | Total | Less than 1 year | 1-3 years | 3-5 years | 5+ years |
|---|---|---|---|---|---|
| **Off-balance sheet arrangements** | | | | | |
| Purchase obligations | $ — | | | | |
| | | | | | |
| **On-balance sheet arrangements** | | | | | |
| Operating lease obligations | 88,269 | 7,329 | 15,919 | 15,100 | 49,921 |
| Finance lease obligations | 23,188 | 832 | 1,766 | 1,850 | 18,740 |
| Long-term debt | 37,354 | 15,251 | 3,051 | — | 19,052 |
| Other long-term liabilities [(1)] | 25 | — | 25 | — | — |
| Total | **$ 148,836** | **$ 23,412** | **$ 20,761** | **$ 16,950** | **$ 87,713** |

(1) Excludes deferred tax liability

**Critical accounting policies and estimates**

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are evaluated on an ongoing basis and are based on historical experience and other assumptions that we believe are reasonable.

The estimates and assumptions management believes could have a significant impact on our financial statements are discussed below. For a summary of our significant accounting policies, refer to Note 2 of the Consolidated Financial Statements.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. It is possible, however, that at some future date, an additional liability could result from audits by taxing authorities. If the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Business combinations

The Company must assess whether an entity being purchased constitutes a business, which requires an assessment of inputs and processes in place at the acquiree. The fair value of assets acquired and liabilities assumed requires management to make significant estimates. Judgment is required to determine when the Company gains control of an investment. This requires an assessment of the relevant activities of the investee that significantly affect its returns, including operating and capital expenditure decision-making, financing of the investee, key management personnel changes and when decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors. Investments in which the Company does not gain control are accounted for as equity-method investments (if the Company has significant influence) or as investments held at fair value with changes recognized through net income (if the Company has no significant influence). Refer to Note 3 and Note 4 of the Consolidated Financial Statements for further discussion.

Impairment on notes receivable

At each reporting date the Company assesses whether the credit risk on its promissory notes receivable has increased significantly since initial recognition.

Impairment of intangible assets

Goodwill and indefinite-lived intangible assets are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Finite-lived intangible assets and other long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Indefinite-lived and long-lived intangible assets are tested at the individual business unit level, which is the lowest level for which identifiable cash flows are largely independent of other assets and liabilities. In testing for impairment, indefinite-lived intangibles and long-lived intangible assets are tested before goodwill. Indefinite-lived intangibles, long-lived assets and goodwill are first assessed qualitatively to determine whether it is more likely than not that the asset is impaired.

If it is determined qualitatively that an asset is likely impaired, a quantitative assessment will be performed. Indefinite-lived intangible assets are assessed quantitatively by determining the present value of discounted cash flows and comparing it to the carrying amount of such assets. Finite-lived intangible assets and other long-lived assets are tested for impairment by determining the undiscounted cash flows expected from the use and eventual disposition of the asset, and comparing it to its carrying amount. Goodwill is tested quantitatively by determining the fair value of the reporting unit and comparing it to the carrying amount, including goodwill, of the reporting unit. If the fair value is greater than the reporting unit’s carrying value, the goodwill is not deemed impaired. If the fair value is less than the carrying amount, the implied fair value of goodwill must be determined to compare to the carrying value of the goodwill.

As of September 30, 2020 and December 31, 2019, our goodwill held at our single reportable segment were $31.9 million and $105.7 million, respectively.

The Company estimated the recoverable amounts of goodwill and indefinite-lived intangible assets by estimating the higher of their fair value less costs of disposal and value in use, which are Level 3 measurements within the fair value hierarchy. The key assumptions that drove management's determination of the recoverable amounts of the cash generating units (“CGUs”) were:

- Revenue multiples of comparable industry peers.
- Expected cash flows underlying our business plans for the periods 2020 through 2024.
- Cash flows beyond 2024 are projected to grow at a perpetual growth rate, which was estimated to be 1%.
- In order to risk-adjust the cash flow projections in determining value in use, we utilized an after-tax discount rate of approximately 11.8%.

Management assigned value to each input based on past experience and industry expectations. The tests performed in the nine months ended September 30, 2020 and the year ended December 31, 2019 resulted in the impairment of certain finite and indefinite-lived intangible assets. Refer to Note 4 of the consolidated financial statements for further information. The Company does not believe a slight change in the key assumptions would cause the recoverable amount of any non-impaired CGU to fall below its carrying amount.

Emerging growth company status

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

For as long as we continue to be an emerging growth company, we intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our subordinate voting shares less attractive because we will rely on these exemptions. If some investors find our subordinate voting shares less attractive as a result, there may be a less active trading market for our subordinate voting shares and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the last day of the year in which we have total annual gross revenue of $1.07 billion or more; (ii) the last day of the year following the fifth anniversary of the first sale of common equity securities pursuant to an effective registration under the Securities Act; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

**Quantitative and Qualitative Disclosures About Market Risk**

The Company has exposure to the following risks from its use of financial instruments and other risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market, credit, liquidity, asset forfeiture, banking and interest rate risk.

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

The Company's exposure to non-payment or non-performance by its counterparties is a credit risk. The maximum credit exposure as of September 30, 2020, is the carrying amount of cash and cash equivalents, restricted cash, and accounts, notes and other receivables. The Company does not have significant credit risk with respect to customers. The Company mitigates its credit risk on its notes and other receivables by securing collateral, such as capital assets, and by its review of the counterparties and their businesses. The Company considers a variety of factors when determining interest rates for notes receivable, including the creditworthiness of the counterparty, market interest rates prevailing at the note's origination, and duration and terms of the note. The Company determined expected credit losses to be immaterial due to collateral held. Analysis of collateral held and future expected cash flows within the cannabis industry were considered in its expected credit loss assessment.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company endeavors to ensure that there is sufficient liquidity in order to meet short-term business requirements, after taking into account the Company's cash holdings. As of September 30, 2020, the Company's financial liabilities consist of accounts payable and accrued liabilities, lease liabilities and long-term debt. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis.

As reflected in the Unaudited Condensed Consolidated Financial Statements, the Company had an accumulated deficit as of September 30, 2020, as well as a net loss and negative cash flow from operating activities for the reporting period then ended. 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.

However, management believes that substantial doubt of our ability to meet our obligations for the next twelve months from the date of the financial statements included herein were first made available has been alleviated due to, but not limited to, (i) access to future capital commitments, (ii) continued sales growth from our consolidated operations, (iii) latitude as to the timing and amount of certain operating expenses as well as capital expenditures, (iv) restructuring plans that have already been put in place to improve the Company's profitability (See Note 3 of our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019), (v) the Standby Equity Distribution Agreement described in Note 13 of our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 and (vi) the anticipated Non-Core Divestitures as described in Note 3 of our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019.

If the Company is unable to raise additional capital whenever necessary, it may be forced to decelerate or curtail its footprint buildout or other operational activities until such time as additional capital becomes available. Such limitation of the Company's activities would allow it to slow its rate of spending and extend its use of cash until additional capital is raised. However, management cannot provide any assurances that we will be successful in accomplishing any of our plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur at any time within the next twelve months or thereafter which could increase our need to raise additional capital on an immediate basis.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company, its subsidiaries and investee companies, and leaves their cash holdings vulnerable. The Company has banking relationships in all jurisdictions in which it operates.

In addition, the Company maintains cash with various U.S. banks and credit unions with balances in excess of the Federal Deposit Insurance Corporation and National Credit Union Share Insurance Fund limits, respectively. The failure of a bank or credit union where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company's business, financial condition, results of operations and the market price of the Company's Subordinate Voting Shares.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates. The Company considers cash flow interest rate risk to be immaterial.

Capital risk management

The Company considers its capital structure to include contributed capital, accumulated deficit, non-controlling interests and any other component of equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As reflected in the Unaudited Condensed Consolidated Financial Statements, the Company had an accumulated deficit as of September 30, 2020, as well as a net loss and negative cash flow from operating activities for the reporting period then ended. 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.

However, management believes that substantial doubt of our ability to meet our obligations for the next twelve months from the date of the financial statements included herein were first made available has been alleviated due to, but not limited to, (i) access to future capital commitments, (ii) continued sales growth from our consolidated operations, (iii) latitude as to the timing and amount of certain operating expenses as well as capital expenditures, (iv) restructuring plans that have already been put in place to improve the Company's profitability (See Note 3 of the Unaudited Condensed Consolidated Financial Statements), (v) the Standby Equity Distribution Agreement described in Note 13 of the Unaudited Condensed Consolidated Financial Statements and (vi) the anticipated Non-Core Divestitures as described in Note 3 of our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019.

If the Company is unable to raise additional capital whenever necessary, it may be forced to decelerate or curtail its footprint buildout or other operational activities until such time as additional capital becomes available. Such limitation of the Company's activities would allow it to slow its rate of spending and extend its use of cash until additional capital is raised. However, management cannot provide any assurances that we will be successful in accomplishing any of our plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur at any time within the next twelve months or thereafter which could increase our need to raise additional capital on an immediate basis.

## BUSINESS

### Introduction

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

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

Kevin Murphy, the Chairman of the Company, began investing in the cannabis space in 2011 with minority investments in dispensaries located in medical-use states on the east coast of the United States. High Street was founded by Mr. Murphy in April 2014 to invest in the burgeoning U.S. regulated cannabis market and, until April 2018, was an investment holding company and engaged in the business of investing in cannabis companies. As part of the formation of High Street in 2014, Mr. Murphy contributed his cannabis related investment portfolio valued at approximately $14 million to High Street in exchange for 20 million Class B membership units of High Street.

High Street and the Company have invested in geographically diverse licensed entities that operate in both the adult-use and medical-use authorized U.S. states. The companies in which the Company and High Street have a direct or indirect ownership interest (collectively, the "Subsidiaries") focus on all aspects of the state regulated cannabis industry. As a result of its experience investing in the industry, and, in many cases, active involvement with the Subsidiaries, High Street's management gained significant experience in cultivation, processing and dispensing of cannabis and cannabis infused products.

From inception until April 2018, when High Street began the process of converting its minority investments in many of the Subsidiaries into controlling interests, the principal business activity of High Street was to provide debt and equity capital to existing cannabis license holders, cannabis license applicants and related management companies which are party to financing and consulting services agreements with High Street-owned entities in states throughout the U.S. where medical and/or adult-use of cannabis is legal. Such investments included straight debt securities (secured or unsecured), convertible debt instruments and/or common or preferred equity securities issued by the Subsidiaries. As an investor in these Subsidiaries, High Street was generally entitled to hold board seats and played an advisory role in the management and operations of such Subsidiaries, which afforded High Street the opportunity to build its institutional knowledge in the cannabis space. Additionally, being an investor in the Subsidiaries provided High Street with the ability to develop a vertically-integrated U.S. cannabis market participant with one of the largest footprints in the industry.

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

Since 2018, we have worked toward becoming the best multi-state operator in the U.S. and we continue to be committed to providing access to cannabis' beneficial properties by creating the best quality products and consumer experiences.

### Strategy and the Acreage Operations Footprint

As of the date of this Prospectus, Acreage owns and operates cannabis businesses or has management or consulting services or other agreements to assist in operations in place with licensed operators in 13 states. Through its subsidiaries, Acreage is engaged in or hold a license to engage in, or has management or consulting services agreements in place with license holders to assist in the manufacture, possession, sale or distribution of cannabis in the adult-use or medical cannabis marketplace in California, Connecticut, Florida, Illinois, Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Oregon and Pennsylvania.

Acreage is dedicated to unlocking the transformational power of cannabis to heal and change the world in order to achieve its full potential in helping all people live better and longer lives. Our mission is to champion and provide access to cannabis' beneficial properties by creating the highest quality medical and adult-use products and consumer experiences. Our operational strategy to deliver on our vision and mission revolves around four primary areas of focus: (1) cultivation; (2) retail; (3) processing/manufacturing and (4) wholesale. While we focus on these four areas, we have determined that we have just one reportable business segment: the production and sale of cannabis products.

**Manufacturing Operations**:

We have extensive capability and know-how in converting raw cannabis into finished products at the request of third parties. We use our know-how and intellectual property to manufacture and develop new and existing third party branded products and sell those products to third parties and through our retail and wholesale channels where allowable by law. We primarily operate in California and Oregon, but we will seek to expand operations into additional states as such opportunities are presented and permissible under applicable state laws and regulations.

**Operational Highlights**

We and entities with which we have management or consulting services agreements have cultivating, processing & manufacturing, wholesaling, and retailing and/or distributing operations in 13 states.

We own 19 operational dispensaries. We have or will have management or consulting services agreements, including pending acquisitions, with entities operating 10 dispensaries.

We own and operate, or will operate, six cultivation/manufacturing or processing facilities in six states. We have management or consulting services agreements and operate four cultivation/manufacturing or processing facilities in four states. Manufacturing and processing facilities are co-located with cultivation facilities.

**Cultivation**

Consistently growing high-quality cannabis is the one of the most important aspects of our business. In general, cannabis cultivation takes place in three settings: indoor, outdoor and in greenhouses. While it is cost effective to grow cannabis outdoors, it is also very hard to control pest infestations without the use of significant amounts of pesticides and is subject to other risks such as severe weather, diseases and mold. As a result, cannabis grown outdoors is significantly lower in quality than cannabis grown indoors or in greenhouses. Our focus is growing the highest quality medicinal and adult-use cannabis. We therefore currently grow all of our cannabis in indoor and greenhouse facilities, which allows us to grow in organic conditions under ideal climate controls and without the use of pesticides or fertilizers. We require significant capital to build and outfit our facilities. Beginning in October 2019, we began entering into sale and leaseback transactions with a real estate investment trust to finance (See Note 14 of the Consolidated Financial Statements) its cultivation construction and expansions. We will continue to pursue transactions with real estate investment trusts when such transactions are advantageous to us and our shareholders.

Acreage or the entities with which it has management or consulting services or other agreements to assist in operations have 10 operating cultivation facilities. As of December 31, 2020, Acreage has 65,612 square feet of canopy for cannabis cultivation. As announced on April 3, 2020, we halted cultivation operations in Iowa and have since surrendered the Iowa license, in part as a response to the COVID-19 pandemic. Acreage has also temporarily halted cultivation/processing operations in Oregon, in part as a response to the COVID-19 pandemic.

**Retail**

Acreage both operates licensed retail adult-use and medicinal cannabis dispensaries and has management or consulting services agreements with licensed dispensaries and provides assistance (but does not control) such entities in exchange for fees for such services. We and our contractual affiliates currently operate 29 dispensaries in 10 states. We seek to build out as many dispensaries as we are permitted by state rules and regulations under our existing licenses and we also continually evaluate acquisition targets to expand our dispensary footprint. On April 3, 2020, we announced the temporary closure of a dispensary in Maryland and one in North Dakota, and the conversion of a dispensary in Queens, NY to delivery-only, in part as a response to the COVID-19 pandemic.

We design our dispensaries to provide the best possible experience to our customers. Where possible and to the extent permissible under state law, we feature our own cultivated and manufactured products, but also feature other in-demand medicinal and adult-use products from other producers. Our flagship dispensary brand is *The Botanist*, which first launched in 2018. However, we also operate retail dispensaries under other names. In each instance, we consider whether to convert dispensaries to *The Botanist* brand and plan to do so where it makes sense commercially and is permissible by law. We view retail operations as one of our primary sources of cash flow for the foreseeable future.

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

**Processing & Manufacturing**

In states where we are appropriately licensed, we take the high-quality cannabis flower we grow and process or manufacture that flower into various forms for consumer and patient consumption, including pre-rolls, and concentrated extracts for use in gel caps, edibles, beverages, and vape cartridges. Our manufacturing and processing facilities are capital intensive, and we may enter into sale and leaseback transactions with a real estate investment trust to finance build-outs of our facilities, when such transactions are advantageous to us and our shareholders.

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

Acreage or the entities with which it has management or consulting services or other agreements to assist in operations have licenses to operate processing and manufacturing facilities in 10 states, of which 10 are currently operating. In most states, Acreage's processing facilities are co-located with its cultivation facilities. Depending on the state, these manufacturing and processing facilities primarily produce our developed "House of Brands" products under the brand names *The Botanist*, *Prime*, *Natural Wonder*, and *Live Resin Project*, as well as licensed brands such as Canopy Growth's *Tweed*. We use or plan to use a variety of extraction methods ranging from CO2 to butane to ethanol depending on the product requirements.

**Wholesale**

In addition to sales through our dispensaries, we have adopted a strategy of selling our flower and branded products in states with cultivation and processing operations and where allowable by law. We and our contractual affiliates sell branded products to licensed cannabis dispensaries in 9 states. We view wholesale operations as a crucial business strategy for both cash flow generation and distribution of our developed brands for long-term brand building success. We believe our footprint affords us a competitive advantage to building long-term brand equity. We plan to increase wholesale revenue in states where we currently wholesale products and also to begin wholesale operations in new states where allowable by law.

***Operations Summary Chart By Entity***

| State | Entity | Adult-Use / Medicinal | Dispensary Licenses | Cultivation / Processing / Distribution Licenses | Operational Dispensaries | Operational Cultivation / Processing Facilities |
|---|---|---|---|---|---|---|
| California[3,4,5] | CWG Botanicals, Inc.[2,5] | Adult-Use / Medicinal | — | 3 | — | 1 |
| | Kanna, Inc. | Adult-Use / Medicinal | 1 | — | — | — |
| | Gravenstein Foods LLC | Adult-Use / Medicinal | — | 1 | — | — |
| Connecticut | D&B Wellness, LLC | Medicinal | 1 | — | 1 | — |
| | Prime Wellness of Connecticut, LLC | Medicinal | 1 | — | 1 | — |
| | Thames Valley Apothecary, LLC | Medicinal | 1 | — | 1 | — |
| Florida | Acreage Florida, Inc.[7] | Medicinal | 1 | 1 | 1 | 1 |
| Illinois[6] | In Grown Farms LLC 2 | Adult-Use / Medicinal | — | 2 | — | 1 |
| | NCC LLC | Adult-Use / Medicinal | 1 | — | 1 | — |
| | NCC 2 LLC | Adult-Use | 1 | — | 1 | — |
| Maine | Wellness Connection of Maine[2] | Medicinal | 3 | 1 | 3 | 1 |
| | Wellness Connection of Maine[2] | Adult-Use | 1 | — | 1 | — |
| Massachusetts | The Botanist, Inc. | Medicinal | 3 | 1 | 2 | 1 |
| Michigan[1] | N/A | Medicinal | — | — | — | — |
| New Hampshire[2] | Prime Alternative Treatment Centers of NH, Inc. | Medicinal | 2 | 1 | 1 | 1 |
| New Jersey | Compassionate Care Foundation, Inc. | Medicinal | 3 | 1 | 2 | 1 |
| New York | NYCANNA, LLC (d/b/a The Botanist) | Medicinal | 4 | 1 | 4 | 1 |
| Ohio | Greenleaf Apothecaries, LLC[2] | Medicinal | 5 | — | 5 | — |
| | Greenleaf Therapeutics, LLC[2] | Medicinal | — | 1 | — | — |
| | Greenleaf Gardens, LLC[2] | Medicinal | — | 1 | — | — |
| Oregon | HSCP Oregon, LLC | Adult-Use | 2 | 1 | 2 | 1 |
| | 22nd & Burn, Inc. | Adult-Use | 1 | — | 1 | — |
| | The Firestation 23, Inc. | Adult-Use | 1 | — | 1 | — |
| | East 11th, Inc. | Adult-Use | 1 | — | 1 | — |
| | Gesundheit Foods LLC | Adult-Use | — | 2 | — | — |
| Pennsylvania | Prime Wellness of Pennsylvania, LLC | Medicinal | — | 1 | — | 1 |
| | | **Total** | 33 | 18 | 29 | 10 |

(1) Michigan licenses are in the process of being granted by the state, Acreage has a relationship in the state to develop our footprint there.
(2) Acreage provides goods and/or services including but not limited to financing, management, consulting and/or administrative services with these license holders to assist in the operations of their cannabis businesses.
(3) Separate grow/process licenses.
(4) A distribution license has been issued in this U.S. state.
(5) Acreage has entered into an agreement to acquire CWG. The acquisition remains subject to regulatory approval.
(6) In Grown Farms LLC 2 owns an Adult-Use/Medicinal cultivation and processing license and owns an Industrial HEMP processing license.
(7) Acreage Florida, Inc. d/b/a the Botanist holds one license issued by the Florida Department of Health Office of Medical Marijuana Use ("OMMU"). The one license authorizes the Botanist to cultivate, process, transport, and dispense marijuana products. On April 1, 2020, the OMMU removed the restriction of allowing the licensee to operate up to 40 dispensaries. The OMMU does not impose a limit of the number of dispensaries that the Botanist may operate.

**Marketing and Brand Development**

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

Acreage employs a focused 'House of Brands' approach to target specific consumer needs. Our brand development strategy includes in-house organic development where we see opportunities to add value. Acreage sells its developed, acquired, and licensed branded products in 12 states, with plans to significantly increase distribution and expend form factors in 2021.

Acreage's portfolio of product brands includes the following:

***The Botanist***

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

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

***Superflux***

*Superflux* embraces cannabis as a catalyst for creativity, culture, and connection. Its innovative line of raw cannabis concentrates products, extracted from fresh from plants at the height of their maturity, and curated strain selections deliver the most flavorful, aromatic cannabis experience available - welcoming an entirely new level of access to this connoisseur category. *Superflux* is slated to launch in 2021.

***Live Resin Project***

*Live Resin Project* is expected to roll into Acreage's *Superflux* brand, slated to launch in 2021.

***Tweed***

*Tweed* is a Canopy Growth-developed brand; Acreage is responsible for its U.S. expansion. *Tweed* allows consumers to find their fit, offering an easy-to-understand product architecture. The brand launched in the U.S. with flower and is slated to expand into a full portfolio of classic yet innovative products. *Tweed* believes in being a good neighbor to the communities we serve, including providing responsible access to quality cannabis throughout our network.

***Prime Wellness***

*Prime Wellness* is a product brand, committed to advancing health and wellness, enabling access to expertly crafted medicine to offer potential alternatives for patients living with a qualifying medical condition, improve the quality of life for patients and caregivers through science and cannabis, and empowering communities with information to better understand the benefits of compassionate and effective use.

*Prime's* high-quality products are distributed in 100% of Pennsylvania's medical dispensaries, one of the largest medical cannabis markets in the country.

**Competition**

The cannabis industry is highly competitive. We compete on quality, price, brand recognition, and distribution strength. Our cannabis products compete with other products for consumer purchases, as well as shelf space in retail dispensaries and wholesaler attention. We compete with thousands of cannabis producing companies from small "mom and pop" operations to multi-billion-dollar market cap multi-state operators. Our principal multi-state operator competitors include but are not limited to Curaleaf Holdings, Inc., Harvest Health & Recreation, Inc., iAnthus Capital Holdings, Inc., Green Thumb Industries Inc. and Cresco Labs Inc.

**Sources and Availability of Production Materials**

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

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

**Government Regulation**

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

We comply in all material respects with all applicable governmental laws and regulations in the states in which we operate (including the applicable licensing requirements), with the exception of the U.S. federal prohibition of cannabis. We believe that the cost of administration and compliance with, and liability under, such laws and regulations does not have, and is not expected to have, a material adverse impact on our financial condition, results of operations or cash flows.

**Seasonality**

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

**Intellectual Property**

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

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

**Human Capital**

As of December 31, 2020, we had approximately 644 employees, 560 of whom were in field operations and 84 of whom were in corporate administration and management. We offer our employees opportunities to grow and develop their careers and provide them with a wide array of company paid benefits and compensation packages which we believe are competitive relative to our peers in the industry.

Employee safety and health in the workplace is one of our core values. The COVID-19 pandemic has underscored for us the importance of keeping our employees safe and healthy. In response to the pandemic, we have taken actions aligned with the World Health Organization and the Centers for Disease Control and Prevention to protect our workforce so they can more safely and effectively perform their work.

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

**Acquisitions**

As part of our strategy to deliver on our vision and mission, we may from time to time acquire entities or licenses to increase our existing presence in states where we or businesses with which we have agreements already operate or to expand our footprint into new states. The consideration we issue in connection with such acquisitions may include cash, equity in Acreage or High Street, notes payable or a mix of these forms of consideration. The following transactions were completed or entered into in 2019:

In 2020, we completed the acquisition of Compassionate Care Foundation, Inc. ("CCF"), a vertically integrated medical cannabis operator in New Jersey with licenses to conduct growing, processing, wholesale, and dispensary operations. On November 15, 2019, we entered into an agreement to acquire CCF, which closed on June 26, 2020. CCF operates a medicinal cultivation and processing facility and medicinal dispensaries in Egg Harbor and Atlantic City. A third dispensary is planned to be constructed in Monroe.

***Amended Arrangement with Canopy Growth Corporation***

On June 24, 2020, we entered into a proposal agreement (the "**Proposal Agreement**") with Canopy Growth Corporation ("**Canopy Growth**") which set out, among other things, the terms and conditions upon which us and Canopy Growth were proposing to enter into an amending agreement (the "**Amending Agreement**") which, among other things, provided for certain amendments to the arrangement agreement entered into with Canopy Growth dated April 18, 2019, as amended on May 15, 2019 (the "**Original Arrangement Agreement**" and, as further amended on September 23, 2020, the "**Arrangement Agreement**") and the amendment and restatement of the plan of arrangement implemented by us on June 24, 2019 ((the "**Amended Plan of Arrangement**") to implement the arrangement contemplated in the Arrangement Agreement (the "**Amended Arrangement**") pursuant to the *Business Corporations Act* (British Columbia) ("**BCBCA**"). The effectiveness of the amendment to the Original Arrangement Agreement and the implementation of the Amended Plan of Arrangement was subject to the conditions set out in the Proposal Agreement, which included, among others, approval by: (i) the Supreme Court of British Columbia (the "**Court**") at a hearing upon the procedural and substantive fairness of the terms and conditions of the Amended Arrangement; and (ii) our shareholders, as required by applicable corporate and securities laws.

The Amended Arrangement was approved by our shareholders at our special meeting held on September 16, 2020 and a final order approving the Amended Arrangement was obtained from the Court on September 18, 2020.

Following the satisfaction of various conditions set forth in the Proposal Agreement, on September 23, 2020, us and Canopy Growth entered into the Arrangement Agreement and implemented the Amended Arrangement effective at 12:01 a.m. (Vancouver time) (the "**Amendment Time**") on September 23, 2020 (the "**Amendment Date**").

Pursuant to the Amended Plan of Arrangement, Canopy Growth made a cash payment of $37,500,024 (the "**Aggregate Amendment Option Payment**"), which was delivered to our shareholders and certain holders of securities convertible or exchangeable into our shares. Holders of Class A subordinate voting shares (the "**SVS**"), Class B proportionate voting shares (the "**PVS**"), Class C multiple voting shares (the "**MVS**"), and certain other parties, received approximately $0.30 per SVS, being their pro rata portion (on an as-converted to SVS basis) of the Aggregate Amendment Option Payment, based on the number of our outstanding shares and certain holders of securities convertible or exchangeable into our shares, as of the close of business on September 22, 2020, the record date for payment of the Aggregate Amendment Option Payment. The Aggregate Amendment Option Payment was distributed to such holders of record on or about September 25, 2020.

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

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

As a condition to implementation of the Amended Arrangement, an affiliate of Canopy Growth advanced the first tranche of $50,000,000 of a loan of up to $100,000,000 (the "**Hempco Loan**") to Universal Hemp, LLC, an affiliate of the Company that operates solely in the hemp industry in full compliance with all applicable laws ("**Hempco**") pursuant to a secured debenture (the "**Debenture**"). A further $50,000,000 advance will be made available upon satisfaction of specified Hempco conditions precedent. In accordance with the terms of the Debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. An additional $50.0 million may be advanced pursuant to the debenture subject to the satisfaction of certain conditions by Hempco. The Hempco Loan is anticipated to provide Acreage with the necessary financing for Hempco's operations in the CBD market. Acreage anticipates that Hempco's operations will leverage Canopy Growth's current U.S. CBD business, be accretive and drive overall value for Shareholders.

Pursuant to the Amended Plan of Arrangement, upon the occurrence, or waiver (at the discretion of Canopy Growth), of a change in federal laws in the United States to permit the general cultivation, distribution and possession of marijuana (as defined in the relevant legislation) or to remove the regulation of such activities from the federal laws of the United States (the "**Triggering Event**" and the date on which the Triggering Event occurs, the "**Triggering Event Date**"), 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) on the basis of 0.3048 (the "**Fixed Exchange Ratio**") of a common share of Canopy Growth (each, a "**Canopy Growth Share**") for each Fixed Share held at the time of the acquisition of the Fixed Shares (the "**Acquisition Time**"), subject to adjustment in accordance with the terms of the Amended Plan of Arrangement (the "**Canopy Call Option**"); and (ii) have the right (but not the obligation) (the "**Floating Call Option**"), exercisable for a period of 30 days following the Triggering Event Date to acquire all of the issued and outstanding Floating Shares. Upon exercise of the Floating Call Option, Canopy Growth may acquire the Floating Shares for cash or for Canopy Growth Shares or a combination thereof, in Canopy Growth's sole discretion. If paid in cash, the price per Floating Share shall be equal to the volume-weighted average trading price of the Floating Shares on the CSE (or other recognized stock exchange on which the Floating Shares are primarily traded as determined by volume) for the 30 trading day period prior to the exercise (or deemed exercise) of the Canopy Call Option, subject to a minimum amount of $6.41 (the "**Floating Cash Consideration**"). If paid in Canopy Growth Shares, each Floating Share will be exchanged for a number of Canopy Growth Shares equal to (i) the volume-weighted average trading price of the Floating Shares on the CSE (or other recognized stock exchange on which the Floating Shares are primarily traded as determined by volume) for the 30 trading day period prior to the exercise (or deemed exercise) of the Canopy Call Option, subject to a minimum amount of $6.41, divided by (ii) the volume-weighted average trading price (expressed in US$) of the Canopy Growth Shares on the New York Stock Exchange (the "**NYSE**") (or such other recognized stock exchange on which the Canopy Growth Shares are primarily traded if not then traded on the NYSE) for the 30 trading day period immediately prior to the exercise (or deemed exercise) of the Canopy Call Option (the "**Floating Ratio**"). The Floating Ratio is subject to adjustment in accordance with the Amended Plan of Arrangement if Acreage issues greater than the permitted number of Floating Shares prior to the Acquisition Date. No fractional Canopy Shares will be issued pursuant to the Amended Plan of Arrangement. The Floating Call Option cannot be exercised unless the Canopy Call Option is exercised (or deemed to be exercised). The closing of the acquisition of the Floating Shares pursuant to the Floating Call Option, if exercised, will take place concurrently with the closing of the acquisition of the Fixed Shares (the "**Acquisition**") pursuant to the Canopy Call Option, if exercised. The Canopy Call Option and the Floating 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 option, restricted stock unit, compensation option or warrant, as applicable, to acquire from Canopy Growth such number of Canopy Growth Shares as is equal to: (i) the number of Fixed Shares that were issuable upon exercise of such Fixed Share Replacement Security immediately prior to the Acquisition Time, multiplied by (ii) the Fixed Exchange Ratio in effect immediately prior to the Acquisition Time (provided that if the foregoing would result in the issuance of a fraction of a Canopy Growth Share, then the number of Canopy Growth Shares to be issued will be rounded down to the nearest whole number).

In the event that the Floating Call Option is exercised and Canopy Growth acquires the Floating Shares at the Acquisition Time, on the terms and subject to the conditions of the Amended Plan of Arrangement, each Floating Share Replacement Security will be exchanged for a replacement option, restricted stock unit, compensation option or warrant, as applicable, to acquire from Canopy Growth such number of Canopy Growth Shares as is equal to: (i) the number of Floating Shares that were issuable upon exercise of such Floating Share Replacement Security immediately prior to the Acquisition Time, multiplied by (ii) the Floating Ratio (provided that if the foregoing would result in the issuance of a fraction of a Canopy Growth Share, then the number of Canopy Growth Shares to be issued will be rounded down to the nearest whole number).

In the event that Floating Call Option is exercised, and Canopy Growth acquires the Floating Shares at the Acquisition Time, we will be a wholly-owned subsidiary of Canopy Growth. If Canopy Growth completes the Acquisition of the Fixed Shares but does not acquire the Floating Shares, the Floating Call Option will terminate, and the Floating Shares shall remain outstanding.

For more information, please refer to the Amending Agreement included as an exhibit to this Registration Statement.

Pursuant to the Amending Agreement, Acreage agreed to submit an Approved Business Plan to Canopy Growth on a quarterly basis that complies with certain specified criteria, including a business plan for the fiscal years ending December 31, 2020 through December 31, 2029 attached as a Schedule to the Proposal Agreement (the "**Initial Business Plan**"). The Initial Business Plan contains annual revenue and earnings targets for each of Acreage's fiscal years ending on December 31, 2020 to December 31, 2029, as outlined below:

| Fiscal Year Ending | Pro-Forma Net Revenue Target (in US$000's) | Consolidated Adj. EBITDA Target (in US$000's) |
|---|---|---|
| 2020 | 166,174 | (22,499) |
| 2021 | 253,296 | 36,720 |
| 2022 | 289,528 | 53,222 |
| 2023 | 375,274 | 102,799 |
| 2024 | 558,599 | 166,744 |
| 2025 | 641,047 | 190,385 |
| 2026 | 740,194 | 218,108 |
| 2027 | 848,498 | 244,402 |
| 2028 | 973,402 | 273,434 |
| 2029 | 1,120,177 | 305,840 |

A number of factors may cause Acreage to fail to meet the Pro-Forma Net Revenue Targets or the Consolidated Adj. EBITDA Targets set forth in the Initial Business Plan and outlined above. See "*Risk Factors*".

In the event that Acreage has not satisfied: (i) 90% of the Pro-Forma Net Revenue Target or the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan, measured on a quarterly basis, an Interim Failure to Perform will occur and the Austerity Measures shall become applicable. The Austerity Measures include, among other things:

(a) restrictions on Acreage's ability to issue shares (or securities convertible into shares) other than:

  (i) upon the exercise or conversion of convertible securities outstanding as such date; and

  (ii) contractual commitments existing as of the;

(b) prohibitions on entering into any contract in respect of Company Debt, other than in respect of trade payables or similar obligations incurred in the ordinary course;

(c) granting any options to acquire Fixed Shares or Floating Shares;

(d) making payments of fees owed to the Board;

(e) making short-term incentive or bonus payments to any Acreage employee;

(f) entering into any contract with respect to the disposition of any assets other than inventory in the ordinary course;

(g) entering into any contract with respect to any business combination, merger or acquisition of assets, other than assets acquired in the ordinary course;

(h) making any new capital investments or incurring any new capital expenditures; and

(i) increasing the number of Acreage employees that have a base salary of $150,000 or more or more than five full time employees that would be included in corporate overhead expenditures.

The Austerity Measures provide significant restrictions on Acreage's ability to take certain actions otherwise permitted by the Amended Arrangement Agreement; (ii) 80% of the Pro-Forma Net Revenue Target or the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan, as determined on an annual basis (commencing in respect of the fiscal year ending December 31, 2021), a Material Failure to Perform will occur and (a) certain restrictive covenants applicable to Canopy Growth under the Amended Arrangement Agreement will cease to apply in order to permit Canopy Growth to acquire, or conditionally acquire, a competitor of the Company in the United States should it wish to do so, and (b) an event of default under the Debenture will likely occur resulting in the Canopy Loan becoming immediately due and payable; and (iii) 60% of the Pro-Forma Net Revenue Target or the Consolidated Adj. EBITDA Target set forth in the Initial Business Plan for the trailing 12 month period ending on the date that is 30 days prior to the proposed Acquisition Time, a Failure to Perform shall occur and a material adverse impact will be deemed to have occurred for purposes of Section 6.2(2)(h) of the Arrangement Agreement and Canopy Growth will not be required to complete the Acquisition of the Fixed Shares pursuant to the Canopy Call Option.

The Amending Agreement also provides that Acreage may issue a maximum of 32,700 shares (or convertible securities in proportion to the foregoing), which will include (i) 3,700 Floating Shares which are to be issued solely in connection with the exercise of stock options granted to Acreage management (the "**Option Shares**"); (ii) 8,700 Floating Shares other than the Option Shares; and (iii) 20,300 Fixed Shares, without a revision to the Fixed Exchange Ratio. Notwithstanding the foregoing, the Amending Agreement provides that Acreage may not issue any equity securities, without Canopy Growth's prior consent, other than: (i) upon the exercise or conversion of convertible securities outstanding as of the Amendment Date; (ii) contractual commitments existing as of the Amendment Date; (iii) the Option Shares; (iv) the issuance of up to $3,000,000 worth of Fixed Shares pursuant to an at-the-market offering to be completed no more than four times during any one-year period; (v) the issuance of up to 500 Fixed Shares in connection with debt financing transactions that are otherwise in compliance with the terms of the Arrangement Agreement, as amended by the Amending Agreement; or (vi) pursuant to one private placement or public offering of securities during any one-year period for aggregate gross proceeds of up to $20,000, subject to specific limitations as set out in the Amending Agreement.

**Company Information**

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

Our Board Mandate and the Charters of the Board's Audit Committee and Compensation and Corporate Governance Committee (which serves as the Board's compensation and nominating committee) are available on our website. All materials are accessible on our website at investors.acreageholdings.com. Amendments to, and waivers granted to our directors and executive officers under our code of conduct or charters, if any, will be posted in this area of our website. Copies of these materials are available in print to any shareholder who requests them. Shareholders should direct such requests in writing to Investor Relations Department, Acreage Holdings, Inc., 450 Lexington Avenue, #3308, New York, New York 10163, or by emailing our Investor Relations team at investors@acreageholdings.com.

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

## PROPERTIES

The following table sets forth our owned and leased locations by geographic location as of December 31, 2020. The Company has entered into sale-and-leaseback transactions with GreenAcreage Real Estate Corp. and will continue to enter into such transactions with real estate investment trusts when deemed beneficial to the Company's strategy. As a result, the Company's real estate profile may continue to shift to leased properties.

The tables and footnotes below summarize the Company's real estate profile as of December 31, 2020:

**Retail Facilities:**

| Regions | Operational | In Development | Owned | Leased |
|---|---|---|---|---|
| **New England** | | | | |
| Connecticut | 3 | — | — | 3 |
| Maine[(1)] | 4 | — | — | 4 |
| Massachusetts | 2 | 1 | — | 3 |
| New Hampshire[(1)] | 1 | 1 | — | 2 |
| **Mid-Atlantic** | | | | |
| New Jersey | 2 | 1 | — | 3 |
| New York | 4 | — | — | 4 |
| **Midwest** | | | | |
| Illinois | 2 | — | — | 2 |
| Michigan | — | 3 | 3 | — |
| Ohio[(1)] | 5 | — | — | 5 |
| **West** | | | | |
| California | — | 1 | — | 1 |
| Oregon | 5 | — | — | 5 |
| **South** | | | | |
| Florida | 1 | 7 | — | 8 |
| **Total** | 29 | 14 | 3 | 40 |

(8) Acreage provides services including but not limited to financing, management, consulting and/or administrative services with these license holders to assist in the operations of their cannabis businesses.

**Cultivation/Processing Facilities**

| Regions | Operational | In Development | Owned | Leased |
|---|---|---|---|---|
| **New England** | | | | |
| Maine[(1)] | 1 | — | — | 1 |
| Massachusetts | 1 | — | — | 1 |
| New Hampshire[(1)] | 1 | — | — | 1 |
| **Mid-Atlantic** | | | | |
| New Jersey | 1 | 1 | 1 | 1 |
| New York | 1 | — | — | 1 |
| Pennsylvania | 1 | — | — | 1 |
| **Midwest** | | | | |
| Illinois | 1 | — | 1 | — |
| Iowa[(2)] | — | — | 1 | — |
| Ohio[(1)] | 1 | — | 1 | — |
| **West** | | | | |
| California[(1)] | 1 | — | — | 1 |
| Oregon[(3)] | — | — | — | 1 |
| **South** | | | | |
| Florida | 1 | — | 1 | — |
| **Total** | 10 | 1 | 5 | 8 |

(1) Acreage provides services including but not limited to financing, management, consulting and/or administrative services with these license holders to assist in the operations of their cannabis businesses.
(2) Acreage owns a property in Iowa but surrendered its license in June 2020.
(3) Acreage owns a cultivational, processing and wholesale license and leases a property in Medford, Oregon. We temporarily halted cultivation/processing operations in Oregon, in part as a response to the COVID-19 pandemic.

## DIRECTORS AND EXECUTIVE OFFICERS

Our Articles provide that each director shall hold office until the close of our next annual general meeting, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. Our Board currently consists of six directors, of whom three are considered to be independent persons. See "*Director Independence*" for details on the independence of our directors.

The following table sets forth our directors and executive officers and their respective positions.

| Name | Age | Position |
|---|---|---|
| **John Boehner** | 71 | Director |
| **Kevin P. Murphy** | 58 | Director and Chairman of the Board |
| **Douglas Maine** | 72 | Director |
| **Brian Mulroney** | 81 | Director |
| **William C. Van Faasen** | 72 | Director |
| **Katie J. Bayne** | 54 | Director |
| **Filippo "Peter" Caldini** | 56 | Chief Executive Officer |
| **Robert J. Daino** | 56 | Chief Operating Officer |
| **Glen S. Leibowitz** | 51 | Chief Financial Officer |
| **James A. Doherty, III** | 41 | General Counsel and Secretary |

**Director and Executive Officer Biographies**

*John A. Boehner, Director*: John A. Boehner is a former Speaker of the U.S. House of Representatives. Mr. Boehner served in the U.S. House of Representatives from 1991 to October 2015 and served as Speaker of the U.S. House of Representatives from January 2011 to October 2015. Prior to entering public service, Speaker Boehner spent years running a small business representing manufacturers in the packaging and plastics industry. He championed a number of major reform projects as a Member of Congress. During his nearly five years as Speaker, Mr. Boehner developed a reputation for bringing Republicans and Democrats together in support of major policy initiatives. Mr. Boehner's business experience and extensive service and leadership in the U.S. House of Representatives, and his insight into public policy, governmental relations and regulatory matters qualify him to serve on our Board.

*Kevin P. Murphy, Director*: Kevin P. Murphy is currently Chairman of the Board and has served in such capacity since November 2018. Mr. Murphy was previously the Chief Executive Officer of the Company. Prior to serving in this role, Mr. Murphy served as Founder and Chief Executive Officer of High Street (which was founded in 2014). Prior to his role at High Street, Mr. Murphy was most recently a Founding Member and Managing Partner of Tandem Global Partners, a boutique investment firm focused on the emerging markets. Previously Mr. Murphy was Managing Partner at Stanfield Capital Partners, where he served as a member of the Operating and Management team that oversaw all aspects of Stanfield's business, including risk management, sales and distribution, client services, legal, compliance and operations. Mr. Murphy also previously worked at Gleacher NatWest (Partner and Dir. of Marketing), Schroders (Sr. VP of Sales), Lazard Freres (VP) and Cantor Fitzgerald (VP). Mr. Murphy graduated with a B.A. from Holy Cross College. Mr. Murphy's insight into our Company from his previous role as the Chief Executive Officer and his extensive knowledge of the cannabis industry and his experiences serving in leadership positions prior to joining the Company qualify him to serve on our Board.

*The Right Honorable Brian Mulroney, Director*: Brian Mulroney is a senior partner and international business consultant for Norton Rose Fulbright, an international law firm. Prior to joining Norton Rose Fulbright, Mr. Mulroney was the eighteenth Prime Minister of Canada from 1984 to 1993 and leader of the Progressive Conservative Party of Canada from 1983 to 1993. He served as the Executive Vice President of the Iron Ore Company of Canada and President beginning in 1977. Prior to that, Mr. Mulroney served on the Cliché Commission of Inquiry in 1974. Mr. Mulroney is the Chairman of Quebecor Inc. and serves as a director of the Blackstone Group L.P. and Wyndham Worldwide Corporation. Mr. Mulroney also serves as chairman of the International Advisory Board of Barrick Gold Corporation and is a member of the advisory group of Lion Capital LLP. Mr. Mulroney's extensive public service as a Prime Minister of Canada, and his insight into public policy, governmental relations and regulatory matters, as well as his business experience at Iron Ore Company of Canada and his service as a director of Blackstone and Wyndham, qualify him to serve on our Board.

*Douglas L. Maine, Director*: Douglas L. Maine joined International Business Machines Corporation ("IBM"), an IT services and technology company, in 1998 as Chief Financial Officer following a 20-year career with MCI (now part of Verizon) where he was Chief Financial Officer from 1992-1998. He was named General Manager, General Manager, Consumer Products Industry in 2003 and retired from IBM in 2005. Mr. Maine previously served as a director of the following public companies: Orbital-ATK, Inc. from 2006-2017, BroadSoft, Inc. from 2006-2017, Rockwood Holdings, Inc. from 2005-2015 and Albemarle from 2015-2020. Mr. Maine's executive business and financial management experience at MCI and IBM, as well as his experience as a director of multiple other public companies, qualify him to serve on our Board.

*William C. Van Faasen, Director*: William C. Van Faasen served as Interim Chief Executive Officer of the Company from June- December 2020. Prior to that role, Mr. Van Faasen was Chairman of Blue Cross Blue Shield of Massachusetts, a state licensed private health insurance company under the Blue Cross Blue Shield Association, from 2002 to 2007, interim President and Chief Executive Officer from March 2010 to September 2010 and Chair of the Board of Directors from September 2010 to March 2014 when he was named, and currently serves as, Chair Emeritus. Mr. Van Faasen joined Blue Cross in 1990 as Executive Vice President and Chief Operating Officer and served as President from 1992 to 2004 and Chief Executive Officer from 1992 to 2005. Mr. Van Faasen has served in operational, marketing, and health care capacities for over 20 years and has been engaged in numerous civic and community activities, including Chair of the Initiative for a New Economy, Chair of Greater Boston Chamber of Commerce and Chair of United Way Massachusetts Bay. Mr. Van Faasen currently serves as a board member of Eversource Energy and the lead director of Liberty Mutual Group. Previously, Mr. Van Faasen served on the boards of Boston Private Industry Council, the Boston Minuteman Council, Boy Scouts of America, the BCBSMA Foundation, BankBoston, Citizens Bank of Massachusetts, IMS Health, PolyMedica Corporation and Tier Technologies. Mr. Van Faasen's service as chief executive and chief operating experience, and his service Chairman, at Blue Cross Blue Shield of Massachusetts, a private health insurance company in a highly regulated industry, qualify him to serve on our Board.

*Katie J. Bayne, Director:* Katie Bayne, is the Founder of Bayne Advisors, a strategic consulting and advising firm, Katie partners with client companies to solve complex challenges that impede progress. Ms. Bayne is also a Senior Advisor at Guggenheim Securities, working on opportunity identification and workforce development. Ms. Bayne also sits on the board of directors of the purpose-driven lifestyle brand, The Honest Company. A longtime marketing, strategy and general management leader at Coca-Cola, Katie worked in various roles of increasing responsibility, eventually becoming the Chief Marketing Officer, North America and then the President, North America Brands. Since 2003, she has served as an Independent Board Director on three public Fortune 500 companies, in the varied businesses of homebuilding and specialty retailing. Ms. Bayne has a BA and an MBA from Duke University and is a member of the Board of Visitors at Duke's Fuqua School of Busines. Ms. Bayne's experience as Chief Marketing Officer, North America of Coca-Cola, as well as her experience as an advisor and director of multiple other public companies, qualify her to serve on our Board.

*Filippo "Peter" Caldini, Chief Executive Officer*: Peter Caldini joined Acreage Holdings in December 2020 as Chief Executive Officer after serving for 18 months as the Chief Executive Officer and a director of Bespoke Capital Acquisition Corp., a cannabis-focused Special Purpose Acquisition Corporation. Mr. Caldini has over 30 years of experience building and restructuring multinational organizations around the world, with a strong emphasis in consumer healthcare and consumer packaged goods. Mr. Caldini developed extensive commercial management expertise in heavily regulated industries while at Pfizer Inc., Bayer AG and Wyeth, LLC. Mr. Caldini was the Regional President North America for Pfizer Consumer Healthcare from 2017 to 2019, where he drove brand acceleration, marketing strategy, trade execution, global e-commerce and more for the second largest OTC consumer healthcare company in the region with over U.S.$2.1 billion in net sales. Prior to that role he was the Regional President EMEA of Pfizer Consumer Healthcare from 2016 to 2017 and led the Northern European cluster from 2015 to 2016. Mr. Caldini was at Bayer from 2009 to 2014, with roles including the head of sub-region Emerging Markets EMEA, the General Manager of Bayer Consumer Care China and the head of the Nutritionals Strategic Business unit, the global leader in nutritional supplements with brands One-A-Day, Berocca, and Supradyn. From 2002 to 2009 Mr. Caldini was at Wyeth LLC where he was responsible for affiliates across LATAM and AsiaPac and also managed the Centrum brand globally. Mr. Caldini has a Masters of International Economics and Management from Bocconi University in Milan, Italy, an MBA from Northeastern University and a Bachelor of Arts in Political Science from Boston University.

*Robert J. Daino, Chief Operating Officer*: Robert Daino has a proven track record of success in driving an entrepreneurial spirit into both newly created and established organizations resulting in significant growth. As an investor, advisor and eventually the CEO of Terradiol, Mr. Daino helped lead the organization through an ownership transition. Prior to Terradiol, Mr. Daino was the President & CEO of WCNY Public Media where he transformed the station into a national leader, with a unique business model, gaining public engagement from all fifty states and 17 countries. In addition, Mr. Daino created the first of its kind central casting outsourcing service which has transformed public broadcasting in the United States. As the President & CEO of Promergent, Mr. Daino built a highly successful and profitable business. Mr. Daino is a leader in providing process, change and document management software and services. Throughout his 13-year career at General Electric, Mr. Daino held a host of technical and senior management roles across the organization, leading change, growth, and top company performance

*Glen Leibowitz, Chief Financial Officer*: Glen Leibowitz has over 20 years of finance and accounting experience with expertise in building and scaling operations, improving controls, enhancing IPO readiness and working to manage an organization through accelerated business growth. During his 9 years at Apollo, Mr. Leibowitz held various key roles within the finance organization including the accounting lead in taking the organization public in 2011. Under his tenure, he implemented the public reporting framework, accounting policies and directed the company-wide Sarbanes-Oxley program. Prior to Apollo, Mr. Leibowitz spent almost 10 years at PricewaterhouseCoopers focused on multiple complex foreign registrant financial statements and client IPO documents across sectors including: alternative asset managers, Internet/software, telecommunications, pharmaceutical, and mining. Mr. Leibowitz serves on the board of directors and is the audit committee chair for PowerPlay NYC, a not-for-profit organization dedicated to inspiring and educating girls through one-of-a-kind sports and academic enrichment programs.

*James A. Doherty, III, General Counsel and Secretary*: James Doherty has been recognized as a Rising Star of Young Attorneys for the Commonwealth of Pennsylvania by Philadelphia Magazine. Mr. Doherty routinely represents a variety of clients in the highly regulated gaming and casino industry. His practice also has an emphasis on professional liability, civil rights, and employment and labor disputes. Mr Doherty also acts as special counsel to a number of public and municipal entities. Mr. Doherty maintains an active appellate practice, having successfully argued cases before the Superior Court, Commonwealth Court and Supreme Court of Pennsylvania. Before joining Acreage, Mr. Doherty served as a law clerk for the Honorable Thomas I. Vanaskie, United States Court of Appeals for the Third Circuit and as special counsel to the Executive Director of the Pennsylvania Gaming Control Board. He was a featured speaker for the Pennsylvania Gaming Law Update Continuing Legal Education and a delegate to the General Litigation Forum. Jim is also a member of the Civil Rights Committee for the Lackawanna County Bar Association.

**Familial Relationships**

As of December 31, 2020, there are no familial relationships among any of our officers or directors.

**Director Independence**

The Board is currently comprised of six members. Three of the six directors are considered to be independent under the CSA Guidelines and in accordance with National Instrument 52-110 - *Audit Committees* ("NI 52-110"). Under NI 52-110, an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with such director's exercise of independent judgment. The directors of the Company who are independent are Brian Mulroney and Douglas Maine and Katie Bayne.

The independent directors meet for in camera sessions without non-independent directors and members of management at the end of each regular Board meeting (unless they waive such requirement).

**Board Committees**

Our Board currently has a Compensation and Corporate Governance Committee and an Audit Committee.

***Audit Committee***

The Audit Committee has access to all of the Company's books, records, facilities and personnel and may request any information about the Company as it may deem appropriate. It also has the authority to retain and compensate special legal, accounting, financial and other consultants or advisors to advise the Audit Committee, and is responsible for the pre-approval of all non-audit services to be provided by our auditors.

The Audit Committee met nine times during 2019. The Audit Committee is currently comprised of three members: Douglas Maine (Chair), Katie Bayne, and William Van Faasen. Two of the members of the Audit Committee meets the independence requirements pursuant to NI 52-110 and each of the members is financially literate within the meaning of NI 52-110.

As of the date hereof, the following are the members of our Audit Committee:

| Name | Independent [(1)] | Financially Literate [(2)] |
|---|---|---|
| **Douglas Maine** | Yes | Yes |
| **William C. Van Faasen** | No | Yes |
| **Katie Bayne** | Yes | Yes |

Notes:

(1) In accordance with National Instrument 52-110 - *Audit Committees*, an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with such director's exercise of independent judgment.

(2) A member of the Audit Committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by our financial statements.

*Relevant Education and Experience*

Each member of the Audit Committee has experience relevant to his or her responsibilities as an Audit Committee member. See "*Director and Executive Officer Biographies*" for a description of the education and experience of each Audit Committee member.

*Audit Committee's Charter*

The Board has adopted a written charter for the Audit Committee, which sets out the Audit Committee's responsibilities. A copy of the Audit Committee's Charter is accessible on our website at investors.acreageholdings.com.

***Compensation and Corporate Governance Committee***

The Compensation and Corporate Governance Committee met three times during 2019. The Compensation and Corporate Governance Committee is currently comprised of John Boehner and Kevin P. Murphy Chair.

The principal duties and responsibilities of the Compensation and Corporate Governance Committee are to assist the Board in discharging its oversight of:

- executive and director compensation;
- executive compensation disclosure;
- management development and succession;
- the Company's overall approach to corporate governance;
- the size, composition and structure of the Board and its committees;
- orientation and continuing education for directors;
- related party transactions and other matters involving conflicts of interest; and
- any additional matters delegated to the Compensation and Corporate Governance Committee by the Board.

**Board Qualifications**

We believe that each of the members of our Board has the experience, qualifications, attributes and skills that make him or her suitable to serve as our director, in light of our highly regulated cannabis business, our complex operations and number of employees. See "*Director and Executive Officer Biographies*" for a description of the education, experience, and qualifications of each director.

**Conflicts of Interest**

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

**Ethical Business Conduct**

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

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

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

## EXECUTIVE COMPENSATION

The following discussion of the Company's compensation philosophy, executive compensation programs and compensation paid to certain of its executive officers relates primarily to the Company's fiscal year ended December 31, 2019.

***Compensation Components***

The executive compensation program consists of two principal components: (i) base salaries and (ii) equity-based compensation. We also provided our executives standard retirement benefits and certain other benefits described below.

*Base Salaries*

Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to the Company's success, the position and responsibilities of the named executive officers and competitive industry pay practices for other high growth, premium brand companies of similarly sized companies in the industry. The amount of base salary that we paid to each of our named executive officers for 2019 is shown below in the Summary Compensation Table.

*Equity-Based Compensation*

The long-term component of compensation for executive officers, including the named executive officers, is based on stock options or other security-based compensation. This component of compensation is intended to reinforce management's commitment to long term improvements in the Company's performance.

The Board believes that incentive compensation in the form of stock option grants and other security-based compensation awards which vest over time is beneficial and necessary to attract and retain both senior executives and managerial talent at other levels. Furthermore, the Board believes stock option grants and other security-based compensation awards are an effective long-term incentive vehicle because they are directly tied to share price over a longer period, up to 10 years, and motivate executives to deliver sustained long term performance and increase shareholder value, and have a time horizon that aligns with long-term corporate goals.

We have granted the following types of awards to our named executive officers:

- *Time-Vesting RSUs.* Restricted Share Units or "RSUs" represent the right to receive shares of our common stock upon vesting. The Time-Vesting RSUs that we granted vest contingent on the grantee's continued employment over a period of time, with the specific vesting dates disclosed below in the footnotes to the "Outstanding Equity Awards" table; and

- *Special Canopy Growth RSUs.* In addition to the Time-Vesting RSUs, we also granted our named executive officers a second award of RSUs that vest as follows: one quarter vested in June of 2020 and one quarter will vest in June of 2021, and half vest solely if and when Canopy Growth acquires Acreage.

- *Make-Whole RSUs*. Also in connection with the Canopy Growth transaction, on July 31, 2019, the Company issued 981,836 RSUs to the Named Executive Officers with unvested RSUs and stock options ("make-whole awards") as of June 27, 2019. The RSUs were issued to all employees, including the Named Executive Officers, to provide additional incentive for employees that were not eligible to receive the option premium paid by Canopy Growth to our shareholders as of the close of business on June 26, 2019. The vesting conditions of the make-whole awards are subject to the same vesting terms as the unvested options and RSUs held as of the grant date.

We granted each of the awards described above under our Omnibus Plan, which we adopted on November 14, 2018 in connection with the RTO. The value of the RSUs that we granted during 2019 appear in the "Stock Awards" column of the Summary Compensation Table below.

*Special Canopy Growth RSUs*

Pursuant to the Arrangement Agreement, as a condition to the implementation of the Arrangement, Kevin Murphy entered into an agreement (a "**Lockup and Incentive Agreement**") with the Company and Canopy Growth. In addition, pursuant to the Arrangement Agreement, the Company and the other Named Executive Officers as well as Glen Leibowitz, Chief Financial Officer, and James Doherty, General Counsel and Secretary (together with Kevin Murphy, the "Key Individuals"), entered into Lockup and Incentive Agreements with Canopy Growth. Such Lockup and Incentive Agreements were and continue to be necessary to ensure the retention and incentivization of the Key Individuals for a potentially extended period of time, of up to seven and a half years, and to keep them singularly focused on growing the U.S. business for the benefit of the combined entity throughout this time. The Lockup and Incentive Agreements are also designed to reward the Key Individuals for creating shareholder value during the period between the implementation of the Arrangement and the closing of the transaction with Canopy Growth and to discourage them from considering other, potentially lucrative opportunities, outside of Acreage. These agreements are intended to align their interests with all shareholders. Pursuant to the Lockup and Incentive Agreements: (i) 981,836 Acreage RSUs will be awarded to each Key Individual under the Omnibus Incentive Plan, each of which will entitle the Key Individual to receive one Subordinate Voting Share upon vesting, subject to receipt of any approval from Shareholders required under applicable Securities Laws, and will be exchanged for an RSU of Canopy Growth on the basis of the Exchange Ratio following completion of the acquisition; (ii) each Key Individual will agree not to sell or otherwise transfer in any manner two-thirds of the Acreage securities (including Acreage RSUs, and securities which may be converted or exchanged for Acreage securities) which he currently owns or has control or direction over, and over which he may acquire ownership or control or direction; and (iii) each Key Individual will agree to not compete with Acreage or any successor for one year after his employment ends, provided that he will be entitled to a one-year severance payment if his employment is terminated without cause following the acquisition. The locked-up securities will be released from the Lockup and Incentive Agreements according to a schedule set forth therein.

The value of the Special Canopy Growth RSUs as of the grant date, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, was $15,346,097 to each Named Executive Officer, which is equal to the number of Special Canopy Growth RSUs times the closing price of Acreage's Subordinate Voting Shares of $16.45 on the grant date.

*Other Compensation and Retirement Plans*

In addition to the benefits described above, we also provide our named executive officers with a limited number of other benefits which disclosed and described in the Summary Compensation Table and related footnotes below. Our named executive officers were also eligible to defer compensation into our tax-qualified 401(k) plan on the same basis as our other salaried employees, including other executive officers. At this time, the Company does not make any matching or other company contributions to the 401(k) plan. We do not provide any other retirement plans or benefits to our named executive officers other than the 401(k) plan.

***Employment and Severance Agreements***

We have not entered into any employment, severance, change in control, or similar agreements with any of our named executive officers except for the separation agreement we entered into with Tyson Macdonald on March 9, 2020. Pursuant to the terms of our agreement with Mr. Macdonald, we agreed to pay him a severance payment of $300,000 over time, conditioned on his compliance with the restrictive covenants contained in the agreement and his general release of claims as outlined in the agreement, as well as an income tax true-up relating to certain living expense benefits paid to Mr. Macdonald during such time as he served as an executive officer.

***Restrictions on Hedging***

The Company's Insider Trading and Reporting Policy prohibits the Company's executive officers (including the named executive officers), directors and employees from buying or selling financial instruments that are designed to hedge or offset a decrease in market value of equity securities of the Company granted as compensation or held, directly or indirectly, by such individuals.

**Summary Compensation Table**

The following table sets out the compensation for the Company's Named Executive Officers for the years ended December 31, 2019 and December 31, 2018. Since December 31, 2019, as part of the Amended Arrangement, Kevin Murphy resigned as our Chief Executive Officer on September 23, 2020 and Peter Caldini was appointed as Chief Executive Officer on December 21, 2020. During the interim period, William Van Faasen served as our Interim Chief Executive Officer. Furthermore, Tyson Macdonald's employmentwith the Company terminated on March 9, 2020 as described above.

| Name and Principal Position | Fiscal Year | Salary (US$) | Bonus ( US$) | Stock Awards (US$)[1] | Option Awards (US$) | Non-Equity Incentive Plan Compensation (US$) | All Other Compensation (US$)[2] | Total Compensation (US$) |
|---|---|---|---|---|---|---|---|---|
| *Kevin P. Murphy Former Chief* | 2019 | $ 375,000 | — | $ 16,627,588 | — | — | $ 36,230 | $ 17,038,818 |
| *Executive Officer* | 2018 | $ 375,000 | — | — | — | — | — | $ 10,473,000 |
| *Robert Daino* | 2019 | $ 350,000 | — | $ 16,627,588 | — | — | $ 128,114 | $ 17,105,702 |
| *Chief Operating Officer* | 2018 | $ 196,212 | — | $ 15,000,000 | — | — | $ 23,801 | $ 19,708,013 |
| *Tyson Macdonald Former EVP* | | | | $16,720,589 | | | | |
| *Corporate* | 2019 | $ 275,000 | — | $2,437,500 | — | — | $ 93,622 | $ 17,089,211 |
| *Development* | 2018 | $ 193,750 | — | | — | — | $ 20,719 | $ 5,064,469 |

Notes:

(1) Represents the aggregate grant date fair value of all RSUs (including the Special Canopy Growth RSUs) that the Company granted to each Named Executive Officer during 2019, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, which excludes the effect of estimated forfeitures. Further information regarding the valuation of equity awards can be found in Note 12 to our Consolidated Financial Statements in this Form 10-K.

(2) For Mr. Murphy, represents the cost of the apartment that the Company provided for him to use when he is required to be present at the Company's office in New York City ($26,377) plus a tax gross up on such benefit ($9,853). For Mr. Daino, includes the cost of the apartment that the Company provided for him to use when he is required to be present at the Company's office in New York City ($48,775); reimbursement for travel expenses to New York City ($20,218); and a tax gross up on the foregoing benefits ($59,121). For Mr. Macdonald, includes the cost of the apartment that the Company provided for him to use when he is required to be present at the Company's office in New York City ($17,686); reimbursement for travel expenses to New York City ($35,163); and a tax gross up on the foregoing benefits ($40,773).

**Outstanding Equity Awards as of December 31, 2019**

The following table sets out information concerning all outstanding share-based awards and option-based awards granted by the Company to the Company's Named Executive Officers as at December 31, 2019.

| | Option Awards | | | | Stock Awards | |
|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options – Exercisable (#)[1] | Number of Securities Underlying Unexercised Options – Unexercisable (#)[1] | Option Exercise Price (US$) | Option Expiration Date | Number of Shares or Units of Stock that Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (US$)[2] |
| Kevin P. Murphy | 180,000 | 360,000 | $ 25.00 | 11/14/2028 | 1,064,300(3) | $ 6,300,656 |
| Robert Daino | 80,000 | 160,000 | $ 25.00 | 11/14/2028 | 1,202,847(4) | $ 7,120,854 |
| Tyson Macdonald | 41,666 | 83,334 | $ 25.00 | 11/14/2028 | 1,023,972(5) | $ 6,061,914 |

Notes:

(1) All option awards were granted on November 14, 2018, and vest in eight substantially equal quarterly installments beginning on February 14, 2020.

(2) Calculated as the Number of Shares or Units of Stock that Have Not Vested multiplied by the closing market price of our common stock on December 31, 2019, which was $5.92.

(3) Represents 82,464 RSUs that were granted on July 31, 2019 and that vest in quarterly installments beginning on February 14, 2020 and 981,836 RSUs that were granted on June 27, 2019, half of which vest on the three-month anniversary of the closing of Canopy Growth's acquisition of Acreage and the other half of which vest in two equal installments on June 27, 2020 and June 27, 2021.

(4) Represents 71,011 RSUs that were granted on July 31, 2019 and that vest 17,180 on each of March 11, 2020 and June 11, 2020, and then in eight substantially equal quarterly installments beginning on February 14, 2020; 981,836 RSUs that were granted on June 27, 2019, half of which vest on the three-month anniversary of the closing of Canopy Growth's acquisition of Acreage and the other half of which vest in two equal installments on June 27, 2020 and June 27, 2021; and 150,000 RSUs that were granted on November 14, 2018 and that vest in two equal installments on March 11, 2020 and June 11, 2020.

(5) Represents 23,385 RSUs that were granted on July 31, 2019 and that vest 4,296 on March 15, 2020 and the remainder of which vest in eight substantially quarterly installments beginning on February 14,2020; 981,836 RSUs that were granted on June 27, 2019, half of which vest on the three-month anniversary of the closing of Canopy Growth's acquisition of Acreage and the other half of which vest in two equal installments on June 27, 2020 and June 27, 2021; and RSUs granted on March 12, 2019 and November 14, 2018 in the amount of 6,563 and 12,188, respectively, that all vest on March 15, 2020.

**Termination and Change of Control Benefits**

None of the Named Executive Officers are entitled to any payments following or in connection with any termination, resignation, retirement, change in control or change in the responsibilities of the Named Executive Officers, except for the following:

- As disclosed above, half of the Special Canopy Growth RSUs granted to each of the Named Executive Officers vest solely upon the three-month anniversary of Canopy Growth's acquisition of Acreage. In addition, under the terms of the Special Canopy Growth RSUs, the Named Executive Officers are subject to a non-compete covenant that continues for one year after their termination of employment for any reason, but if the Company terminates their employment without cause, then we would be required to pay them one year of severance to enforce the non-compete.

- Pursuant to the terms of our Omnibus Incentive Plan, all outstanding stock options will become fully exercisable immediately before a change in control, and any RSUs (other than the Special Canopy Growth RSUs, which are subject to the conditions described above) will become fully vested upon the change in control (assuming, if applicable, that any performance criteria were achieved at the target level), unless the surviving entity agrees to assume the awards or issue substitute awards.

**Director Compensation**

During the year ended December 31, 2019, the Company did not pay compensation to its directors in the form of annual fees for attending meetings of the Board. Directors do not receive additional compensation for acting as chairs of committees of the Board. During 2019, each non-employee director was reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings of the Board, committees of the Board or meetings of the Company's shareholders. The non-employee directors did receive make-whole awards in connection with the transaction with Canopy Growth, as described in the table below.

***Director Compensation Table***

The following table sets forth information concerning the compensation earned by the non-executive directors who served as our directors during the year ended December 31, 2019. Since December 31, 2019, William Weld and Larissa Herda resigned from our Board and Katherine J. Bayne was appointed to our Board on January 11, 2021. Upon Kevin Murphy's resignation as our chief executive officer in June 2020, he began to receive compensation consistent with the non-employee director compensation paid to other directors of the Company

| Name | Fees Earned (US$) | Share-Based Awards (US$)[1][2] | Option Awards (US$)[3] | All Other Compensation (US$) | Total (US$) |
|---|---|---|---|---|---|
| John Boehner | — | $ 855,545 | — | — | $ 855,545 |
| William F. Weld[4] | — | $ 855,545 | — | — | $ 855,545 |
| Larissa L. Herda[5] | — | $ 580,922 | — | — | $ 580,922 |
| Douglas Maine | — | $ 580,922 | — | — | $ 580,922 |
| Brian Mulroney | — | $ 1,423,241 | — | — | $ 1,423,241 |
| William C. Van Faasen | — | $ 580,922 | — | — | $ 580,922 |

Notes:

(1) Represents the grant date fair value, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, of the following number of make-whole awards granted on July 31, 2019 and that vest in two installments on November 14 of 2020 and 2021, contingent on the director's continued service: Mr. Boehner and Mr. Weld - 67,472; Ms. Herda, Mr. Maine, and Mr. Van Faasen - 45,814; Mr. Mulroney - 112,243 . The make-whole awards were not granted as compensation to directors for their service on the Board, but rather to provide incentive to unvested equity holders who were not eligible to receive the option premium paid by Canopy Growth to shareholders as of the close of business on June 26, 2019. Further information regarding the valuation of equity awards can be found in Note 12 to our Consolidated Financial Statements.

(2) As of December 31, 2019, the directors had the following number of stock awards outstanding: Mr. Boehner and Mr. Weld - 67,472 RSUs and 312,500 C-1 Units; Mr. Van Faasen and Mr. Maine - 57,211 RSUs; Mr. Mulroney - 214,830 RSUs; and Ms. Herda - 73,597 RSUs. The C-1 Units are profit interests in High Street Capital Partners, LLC which are potentially convertible into common units of High Street Capital Partners, LLC. Common units of High Street Capital Partners, LLC are convertible into Subordinate Voting Shares.

(3) As of December 31, 2019, the directors had the following number of option awards outstanding: Mr. Boehner and Mr. Weld - none; Ms. Herda, Mr. Maine and Mr. Van Faasen - 160,000; Mr. Mulroney - 280,000.

(4) Mr. Weld resigned as a director on February 14, 2020.

(5) Ms. Herda resigned as a director on March 24, 2020.

***Meeting Attendance***

The board met ten times during 2019, and each of our then-serving directors, with the exception of former director William F. Weld, attended 75% or more of the aggregate number of meetings of the board and the committees on which he or she served, in each case while the director was serving on our board of directors or such committees, as applicable. The Board met in executive sessions during all regularly scheduled in-person meetings, without management present, and plans to continue that process going forward. The lead independent director presided over these executive sessions. Mr. Murphy and Mr. Van Faasen attended our 2019 Annual Meeting.

***Compensation and Corporate Governance Committee***

The Compensation and Corporate Governance Committee met three times during 2019. The Compensation and Corporate Governance Committee was comprised of three members during 2019: Larissa L. Herda (Chair), John Boehner and Kevin P. Murphy. Larissa L. Herda was deemed to be independent for purposes of NI 58-101. The Compensation and Corporate Governance Committee is currently comprised of John Boehner and Kevin P. Murphy.

The principal duties and responsibilities of the Compensation and Corporate Governance Committee are to assist the Board in discharging its oversight of:

- executive and director compensation;
- executive compensation disclosure;
- management development and succession;
- the Company's overall approach to corporate governance;
- the size, composition and structure of the Board and its committees;
- orientation and continuing education for directors;
- related party transactions and other matters involving conflicts of interest; and
- any additional matters delegated to the Compensation and Corporate Governance Committee by the Board.

The following table sets forth information with respect to the Acreage Holdings, Inc. Omnibus Plan (the "Omnibus Plan") under which equity securities of the Company are authorized for issuance as of December 31, 2019:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 5,607,377 | $ 21.56 | 4,903,545 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 5,607,377 | $ 21.56 | 4,903,545 |

Subject to adjustment provisions as provided in the Omnibus Plan, the maximum number of Class A Subordinate Voting Shares that may be issued under the Omnibus Plan shall be equal to 15% of the number of issued and outstanding Class A Subordinate Voting Shares from time to time, on an as converted to Class A Subordinate Voting Shares basis. Such awards may be made in any form permitted under the Omnibus Plan, in any combinations approved by the Compensation and Corporate Governance Committee. For the purposes of this Annual Report, the term "as converted to Class A Subordinate Voting Shares basis" includes the conversion of the Class B Proportionate Voting Shares and Class C Multiple Voting Shares and the redemption or exchange, as applicable, on a 1:1 basis of the Units of High Street and Class B Non-Voting Common Shares of Acreage Holdings WC, Inc. into Class A Subordinate Voting Shares.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our shares as of December 31, 2020 by: each then current director; each executive officer appearing in the Statement of Executive Compensation within the proxy statement for the 2019 Annual Meeting; all current directors and executive officers as a group; and any person who is known to us to beneficially own more than 5% of the outstanding shares based on our review of the reports regarding ownership filed with the SEC in accordance with Sections 13(d) and 13(g) of the Exchange Act. Katie Bayne joined our Board of directors in January 2011.

| Name of Beneficial Owner/Class of Stock[1] | Share Ownership and Percentage of Class[2] | Percentage of Aggregate Voting Power |
|---|---|---|
| **John Boehner** | | * |
| Class D Subordinate Voting Shares[3] | 202,254 | * |
| Class E Subordinate Voting Shares | 96,237 | * |
| Class F Multiple Voting Shares | — | — |
| Common Units of High Street Capital Partners, LLC | 178,776 | 1.5% |
| **Kevin P. Murphy** | | 84.2% |
| Class D Subordinate Voting Shares[3] | 2,008,206 | 6.0% |
| Class E Subordinate Voting Shares | 4,173,165 | 5.7% |
| Class F Multiple Voting Shares | 117,600 | 100% |
| Common Units of High Street Capital Partners, LLC | 15,957,908 | 68.2% |
| **Douglas Maine** | | * |
| Class D Subordinate Voting Shares[3] | 218,403 | * |
| Class E Subordinate Voting Shares | 114,541 | * |
| Class F Multiple Voting Shares | — | — |
| Common Units of High Street Capital Partners, LLC | — | — |
| **Brian Mulroney** | | * |
| Class D Subordinate Voting Shares[3] | 278,685 | * |
| Class E Subordinate Voting Shares | 274,577 | * |
| Class F Multiple Voting Shares | — | — |
| Common Units of High Street Capital Partners, LLC | — | — |
| **William C. Van Faasen** | | * |
| Class D Subordinate Voting Shares[3] | 276,658 | * |
| Class E Subordinate Voting Shares | 269,507 | * |
| Class F Multiple Voting Shares | — | — |
| Common Units of High Street Capital Partners, LLC | — | — |
| **Robert Daino** | | * |
| Class D Subordinate Voting Shares[3] | 697,959 | 2.1% |
| Class E Subordinate Voting Shares | 1,116,430 | 1.5% |
| Class F Multiple Voting Shares | — | — |
| Common Units of High Street Capital Partners, LLC | — | — |

| | | |
|---|---|---|
| **All directors and executive officers as a group (7 people)** | | 84.5% |
| Class D Subordinate Voting Shares[3] | 5,181,208 | 15.5% |
| Class E Subordinate Voting Shares | 7,794,600 | 10.7 |
| Class F Multiple Voting Shares | 117,600 | 100% |
| Common Units of High Street Capital Partners, LLC | 16,744,452 | 71.5% |

**Notes:**

* Less than 1%.

(1) Unless otherwise indicated, the address for each beneficial owners is 450 Lexington Avenue, #3308, New York, NY 10163.

(2) All information with respect to beneficial ownership is based upon filings made by the respective beneficial owners with the SEC or information provided to us by such beneficial owners. Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws.

(3) Includes 0 Class D Subordinate Voting Shares subject to acquisition by John Boehner, 0 Class D Subordinate Voting Shares subject to acquisition by Kevin P. Murphy, 0 Class D Subordinate Voting Shares subject to acquisition by Douglas Maine, 0 Class D Subordinate Voting Shares subject to acquisition by William C. Van Faasen, 0 Class D Subordinate Voting Shares subject to acquisition by Brian Mulroney, 219,513 Class D Subordinate Voting Shares subject to acquisition by Robert Daino, in each case, pursuant to the exercise of stock options held as of December 31, 2020 that were then vested or that will vest within 60 days thereafter.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, DIRECTOR INDEPENDENCE

**Related Party Transaction Policy**

The Compensation and Corporate Governance Committee is charged with reviewing and approving all related-party transactions and preparing reports for the Board on such-related party transactions.

**Related Party Transactions**

*$15.0 Million Loan*

During the year ended December 31, 2019, Mr. Kevin Murphy, the Company's Chairman made a non-interest bearing loan of $15.0 million to us, which was subsequently repaid in March, 2020.

*$5.0 Million Loan*

In January 2020, Kevin Murphy loaned $5.0 million to us, which was repaid on March 4, 2020.

*HSCP CN Holdings ULC Loan*

On February 7, 2020, we entered into a credit agreement (the "**February Credit Agreement**") through our subsidiary, HSCP CN Holdings ULC (the "**Borrower**"), by and among the Borrower, Acreage Finance Delaware, LLC (the "**Guarantor**"), and the institutional lender party thereto and its administrative agent.

The February Credit Agreement provides for a secured credit facility in the amount of up to $100.0 million, which may be drawn down on by the Borrower in three tranches, maturing on the date that is two years from the date the first tranche is drawn down on. The obligations under the February Credit Agreement are guaranteed by the Guarantor, and secured by a first priority lien (the "**Security Interest**") over $50.0 million in cash deposited in a bank account by us (the "**Restricted Account**").

In order to fund the Restricted Account, on March 6, 2020, our subsidiary, the IP Borrower entered into the Original Credit Agreement, which provided for a credit facility in the amount of up to $50.0 million ("**Credit Facility**") to be available in two advances. The maturity date for the first advance of borrowings under the March Credit Agreement, subject to acceleration in certain instances, is 366 days from the closing date of the Credit Facility. All funds drawn under the Credit Facility are required to be deposited into the Restricted Account as security for repayment of funds borrowed and amounts owing pursuant to the February Credit Agreement.

On March 11, 2020, IP Borrower drew the first advance of $22.0 million (the "**Borrowed Amount**") under the Original Credit Agreement and deposited the funds into the Restricted Account (the "**Loan Transaction**"). Kevin Murphy, our Chair and former Chief Executive Officer, loaned $21.0 million of the Borrowed Amount to the IP Lender in connection with the Loan Transaction.

Interest on the principal amount borrowed under the Credit Facility was to be satisfied by the IP Borrower delivering to the IP Lender 83,333 SVS per month (or 58,333 Fixed Shares and 24,999 Floating Shares), or 1,000,000 SVS (or 700,000 Fixed Shares and 300,000 Floating Shares) in the aggregate (the "**Interest Shares**"). We were advised that Mr. Murphy was not a member, an officer nor a director of IP Lender and that Mr. Murphy was entitled to receive, assuming full repayment of the Borrowed Amount at maturity, $23.1 million along with up to 304,001 SVS, forming part of the Interest Shares, which entitlement to Interest Shares he forfeited in accordance with the Amended Arrangement.

In connection with, and as a condition to the implementation of, the Amended Arrangement, the Original Credit Agreement was amended in accordance with the Credit Agreement Amendment. The Credit Agreement Amendment provides that: (i) with respect to the Murphy Amount, effective as of the Amendment Time, the Original Credit Agreement was amended to (a) remove any entitlement to "Interest Shares" (as defined in the Original Credit Agreement) in respect of this amount, (b) provide for an interest rate of 12% per annum payable in cash, (c) amend Section 9.3 of the Original Credit Agreement to amend the obligation of IP Borrower to cause us to sell up to 8,800,000 SVS to repay the amount outstanding such that the obligation was reduced to cause the issuance of up to 2,000,000 Fixed Shares, and (ii) with respect to $1.0 million of the principal amount advanced pursuant to the Original Credit Agreement, the lender is entitled to (a) 16,799 Fixed Shares and 7,199 Floating Shares, (b) upon maturity of the Original Credit Agreement, a return of $1.1 million and (c) otherwise be treated in accordance with the current terms of the Original Credit Agreement.

IP Lender was entitled to 23,999 SVS under the Original Credit Agreement, of which 12,000 SVS were issued to IP Lender prior to the Capital Reorganization. The 12,000 SVS issued to IP Lender prior to the Capital Reorganization were subsequently transferred to Pilgrim Foresight Fund, LLC ("**Pilgrim**"), an affiliate of IP Lender, pursuant to applicable securities laws. Subsequent to the Capital Reorganization, the SVS originally issued to IP Lender and currently held by Pilgrim were exchanged for 8,400 Fixed Shares and 3,600 Floating Shares. In accordance with the Credit Agreement Amendment, IP Lender is entitled to receive an additional 8,399 Fixed Shares and 3,599 Floating Shares, with such shares replacing the 11,999 SVS IP Lender was entitled to pursuant to the Original Credit Agreement; IP Lender will receive 1,527 Fixed Shares and 654 Floating Shares each month (the "**Unissued Interest Shares**"), with any remaining balance to be issued and delivered upon maturity of the Loan Transaction. We understand that IP Lender intends to transfer the Unissued Interest Shares to Pilgrim, pursuant to applicable securities laws, once such shares are received.

This Prospectus registers the resale of the 16,799 Fixed Shares and 7,199 Floating Shares by Pilgrim in connection with the Loan Transaction (the "**Loan Shares**"). We will not receive any cash proceeds from the sale of the Loan Shares.

*GreenAcreage Real Estate*

We have an investment carried at fair value through profit and loss in GreenAcreage Real Estate ("**GreenAcreage**"). We also have an equity method investment in the management company of GreenAcreage resulting from the Chairman's board involvement. During the year ended December 31, 2019, the Company sold and subsequently leased back several of its capital assets in a transaction with GreenAcreage. The subsequent leases met the criteria for finance leases, and as such, the transactions do not qualify for sale-leaseback treatment. On July 15, 2020, a subsidiary of the Company entered into a definitive agreement with GreenAcreage to internalize the Company's management operations.

*September 2020 Transactions*

As disclosed in the Company's financial statements for the period ended September 30, 2020, footnote 10, *September 2020 Transactions*, on September 23, 2020, pursuant to the implementation of the Amended Arrangement, a subsidiary of Canopy Growth advanced gross proceeds of $50.0 million (less transaction costs of approximately $4.0 million) to Universal Hemp, an affiliate of the Company, pursuant to the terms of the 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. Furthermore, Acreage engaged an investment advisor (the "Investment Advisor") which, under its Investment Advisor's sole discretion, invested on behalf of Universal Hemp $34.0 million on September 28, 2020.

As a result, 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. The Investment Partnership and the general partner were independently formed by an institutional investor. The institutional investor is a Canadian alternative asset manager, along with its affiliates and subsidiaries (the "Institutional Investor"). The Investment Partnership's General Partner and limited partner hold class A units and class B units and are owned and controlled by an affiliated entity of the Institutional Investor and the Investment Advisor, respectively. On September 28, 2020, the Company received gross proceeds of $33.0 (less transaction costs of approximately $959,000) from an institutional lender and used a portion of the proceeds of this loan to retire its short-term $11.0 million convertible note and its short-term note aggregating approximately $18.0 million in October 2020, with the remainder being used for working capital purposes. The Institutional Lender is controlled by the class A and class B unitholders of the Investment Partnership. The Investment Partnership is an investor in the Institutional Lender.

**Board of Directors Independence**

The Board is currently comprised of six members. Three of the six directors are considered to be independent under the CSA Guidelines and in accordance with National Instrument 52-110 - *Audit Committees* ("NI 52-110"). Under NI 52-110, an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with such director's exercise of independent judgment. The directors of the Company who are independent are Brian Mulroney, Douglas Maine, and Katie Bayne. Mr. Murphy is not independent, given that he was previously the Chief Executive Officer of the Company, Mr. Van Faasen is not independent given that he previously served as Interim Chief Executive Officer of the Company, and Mr. Boehner is not independent because he received more than C$75,000 in direct compensation from High Street for advisory services and related matters within a twelve-month period during the past three years. Douglas Maine is the current lead independent director of the Company. The lead independent director is expected to coordinate the activities of the other independent directors and to perform such other duties and responsibilities as the Board may direct.

The independent directors meet for in camera sessions without non-independent directors and members of management at the end of each regular Board meeting (unless they waive such requirement).

**Promoters**

Mr. Murphy may be considered a promoter of the Company, as he has taken the initiative in reorganizing and financing the business of the Company pursuant to the RTO. Other than as disclosed in this Prospectus, there is nothing of value, including money, property, contracts, options or rights of any kind received or to be received by Mr. Murphy directly or indirectly from the Company, High Street or any Subsidiary thereof nor any assets, services or other consideration received or to be received by the Company, High Street or any Subsidiary thereof in return. Except as disclosed in this Annual Report, no asset has been acquired within the Company's two most recently completed financial years or during the Company's current financial year, or is to be acquired by the Company, High Street or any Subsidiary, from Mr. Murphy for valuable consideration. Mr. Murphy beneficially owns, controls or directs, 117,600 Fixed Multiple Shares, representing 100% of the issued and outstanding Fixed Multiple Shares, 3,599,807 Fixed Shares, representing approximately 5.06% of the issued and outstanding Fixed Shares, 1,593,174 Floating Shares, representing approximately 5.21% of the issued and outstanding Floating Shares, 378,000 stock options exercisable to acquire 378,000 Fixed Shares, 162,000 stock options exercisable to acquire 162,000 Floating Shares, 551,541 restricted share units to acquire 551,541 Fixed Shares, 236,374 restricted share units to acquire 236 374 Floating Shares and 15,957,908 High Street Units, which High Street Units may be exchanged for Fixed Shares and Floating Shares or, at the Company's option, cash.

## LEGAL PROCEEDINGS

The Company is a party to a variety of legal proceedings that arise out of operations in the normal course of business. While the results of these legal proceedings cannot be predicted with certainty, we believe that the final outcome of these proceedings will not have a material adverse effect, individually or in the aggregate, on our results of operations or financial condition.

## PLAN OF DISTRIBUTION

We are registering the securities offered by this prospectus on behalf of the Selling Security Holders named herein. The Selling Security Holders, which as used herein includes donees, pledgees, transferees or other successors-in-interest selling such securities received after the date of this prospectus from a selling stockholder as a gift, pledge, limited liability company or partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their securities on the CSE, the OTCQX, the FRA or any other stock exchange, market or trading facility on which such securities are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale or at negotiated prices.

The Selling Security Holders may use any one or more of the following methods when disposing of their securities or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- in underwritten transactions;
- block trades in which the broker-dealer will attempt to sell the securities as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- broker-dealers may agree with the Selling Security Holders to sell a specified number of such securities at a stipulated price;
- distribution to members, limited partners or stockholders of Selling Security Holders;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The Selling Security Holders may, from time to time, pledge or grant a security interest in some or all of the securities owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell their securities, from time to time, under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of Selling Security Holders to include the pledgee, transferee or other successors in interest as Selling Security Holders under this prospectus. The Selling Security Holders also may transfer their securities in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our securities or interests therein, the Selling Security Holders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of our securities in the course of hedging the positions they assume. The Selling Security Holders may also sell their securities short and deliver these securities to close out their short positions, or loan or pledge such securities to broker-dealers that in turn may sell these securities. The Selling Security Holders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealers or other financial institutions of securities offered by this prospectus, which securities such broker-dealers or other financial institutions may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the Selling Security Holders from the sale of the securities offered by them will be the purchase price of the security less discounts or commissions, if any. Each of the Selling Security Holders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of their securities to be made directly or through agents. We will not receive any of the proceeds from the resale of securities being offered by the Selling Security Holders named herein. However, we will receive proceeds from the exercise of the warrants if they are exercised by a holder thereof for cash.

The Selling Security Holders also may resell all or a portion of their securities in open market transactions in reliance upon Rule 144 under the Securities Act provided that the rule is available and they meet the criteria and conform to the requirements of that rule.

The Selling Security Holders and any broker-dealers that act in connection with the sale of securities might be deemed to be “underwriters” within the meaning of Section 2(11) of the Securities Act and any commissions received by such broker-dealers and any profit on the resale of the securities sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act.

To the extent required, the securities to be sold, the names of the Selling Security Holders, the respective purchase prices and public offering prices, the names of any agent, dealer or underwriter, and any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

We have advised the Selling Security Holders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of securities in the market and to the activities of the Selling Security Holders and their affiliates. In addition, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the Selling Security Holders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The Selling Security Holders may indemnify any broker-dealer that participates in transactions involving the sale of their securities against certain liabilities, including liabilities arising under the Securities Act.

All discounts, commissions or fees incurred in connection with the sale of securities offered hereby will be paid by the Selling Security Holders.

## DESCRIPTION OF FIXED SHARES

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

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

Holders of Fixed Shares are entitled to receive, as and when declared by our Board, dividends in cash or our property. No dividend may be declared on the Fixed Shares unless we simultaneously declare dividends on: (i) the Fixed Multiple Shares, in an amount per Fixed Multiple Share equal to the amount of the dividend declared per Fixed Share; and (ii) the Floating Shares, in an amount per Floating Share equal to the amount of the dividend declared per Fixed Share.

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

Holders of Fixed Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of shares, or bonds, debentures or our other securities.

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

**Any Fixed Shares resold pursuant to this Prospectus, will be subject in all respects to the Canopy Call Option to acquire such Fixed Shares.**

## DESCRIPTION OF FLOATING SHARES

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

As long as any Floating Shares remain outstanding, we may not, without the consent of the holders of the Floating Shares expressed by separate special resolution, alter or amend our Articles if the result would be to prejudice or interfere with any right or special right attached to the Floating Shares or affect the rights of the holders of Fixed Shares, Floating Shares or Fixed Multiple Shares on a per share basis. In connection with the exercise of the voting rights in respect of any such approvals, each holder of Floating Shares has one vote in respect of each Floating Share held.

Holders of Floating Shares are entitled to receive, as and when declared by the Board, dividends in cash or our property. No dividend may be declared on the Floating Shares unless we simultaneously declare dividends on: (i) the Fixed Shares in an amount equal to the dividend declared per Floating Shares; and (ii) on the Fixed Multiple Shares in an amount equal to the dividend declared per Floating Share.

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

Holders of Floating Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of shares, or bonds, debentures or our other securities.

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

**Any Floating Shares resold pursuant to this Prospectus will be subject in all respects to the Floating Call Option to acquire such Floating Shares.**

## FORUM SELECTION PROVISION

Our Articles contain a forum selection provision under Article 30, which, among other things, identifies the Supreme Court of British Columbia and the Court of Appeal of British Columbia as the exclusive forum for certain litigation, however, it is uncertain whether such provision would apply to actions arising under U.S. federal securities laws, and if it does, whether a British Columbia Court would enforce such provision given that investors cannot waive compliance by the us with U.S. federal securities laws. If the forum selection provision does in fact apply to a cause of actions arising under U.S. federal securities laws and a British Columbia court were to enforce Article 30 of our Articles, it is nevertheless true that investors cannot waive compliance by us with U.S. federal securities laws and the rules and regulations thereunder, which would seemingly include procedural and therefore likely jurisdictional provisions. It also remains uncertain as to whether a breach of U.S. securities law in and of itself would give rise to a direct cause of action in British Columbia. We believe that if a British Columbia Court were to enforce Article 30 of our Articles in an action brought by an investor against us under U.S. federal securities laws, the investor would be obliged to bring such action in a British Columbia Court and prove U.S. federal securities laws by expert evidence in such an action.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of DLA Piper (Canada) LLP, Canadian counsel to the Company, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who, as beneficial owner, acquires Fixed Shares or Floating Shares qualified for sale by this Prospectus, as capital property and deals at arm's length with the Company and is not affiliated with the Company (a "**Holder**"). Generally, the Fixed Shares and Floating Shares will be considered to be capital property to a Holder unless they are held or acquired in the course of carrying on a business of trading in or dealing in securities or as part of an adventure or concern in the nature of trade. In this summary, the Fixed Shares and Floating Shares are collectively referred to as the "**Subordinate Voting Shares**".

This summary is based on the facts set out in this Prospectus, the current provisions of the Tax Act (including the regulations thereunder), all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) ("**Tax Proposals**") before the date of this Prospectus, the current published administrative policies and assessing practices of the Canada Revenue Agency and the Canada - United States Tax Convention (1980), as amended (the "**Treaty**"). No assurance can be made that the Tax Proposals will be enacted in the form proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, regulatory, administrative or judicial decision or action, nor does it take into account provincial, or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

The Company is a Canadian corporation for purposes of the Tax Act. As referenced under "*Certain U.S. Federal Income Tax Considerations*" and under "*Risk Factors – United States Tax Classification of the Company*", the Company is also classified as a U.S. domestic corporation for United States federal income tax purposes, with related consequences and potential consequences to the Company and its shareholders. Accordingly, all prospective purchasers, including Holders as defined above, should review the discussion under "*Certain U.S. Federal Income Tax Considerations*" and under "*Risk Factors – United States Tax Classification of the Company*", and consult with their own tax advisors in this regard before purchasing Subordinate Voting Shares. For the purposes of the discussion of Canadian federal income tax considerations below, it has been assumed that the Company is and will be classified as a U.S. domestic corporation for United States federal income tax purposes at all relevant times. No legal opinion or tax ruling has been sought or obtained in this regard or with respect to any other assumptions made for purposes of this summary.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representation concerning the tax consequences to any particular Holder or prospective Holder are made. Accordingly, prospective Holders should consult their own tax advisors with respect to an investment in the Offering having regard to their particular circumstances.**

### Holders Resident in Canada

This portion of the summary applies to a Holder who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada (a "**Canadian Holder**"). Canadian Holders whose Subordinate Voting Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Subordinate Voting Shares and every other "Canadian security" (as defined in the Tax Act) owned by such Canadian Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Canadian Holders should consult their own tax advisors with respect to whether the election is available and advisable in their particular circumstances.

This summary is not applicable to: (a) a Canadian Holder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules, (b) a Canadian Holder, an interest in which would be a "tax shelter investment" as defined in the Tax Act, (c) a Canadian Holder that is a "specified financial institution" as defined in the Tax Act, or (d) a Canadian Holder which has made an election under the Tax Act to determine its Canadian tax results in a foreign currency. This summary does not apply to a Canadian Holder who has entered or will enter into a "derivative forward agreement" or "synthetic disposition arrangement" under the Tax Act with respect to the Subordinate Voting Shares. This summary does not address the possible application of the "foreign affiliate dumping" rules that may be applicable to a Canadian Holder that is a corporation resident in Canada (for the purposes of the Tax Act) and is, or becomes, or does not deal at arm's length with a corporation resident in Canada that is, or that becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Subordinate Voting Shares, controlled by a non-resident corporation (or pursuant to the Proposed Amendments, a non-resident person or a group of persons comprised of any combination of non-resident corporations, non-resident individuals or non-resident trusts that do not deal with each other at arm's length), for purposes of the rules in section 212.3 of the Tax Act. Any such Canadian Holder to which this summary does not apply should consult its own tax advisor with respect to the tax consequences of the Offering.

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Subordinate Voting Shares (including dividends, adjusted cost base and proceeds of disposition) must generally be expressed in Canadian Dollars. Amounts denominated in any other currency must be converted into Canadian Dollars generally based on the exchange rate quoted by the Bank of Canada on the date such amounts arise or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada).

***Dividends on Subordinate Voting Shares***

In the case of a Canadian Holder who is an individual, dividends received or deemed to be received on the Subordinate Voting Shares will be included in computing the Canadian Holder's income and will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by the Company, any such dividend will be treated as an "eligible dividend" for the purposes of the Tax Act and a Canadian Holder who is an individual will be entitled to an enhanced dividend tax credit in respect of such dividend. There may be limitations on the Company's ability to designate dividends and deemed dividends as eligible dividends.

Dividends received or deemed to be received on the Subordinate Voting Shares by a Canadian Holder that is a corporation will be required to be included in computing the corporation's income for the taxation year in which such dividends are received, but such dividends will generally be deductible in computing the corporation's taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Canadian Holder that is a corporation as proceeds of disposition or a capital gain. Canadian Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Canadian Holder that is a "private corporation" or a "subject corporation" (each as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on dividends received or deemed to be received on the Subordinate Voting Shares to the extent that such dividends are deductible in computing the Canadian Holder's taxable income for the taxation year.

Dividends received by a Canadian Holder who is an individual (including certain trusts) may result in such Canadian Holder being liable for alternative minimum tax under the Tax Act. Canadian Holders who are individuals should consult their own tax advisors in this regard.

As the Company is treated as a U.S. corporation for U.S. federal income tax purposes pursuant to section 7874 of the Code, a Canadian Holder may be subject to United States withholding tax on dividends received on the Subordinate Voting Shares (see "Certain U.S. Federal Income Tax Considerations"). Any United States withholding tax paid by or on behalf of a Canadian Holder in respect of dividends received on the Subordinate Voting Shares by a Canadian Holder may be eligible for foreign tax credit or deduction treatment where applicable under the Tax Act. Generally, a foreign tax credit in respect of a tax paid to a particular foreign country is limited to the Canadian tax otherwise payable in respect of income sourced in that country. Dividends received on the Subordinate Voting Shares by a Canadian Holder may not be treated as income sourced in the United States for these purposes. Canadian Holders should consult their own tax advisors with respect to the availability of any foreign tax credits or deductions under the Tax Act in respect of any United States withholding tax applicable to dividends on the Subordinate Voting Shares.

***Dispositions of Subordinate Voting Shares***

Upon a disposition or deemed disposition of a Subordinate Voting Share, a capital gain (or loss) will generally be realized by a Canadian Holder to the extent that the proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base of such Subordinate Voting Share to the Canadian Holder immediately before the disposition and any reasonable costs of disposition. The adjusted cost base of a Subordinate Voting Share to a Canadian Holder will be determined in accordance with the Tax Act by averaging the cost to the Canadian Holder of a Subordinate Voting Share with the adjusted cost base of all other Subordinate Voting Shares held by the Canadian Holder as capital property. Such capital gain (or capital loss) will be subject to the treatment described below under "*Holders Resident in Canada — Taxation of Capital Gains and Capital Losses*".

***Taxation of Capital Gains and Capital Losses***

Generally, one-half of any capital gain realized by a Canadian Holder in a taxation year will be included in computing the Canadian Holder's income in that taxation year (a "**taxable capital gain**") and, generally, one-half of any capital loss realized in a taxation year (an "**allowable capital loss**") must be deducted from the taxable capital gains realized by the Canadian Holder in the same taxation year, in accordance with the rules contained in the Tax Act. Allowable capital losses in excess of taxable capital gains realized by a Canadian Holder in a particular taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized by the Canadian Holder in such taxation year, subject to and in accordance with the rules contained in the Tax Act.

Capital gains realized by an individual and certain trusts may give rise to a liability for alternative minimum tax under the Tax Act. A Canadian Holder that is, throughout the year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be subject to an additional refundable tax on its "aggregate investment income" which is defined to include taxable capital gains.

The amount of any capital loss realized by a Canadian Holder that is a corporation on the disposition of a Subordinate Voting Share may be reduced by the amount of dividends received or deemed to be received by it on such share (or on a share for which the share has been substituted) to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns shares, directly or indirectly, through a partnership or a trust. Canadian Holders to whom these rules may apply should consult their own tax advisors.

As the Company is treated as a U.S. corporation for U.S. federal income tax purposes pursuant to section 7874 of the Code, a Canadian Holder may be subject to United States tax on a gain realized on the disposition of Subordinate Voting Shares if the Company is classified as a USRPHC under the Code. United States tax, if any, levied on any gain realized on a disposition of a Subordinate Voting Share may be eligible for a foreign tax credit under the Tax Act to the extent and under the circumstances described in the Tax Act. Generally, a foreign tax credit in respect of a tax paid to a particular foreign country is limited to the Canadian tax otherwise payable in respect of income sourced in that country. Gains realized on the disposition of a Subordinate Voting Share by a Canadian Holder may not be treated as income sourced in the United States for these purposes. Canadian Holders should consult their own tax advisors with respect to the availability of a foreign tax credit, having regard to their own particular circumstances. See also "*Certain United States Income Tax Considerations*" and "*Risk Factors – United States Tax Classification of the Company*".

**Non-Canadian Holders**

This section of the summary applies to a Holder who, for the purposes of the Tax Act and any applicable income tax treaty or convention, and at all relevant times, is not, and is not deemed to be, resident in Canada, and does not use or hold, and is not deemed to use or hold, the Subordinate Voting Shares in the course of carrying on a business in Canada (a "**Non-Canadian Holder**"). This section does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an "authorized foreign bank" (as defined in the Tax Act). Such Non-Canadian Holders should consult their own tax advisors.

***Dividends on Subordinate Voting Shares***

Dividends paid or credited or deemed to be paid or credited to a Non-Canadian Holder on the Subordinate Voting Shares will be subject to Canadian withholding tax. The Tax Act imposes withholding tax at a rate of 25% on the gross amount of the dividend, although such rate may be reduced by virtue of an applicable tax treaty. For example, under the Treaty, where dividends on the Subordinate Voting Shares are considered to be paid to a Non-Canadian Holder that is the beneficial owner of the dividends and is a U.S. resident for the purposes of, and is entitled to all of the benefits of, the Treaty, the applicable rate of Canadian withholding tax is generally reduced to 15%. The Company will be required to withhold the applicable withholding tax from any dividend and remit it to the Canadian government for the Non-Canadian Holder's account.

***Dispositions of Subordinate Voting Shares***

A Non-Canadian Holder who disposes of or is deemed to have disposed of a Subordinate Voting Share will not be subject to income tax under the Tax Act unless the Subordinate Voting Share is, or is deemed to be, "taxable Canadian property" (as defined in the Tax Act) of the Non-Canadian Holder at the time of disposition and the Non-Canadian Holder is not entitled to relief under an applicable income tax treaty or convention between Canada and the country of residence of the Non-Canadian Holder.

Generally, provided that the Subordinate Voting Shares are, at the time of disposition, listed on a "designated stock exchange" (which currently includes the CSE), the Subordinate Voting Shares will not constitute taxable Canadian property of a Non-Canadian Holder unless, at any time during the 60-month period immediately preceding the disposition the following two conditions were met: (i) 25% or more of the issued shares of any class or series of the capital stock of the Company were owned by one or any combination of (a) the Non-Canadian Holder, (b) persons with whom the Non-Canadian Holder did not deal at arm's length (for the purposes of the Tax Act), and (c) partnerships in which the Non-Canadian Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and (ii) more than 50% of the fair market value of such shares was derived, directly or indirectly, from one or any combination of: (a) real or immovable property situated in Canada, (b) Canadian resource property (as defined in the Tax Act), (c) timber resource property (as defined in the Tax Act) or (d) options in respect of, or interests in any of, the foregoing property, whether or not such property exists. Notwithstanding the foregoing, the Subordinate Voting Shares may otherwise be deemed to be taxable Canadian property to a Non-Canadian Holder for purposes of the Tax Act in certain circumstances. Non-Canadian Holders for whom the Subordinate Voting Shares are, or may be, taxable Canadian property should consult their own tax advisors.

In the event that a Subordinate Voting Share constitutes taxable Canadian property of a Non-Canadian Holder and any capital gain that would be realized on the disposition thereof is not exempt from tax under the Tax Act pursuant to an applicable income tax treaty or convention, the income tax consequences discussed above for Canadian Holders under "*Dispositions of Subordinate Voting Shares*" will generally apply to the Non-Canadian Holder. Non-Canadian Holders should consult their own tax advisor in this regard.

## ELIGIBILITY FOR INVESTMENT

In the opinion of DLA Piper (Canada) LLP, Canadian counsel to the Company, based on the current provisions of the Tax Act, the Fixed Shares and the Floating Shares, if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by a registered retirement savings plan, registered retirement income fund, tax-free savings account, registered education savings plan, registered disability savings plan (collectively referred to as "**Registered Plans**") and a deferred profit sharing plan, provided that the Fixed Shares and the Floating Shares are listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the CSE).

Notwithstanding that a Fixed Share or Floating Share may be a qualified investment for a Registered Plan, if the Fixed Share or Floating Share is a "prohibited investment" within the meaning of the Tax Act for the Registered Plan, the holder, annuitant or subscriber of the Registered Plan, as the case may be, will be subject to penalty taxes as set out in the Tax Act. The Fixed Shares and Floating Shares will not generally be a "prohibited investment" for a Registered Plan if the holder, annuitant or subscriber, as the case may be, (i) deals at arm's length with the Company for the purposes of the Tax Act and (ii) does not have a "significant interest" (as defined in the Tax Act) in the Company. In addition, the Fixed Shares and Floating Shares will not be a "prohibited investment" if they are "excluded property" within the meaning of the Tax Act, for the Registered Plan.

Holders, annuitants and subscribers of Registered Plans should consult their own tax advisors with respect to whether Fixed Shares or Floating Shares would be a prohibited investment having regard to their particular circumstances.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of (i) Warrants and (ii) Fixed Shares or Floating Shares that are issued upon the exercise of Warrants ("Warrant Shares") that are applicable to U.S. Holders and certain Non-U.S. Holders (as defined below), that own Warrants or Warrant Shares. This discussion is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations promulgated under the Code ("**Treasury Regulations**"), administrative pronouncements or practices and judicial decisions, all as of the date hereof. Future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, may result in U.S. federal income tax consequences significantly different from those discussed herein. This discussion is not binding on the IRS. No ruling has been or will be sought or obtained from the IRS with respect to any of the U.S. federal tax consequences discussed herein. There can be no assurance that the IRS will not challenge any of the conclusions described herein or that a U.S. court will not sustain such a challenge. This summary assumes that the Warrants are held as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment), in the hands of a warrant holder at all relevant times and the Warrant Shares to be issued upon the exercise of the Warrants would be capital assets within the meaning of Section 1221 of the Code.

This summary does not address U.S. federal income tax consequences to holders subject to special rules, including holders that (i) are banks, financial institutions, or insurance companies; (ii) are regulated investment companies or real estate investment trusts; (iii) are brokers, dealers, or traders in securities or currencies; (iv) are tax-exempt organizations; (v) hold the Warrants or Warrant Shares as part of hedges, straddles, constructive sales, conversion transactions, or other integrated investments; (vi) acquire the Warrants or Warrant Shares as compensation for services or through the exercise or cancellation of employee stock options or warrants; (vii) have a functional currency other than the U.S. dollar; or (viii) are U.S. expatriates. In addition, this discussion does not address any U.S. federal estate, gift, or other non-income tax, or any state, local, or non-U.S. tax consequences of the ownership and disposition of the Warrants or Warrant Shares or the impact of the alternative minimum tax.

If an entity classified as a partnership for U.S. federal income tax purposes holds the Warrants, the U.S. federal income tax treatment of a partner in such partnership generally will depend on the status of such partner and on the activities of the partner and the partnership. A person that is a partner of an entity classified as a partnership for U.S. federal income tax purposes where such entity holds the Warrants or Warrant Shares is urged to consult its tax advisor.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF WARRANTS OR WARRANT SHARES.**

### U.S. Holders

The discussion in this section is addressed to a holder of Warrants or Warrant Shares that is a "U.S. Holder" for U.S. federal income tax purposes. As used herein, "U.S. Holder" means a beneficial owner of Warrants or Warrant Shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized under the laws of the United States or any political subdivision thereof, including any State thereof and the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust that (a) is subject to the primary jurisdiction of a court within the United States and for which one or more U.S. persons have authority to control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

### Tax Classification of the Company as a U.S. Domestic Corporation

A corporation is generally considered for U.S. federal income tax purposes to be a tax resident in the jurisdiction of its organization or incorporation. Accordingly, under the generally applicable U.S. federal income tax rules, the Company, which is incorporated under the laws of Canada, would be classified as a non-U.S. corporation (and, therefore, not a U.S. tax resident) for U.S. federal income tax purposes. However, Section 7874 of the Code, provides an exception to this general rule, under which a non-U.S. incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes. These rules are complex and there is limited guidance regarding their application.

Under Section 7874, a corporation created or organized outside the United States (i.e., a non-U.S. corporation) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes (and, therefore, as a U.S. tax resident subject to U.S. federal income tax on its worldwide income) if each of the following three conditions are met: (i) the non-U.S. corporation, directly or indirectly, acquires substantially all of the properties held directly or indirectly by a U.S. corporation or partnership (including through the acquisition of all of the outstanding shares or interests of the U.S. corporation or partnership (including a limited liability company classified as a partnership); (ii) the non-U.S. corporation's "expanded affiliated group" does not have "substantial business activities" in the non-U.S. corporation's country of organization or incorporation and tax residence relative to the expanded affiliated group's worldwide activities; and (iii) after the acquisition, the former shareholders or owners of the acquired U.S. corporation or partnership hold at least 80% (by either vote or value) of the shares of the non-U.S. acquiring corporation by reason of holding shares or interest in the U.S. acquired corporation or partnership (taking into account the receipt of the non-U.S. corporation's shares in exchange for the U.S. corporation's or partnership shares or interests) as determined for purposes of Section 7874 (this test is referred to as the "80% ownership test").

For purposes of Section 7874, the Company believes that the three conditions described above have been met by reason of the RTO, and the Company has taken the position that it is treated as a U.S. domestic corporation for U.S. federal income tax purposes. A number of significant and complicated U.S. federal income tax consequences may result from such classification, and this summary does not attempt to describe all such U.S. federal income tax consequences. Section 7874 of the Code and the Treasury Regulations promulgated thereunder do not address all the possible tax consequences that arise from the Company being treated as a U.S. domestic corporation for U.S. federal income tax purposes. Accordingly, there may be additional or unforeseen U.S. federal income tax consequences to the Company that are not discussed in this summary.

Generally, the Company will be subject to U.S. federal income tax on its worldwide taxable income (regardless of whether such income is "U.S. source" or "foreign source") and will be required to file a U.S. federal income tax return annually with the IRS. The Company is subject to tax in Canada. It is unclear how the foreign tax credit rules under the Code will operate in certain circumstances, given the treatment of the Company as a U.S. domestic corporation for U.S. federal income tax purposes and the taxation of the Company in Canada. Accordingly, it is possible that the Company will be subject to double taxation with respect to all or part of its taxable income. It is anticipated that such U.S. and Canadian tax treatment will continue indefinitely and that the Warrant Shares will be treated indefinitely as shares in a U.S. domestic corporation for U.S. federal income tax purposes, notwithstanding future transfers.

**Tax Considerations for U.S. Holders**

***Exercise, Sale, Redemption or Expiration of Warrant***

Generally, no U.S. federal income tax will be imposed upon the U.S. Holder of a Warrant upon exercise of such Warrant to acquire Warrant Shares. A U.S. Holder's tax basis in a Warrant will generally be the amount of the purchase price that was paid for or allocated to the Warrant. Upon exercise of a Warrant, the tax basis of the Warrant Shares acquired thereby would be equal to the sum of the tax basis of the Warrant in the hands of the U.S. Holder plus the exercise price paid, and the holding period of the Warrant Shares would begin on the date following the date that the Warrant is exercised (or possibly the date of exercise) and will not include the period during which the U.S. Holder held the Warrant.

In general, if you are a U.S. Holder of a Warrant, you will recognize gain or loss upon the sale or other taxable disposition of the Warrant (provided that the Warrant Shares to be issued on the exercise of such Warrant would have been a capital asset within the meaning of Section 1221 of the Code if acquired by the U.S. Holder) in an amount equal to the difference between the amount realized on the sale and your adjusted tax basis in the Warrant. If a Warrant lapses without exercise, the U.S. Holder will generally realize a capital loss equal to its tax basis in the Warrant.

Prospective U.S. Holders should consult their tax advisors regarding the tax consequences of acquiring, holding, exercising and disposing of Warrants.

***Distributions***

The Company does not anticipate declaring or paying dividends to holders of Warrant Shares in the foreseeable future. However, if the Company decides to make any such distributions, such distributions with respect to Warrant Shares will be taxable as dividend income when paid to the extent of the Company's current or accumulated earnings and profits as determined for U.S. federal income tax purposes. To the extent that the amount of a distribution with respect to the Company's Warrant Shares exceeds its current and accumulated earnings and profits, such distribution will be treated first as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in the Warrant Shares, and thereafter as a capital gain which will be a long-term capital gain if the U.S. Holder has held such stock at the time of the distribution for more than one year. Distributions on the Company's Warrant Shares constituting dividend income paid to U.S. Holders that are U.S. corporations may qualify for the dividends received deduction, subject to various limitations. Distributions on Company's Warrant Shares constituting dividend income paid to U.S. Holders that are individuals may qualify for the reduced rates applicable to qualified dividend income.

***Sale or Redemption***

A U.S. Holder will generally recognize capital gain or loss on a sale, exchange, redemption (other than a redemption that is treated as a dividend) or other disposition of the Company's Warrant Shares equal to the difference between the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in the shares so disposed. Such capital gain or loss will be a long-term capital gain or loss if the U.S. Holder's holding period for the shares disposed of exceeds one year at the time of disposition. Long-term capital gains of non-corporate taxpayers are generally taxed at a lower maximum marginal tax rate than the maximum marginal tax rate applicable to ordinary income. The deductibility of net capital losses by individuals and corporations is subject to limitations.

***Additional Tax on Net Investment Income***

Certain U.S. Holders that are individuals, estates and trusts are required to pay a 3.8 percent tax on "net investment income" (or in the case of an estate or trust, "undistributed net investment income"), which generally includes, among other things, dividends on, and capital gains from the sale or other disposition of, the stocks and securities, subject to certain limitations and exceptions. You are urged to consult your own tax advisors regarding the applicability of this additional tax to your ownership and disposition of Warrant Shares and Warrants.

***Foreign Tax Credit Limitations***

Because the Company is subject to tax both as a U.S. domestic corporation and as a Canadian corporation, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to dividends paid on its Warrant Shares. For U.S. federal income tax purposes, a U.S. Holder may elect for any taxable year to receive either a credit or a deduction for all foreign income taxes paid by the holder during the year. Complex limitations apply to the foreign tax credit, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer's U.S. federal income tax that the taxpayer's foreign source taxable income bears to the taxpayer's worldwide taxable income. In applying this limitation, items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. The status of the Company as a U.S. domestic corporation for U.S. federal income tax purposes will cause dividends paid by the Company to be treated as U.S. source rather than foreign source income for this purpose. As a result, a foreign tax credit may be unavailable for any Canadian tax paid on dividends received from the Company. Similarly, to the extent a sale or disposition of Warrants or Warrant Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder (for example, because the Warrants or Warrant Shares constitute taxable Canadian property within the meaning of the Tax Act), a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. In each case, however, the U.S. Holder may be able to take a deduction for the U.S. Holder's Canadian tax paid, provided that the U.S. Holder has not elected to credit other foreign taxes during the same taxable year. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding these rules.

***Foreign Currency***

The amount of any distribution paid to a U.S. Holder in foreign currency, or the amount of proceeds paid in foreign currency on the sale, exchange or other taxable disposition of Warrants or Warrant Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors.

***Information Reporting and Backup Withholding***

Information returns will be filed with the IRS in connection with payments of dividends and the proceeds from a sale or other disposition of Warrant or Warrants Shares payable to a U.S. Holder that is not an exempt recipient, such as a corporation. Certain U.S. Holders may be subject to backup withholding with respect to the payment of dividends on Warrant Shares and to certain payments of proceeds on the sale or redemption of Warrants or Warrant Shares unless such U.S. Holders provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules from a payment to a U.S. Holder is allowable as a credit against such U.S. Holder's U.S. federal income tax, which may entitle the U.S. Holder to a refund, provided that the U.S. Holder timely provides the required information to the IRS. Moreover, certain penalties may be imposed by the IRS on a U.S. Holder who is required to furnish information but does not do so in the proper manner. U.S. Holders should consult their tax advisors regarding the application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury Regulations.

**Non-U.S. Holders**

The discussion in this section is addressed to holders of Warrants and Warrant Shares that are "Non-U.S. Holders" that do not hold Warrants or Warrant Shares in connection with the conduct of a trade or business in the United States. For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of the Company's Warrants or Warrant Shares that is neither a "U.S. Holder" nor an entity treated as a partnership for U.S. federal income tax purposes.

**Tax Considerations for Non-U.S. Holders**

***Exercise, Sale or Redemption of Warrant***

Generally, no U.S. federal income tax will be imposed upon the Non-U.S. Holder of a Warrant upon exercise of such Warrant to acquire Warrant Shares. A Non-U.S. Holder's tax basis in a Warrant will generally be the amount of the purchase price that was allocated to the Warrant. Upon exercise of a Warrant, the tax basis of the Warrant Shares acquired thereby would be equal to the sum of the tax basis of the Warrant in the hands of the Non-U.S. Holder plus the exercise price paid, and the holding period of the Warrant Shares would begin on the date following the date that the Warrant is exercised (or possibly the date of exercise) and will not include the period during which the U.S. Holder held the Warrant.

In general, if you are a Non-U.S. Holder of a Warrant, the tax consequences of the sale or redemption of a Warrant should be the same as described below under "Non-U.S. Holders — Sale or Redemption" related to the sale or redemption of Warrant Shares.

Prospective Non-U.S. Holders should consult their tax advisors regarding the tax consequences of acquiring, holding, exercising and disposing of Warrants.

***Distributions***

Generally, distributions treated as dividends as described above under "U.S. Holders — Distributions" paid to a Non-U.S. Holder of the Company's Warrant Shares will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E, or other applicable documentation, certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation for a reduced treaty rate, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

***Sale or Redemption***

Subject to the discussions below under "Non-U.S. Holders – Information Reporting and Backup Withholding" and "Additional Withholding Tax on Payments Made to Foreign Accounts", a Non-U.S. Holder will generally not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of the Company's Warrant Shares unless:

- the Non-U.S. Holder is a non-resident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- Warrant Shares constitutes a U.S. real property interest, or USRPI, by reason of Company's status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the second bullet point above, the Company believes it currently is not, and does not anticipate becoming, a USRPHC. Because the determination of whether the Company is a USRPHC depends, however, on the fair market value of Company's USRPIs relative to the fair market value of the Company's non-U.S. real property interests and other business assets, there can be no assurance the Company currently is not a USRPHC or will not become one in the future. Even if the Company is or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of the Company's Warrant Shares will not be subject to U.S. federal income tax if the Warrant Shares are "regularly traded", as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of the Warrant Shares throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

***Information Reporting and Withholding***

Payments of dividends on the Company's Warrant Shares will not be subject to withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN or W-8BEN-E, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on the Company's Warrant Shares paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of the Company's Warrants or Warrant Shares within the United States or conducted through certain U.S.-related brokers generally will not be subject to withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of Warrants or Warrant Shares conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Withholding is not an additional tax. Any amounts withheld under the withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

**Additional Withholding Tax on Payments Made to Foreign Accounts**

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or **"FATCA**") on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, the Company's Warrant Shares paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners", as defined in the Code, or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on the Company's Warrant Shares. While withholding under FATCA would have also applied to payments of gross proceeds from the sale or other disposition of the Warrants and Warrant Shares on or after January 1, 2019, recently proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in Warrants or Warrant Shares.

## TRANSFER AGENT AND REGISTRAR

Our transfer agent and registrar is Odyssey Trust Company located at 835 - 409 Granville Street, Vancouver, British Columbia V6C 1T2.

## LEGAL MATTERS

Certain Canadian legal matters in connection with the offering of Fixed Shares or Floating Shares will be passed upon on behalf of Acreage by DLA Piper (Canada) LLP.

## EXPERTS

The following persons or companies are named as having prepared or certified a report, valuation, statement or opinion directly in this Prospectus, and whose profession or business gives authority to the report, valuation, statement or opinion made by the expert.

Marcum LLP is our independent registered public accounting firm, and audited our financial statements for the years ended December 31, 2019, 2018 and 2017 contained in our Annual Report on Form 10-K for the year ended December 31, 2019 and the amendment thereto on Form 10-K/A.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. This Prospectus is part of a registration statement and, as permitted by SEC rules, does not contain all of the information included in the registration statement. Whenever a reference is made in this Prospectus to any of our contracts or other documents, the reference may not be complete and, for a copy of the contract or document, you should refer to the exhibits that are part of the registration statement. Our SEC filings and information omitted from this Prospectus but contained in the Registration Statement is available on our profile at *www.sec.gov*.

INDEX TO FINANCIAL STATEMENTS

**Unaudited Interim Consolidated Financial Statements**



**Audited Consolidated Financial Statements**

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

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

| (in thousands) | September 30, 2020 (unaudited) | December 31, 2019 (audited) |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 46,363 | $ 26,505 |
| Restricted cash | 22,096 | 95 |
| Inventory | 21,761 | 18,083 |
| Notes receivable, current | 2,051 | 2,146 |
| Assets held-for-sale | 61,634 | — |
| Other current assets | 8,992 | 8,506 |
| **Total current assets** | 162,897 | 55,335 |
| Long-term investments | 38,297 | 4,499 |
| Notes receivable, non-current | 96,287 | 79,479 |
| Capital assets, net | 96,563 | 106,047 |
| Operating lease right-of-use assets | 31,507 | 51,950 |
| Intangible assets, net | 139,524 | 285,972 |
| Goodwill | 31,922 | 105,757 |
| Other non-current assets | 3,267 | 2,638 |
| **Total non-current assets** | 437,367 | 636,342 |
| **TOTAL ASSETS** | $ 600,264 | $ 691,677 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Accounts payable and accrued liabilities | $ 49,910 | $ 32,459 |
| Taxes payable | 14,209 | 4,740 |
| Interest payable | 4,683 | 291 |
| Operating lease liability, current | 2,482 | 2,759 |
| Debt, current | 37,097 | 15,300 |
| Liabilities related to assets held-for-sale | 22,563 | — |
| Other current liabilities | 7,449 | 1,604 |
| **Total current liabilities** | 138,393 | 57,153 |
| Debt, non-current | 121,703 | 28,186 |
| Operating lease liability, non-current | 30,182 | 47,522 |
| Deferred tax liability | 34,938 | 63,997 |
| Other liabilities | 2 | 25 |
| **Total non-current liabilities** | 186,825 | 139,730 |
| **TOTAL LIABILITIES** | 325,218 | 196,883 |
| Commitments and contingencies (Note 13) | | |
| Common stock, no par value (Note 11) - unlimited authorized, 100,746 and 90,646 issued and outstanding, respectively | — | — |
| Additional paid-in capital | 706,668 | 615,678 |
| Treasury stock, 842 common stock held in treasury | (21,054) | (21,054) |
| Accumulated deficit | (438,311) | (188,617) |
| **Total Acreage Shareholders' equity** | 247,303 | 406,007 |
| Non-controlling interests | 27,743 | 88,787 |
| **TOTAL EQUITY** | 275,046 | 494,794 |
| | | |
| **TOTAL LIABILITIES AND EQUITY** | $ 600,264 | $ 691,677 |

*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, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Retail revenue, net | $ 23,914 | $ 15,306 | $ 61,362 | $ 38,566 |
| Wholesale revenue, net | 7,798 | 6,696 | 21,513 | 13,639 |
| Other revenue, net | 30 | 400 | 164 | 839 |
| **Total revenues, net** | 31,742 | 22,402 | 83,039 | 53,044 |
| Cost of goods sold, retail | (14,134) | (9,548) | (37,004) | (23,622) |
| Cost of goods sold, wholesale | (4,133) | (3,160) | (11,395) | (6,795) |
| Total cost of goods sold | (18,267) | (12,708) | (48,399) | (30,417) |
| **Gross profit** | 13,475 | 9,694 | 34,640 | 22,627 |
| | | | | |
| **OPERATING EXPENSES** | | | | |
| General and administrative | 14,819 | 12,977 | 40,237 | 41,039 |
| Compensation expense | 8,306 | 11,801 | 30,740 | 29,542 |
| Equity-based compensation expense | 10,445 | 28,174 | 65,369 | 67,844 |
| Marketing | 46 | 1,151 | 1,514 | 3,153 |
| Loss on impairment | — | — | 187,775 | — |
| Loss on notes receivable | — | — | 8,161 | — |
| Write down of assets held-for-sale | 2,893 | — | 11,003 | — |
| Loss from legal settlements | 14,150 | — | 14,150 | — |
| Depreciation and amortization | 1,396 | 2,182 | 4,888 | 5,313 |
| Total operating expenses | 52,055 | 56,285 | 363,837 | 146,891 |
| | | | | |
| **Net operating loss** | $ (38,580) | $ (46,591) | $ (329,197) | $ (124,264) |
| | | | | |
| (Loss) income from investments, net | (433) | (1,458) | (195) | 770 |
| Interest income from loans receivable | 1,606 | 1,190 | 5,083 | 2,921 |
| Interest expense | (6,147) | (96) | (11,106) | (345) |
| Other loss, net | (656) | (220) | (853) | (2,528) |
| Total other (loss) income | (5,630) | (584) | (7,071) | 818 |
| | | | | |
| **Loss before income taxes** | $ (44,210) | $ (47,175) | $ (336,268) | $ (123,446) |
| | | | | |
| Income tax (expense) benefit | (3,826) | (2,327) | 21,633 | (6,125) |
| | | | | |
| **Net loss** | $ (48,036) | $ (49,502) | $ (314,635) | $ (129,571) |
| | | | | |
| Less: net loss attributable to non-controlling interests | (7,488) | (10,786) | (64,941) | (29,937) |
| | | | | |
| **Net loss attributable to Acreage Holdings, Inc.** | $ (40,548) | $ (38,716) | $ (249,694) | $ (99,634) |
| | | | | |
| **Net loss per share attributable to Acreage Holdings, Inc. - basic and diluted:** | $ (0.39) | $ (0.43) | $ (2.54) | $ (1.17) |
| | | | | |
| **Weighted average shares outstanding - basic and diluted** | 103,450 | 89,262 | 98,304 | 84,817 |

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

# ACREAGE HOLDINGS, INC.
## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (in thousands) | LLC Membership Units | Pubco Shares (as converted) | Attributable to shareholders of the parent: Share Capital | Treasury Stock | Accumulated Deficit | Shareholders' Equity | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2018** | **—** | **79,164** | **$ 414,757** | **$ (21,054)** | **$ (38,349)** | **$ 355,354** | **$ 130,922** | **$ 486,276** |
| Issuances for business acquisitions/purchases of intangible assets | — | 211 | 3,948 | — | — | 3,948 | 4,000 | 7,948 |
| NCI adjustments for changes in ownership | — | 643 | 3,640 | — | — | 3,640 | (3,640) | — |
| Other equity transactions | — | 12 | 264 | — | — | 264 | — | 264 |
| Equity-based compensation expense and related issuances | — | 190 | 16,187 | — | — | 16,187 | — | 16,187 |
| Net loss | — | — | — | — | (23,377) | (23,377) | (7,427) | (30,804) |
| **March 31, 2019** | **—** | **80,220** | **$ 438,796** | **$ (21,054)** | **$ (61,726)** | **$ 356,016** | **$ 123,855** | **$ 479,871** |
| Issuances for business acquisitions/purchases of intangible assets | — | 4,770 | 95,266 | — | — | 95,266 | 356 | 95,622 |
| NCI adjustments for changes in ownership | — | 388 | (15,820) | — | — | (15,820) | 15,820 | — |
| Capital distributions, net | — | — | — | — | — | — | (4,298) | (4,298) |
| Other equity transactions | — | 294 | 5,201 | — | — | 5,201 | — | 5,201 |
| Equity-based compensation expense and related issuances | — | 288 | 15,574 | — | — | 15,574 | — | 15,574 |
| Net loss | — | — | — | — | (37,541) | (37,541) | (11,724) | (49,265) |
| **June 30, 2019** | **—** | **85,960** | **$ 539,017** | **$ (21,054)** | **$ (99,267)** | **$ 418,696** | **$ 124,009** | **$ 542,705** |
| Issuances for business acquisitions/purchases of intangible assets | — | 383 | 5,534 | — | — | 5,534 | — | 5,534 |
| NCI adjustments for changes in ownership | — | 1,452 | 7,392 | — | — | 7,392 | (7,392) | — |
| Capital distributions, net | — | — | — | — | — | — | (65) | (65) |
| Other equity transactions | — | 261 | 3,353 | — | — | 3,353 | — | 3,353 |
| Equity-based compensation expense and related issuances | — | 1,608 | 26,356 | — | — | 26,356 | — | 26,356 |
| Net loss | — | — | — | — | (38,716) | (38,716) | (10,786) | (49,502) |
| **September 30, 2019** | **—** | **89,664** | **$ 581,652** | **$ (21,054)** | **$ (137,983)** | **$ 422,615** | **$ 105,766** | **$ 528,381** |

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

# ACREAGE HOLDINGS, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in thousands) | LLC Membership Units | Pubco Shares (as converted) | Attributable to shareholders of the parent: Share Capital | Treasury Stock | Accumulated Deficit | Shareholders' Equity | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2019** | **—** | **90,646** | **$ 615,678** | **$ (21,054)** | **$ (188,617)** | **$ 406,007** | **$ 88,787** | **$ 494,794** |
| Issuances for private placement | — | 6,085 | 27,887 | — | — | 27,887 | — | 27,887 |
| NCI adjustments for changes in ownership | — | 113 | (6,564) | — | — | (6,564) | 6,564 | — |
| Capital distributions, net | — | — | — | — | — | — | (18) | (18) |
| Equity-based compensation expense and related issuances | — | 586 | 34,737 | — | — | 34,737 | — | 34,737 |
| Net loss | — | — | — | — | (171,954) | (171,954) | (50,275) | (222,229) |
| **March 31, 2020** | **—** | **97,430** | **$ 671,738** | **$ (21,054)** | **$ (360,571)** | **$ 290,113** | **$ 45,058** | **$ 335,171** |
| NCI adjustments for changes in ownership | 3,861 | 272 | 977 | — | — | 977 | (977) | — |
| Beneficial conversion feature on convertible note (See Note 10) | — | — | 523 | — | — | 523 | — | 523 |
| Other equity transactions | — | — | — | — | — | — | 44 | 44 |
| Equity-based compensation expense and related issuances | — | 864 | 20,187 | — | — | 20,187 | — | 20,187 |
| Net loss | — | — | — | — | (37,192) | (37,192) | (7,178) | (44,370) |
| **June 30, 2020** | **3,861** | **98,566** | **$ 693,425** | **$ (21,054)** | **$ (397,763)** | **$ 274,608** | **$ 36,947** | **$ 311,555** |
| Issuances upon conversion of debenture | — | 327 | 550 | — | — | 550 | — | 550 |
| NCI adjustments for changes in ownership | — | 198 | 1,716 | — | — | 1,716 | (1,716) | — |
| Other equity transactions | — | 212 | 532 | — | — | 532 | — | 532 |
| Equity-based compensation expense and related issuances | — | 1,443 | 10,445 | — | — | 10,445 | — | 10,445 |
| Net loss | — | — | — | — | (40,548) | (40,548) | (7,488) | (48,036) |
| **September 30, 2020** | **3,861** | **100,746** | **$ 706,668** | **$ (21,054)** | **$ (438,311)** | **$ 247,303** | **27,743** | **$ 275,046** |

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, 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (314,635) | $ (129,571) |
| Adjustments for: | | |
| Depreciation and amortization | 4,888 | 5,313 |
| Equity-settled expenses, including compensation | 65,901 | 73,047 |
| Gain on business divestiture | (217) | — |
| (Gain) loss on disposal of capital assets | (75) | 10 |
| Loss on impairment | 187,775 | — |
| Loss on notes receivable | 8,161 | — |
| Bad debt expense | 194 | — |
| Non-cash interest expense | 3,754 | — |
| Non-cash operating lease expense | 709 | 1,064 |
| Deferred tax benefit | (32,141) | (407) |
| Non-cash loss from investments, net | 195 | 22 |
| Write-down of assets held-for-sale | 11,003 | — |
| Change, net of acquisitions in: | | |
| Inventory | (1,914) | (5,346) |
| Other assets | 1,110 | (3,908) |
| Interest receivable | (1,286) | (3,179) |
| Accounts payable and accrued liabilities | 7,384 | 6,477 |
| Taxes payable | 9,742 | 2,279 |
| Interest payable | 4,392 | (320) |
| Other liabilities | 852 | (1,184) |
| Net cash used in operating activities | $ (44,208) | $ (55,703) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of capital assets | $ (7,904) | $ (32,276) |
| Investments in notes receivable | (14,193) | (24,557) |
| Collection of notes receivable | 235 | 3,138 |
| Cash paid for long-term investments | (34,019) | (4,158) |
| Proceeds from business divestiture | 997 | — |
| Proceeds from sale of capital assets | 1,160 | 172 |
| Business acquisitions, net of cash acquired | (9,983) | (21,205) |
| Purchases of intangible assets | — | (58,488) |
| Deferred acquisition costs and deposits | — | 2,076 |
| Distributions from investments | 26 | 137 |
| Proceeds from purchase of short-term investments | — | 149,828 |
| Net cash (used in) provided by investing activities | $ (63,681) | $ 14,667 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from related party debt | $ 5,000 | $ — |
| Repayment of related party loan | (20,000) | — |
| Proceeds from financing | 129,000 | — |
| Deferred financing costs paid | (3,317) | — |
| Proceeds from issuance of private placement units, net | 27,887 | — |
| Collateral received from financing agreement | 22,000 | — |
| Settlement of taxes withheld | — | (9,727) |
| Repayment of debt | (10,822) | (12,179) |
| Capital distributions, net | — | (4,363) |
| Net cash provided by (used in) financing activities | $ 149,748 | $ (26,269) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | $ 41,859 | $ (67,305) |
| Cash, cash equivalents and restricted cash - Beginning of period | 26,600 | 105,038 |
| Cash, cash equivalents and restricted cash - End of period | $ 68,459 | $ 37,733 |

*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, 2020 | 2019 |
|---|---|---|
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid - non-lease | $ 988 | $ 593 |
| Income taxes paid | 867 | 4,253 |
| OTHER NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Capital assets not yet paid for | $ 5,625 | $ 281 |
| Issuance of Class D units for land | — | 264 |
| Issuance of SVS for operating lease | — | 3,353 |
| Exchange of intangible assets to notes receivable (Note 4) | 18,800 | — |
| Holdback of Maine HSCP notes receivable (Note 6) | 917 | — |
| Promissory note conversion to equity (Note 6) | 10,087 | — |
| Deferred tax liability related to business acquisition (Note 3) | 3,077 | 18,377 |
| Beneficial conversion feature (Note 10) | 523 | — |
| Convertible note conversion | 550 | — |
| Unpaid debt issuance costs | 4,968 | — |

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

## 1. NATURE OF OPERATIONS

Acreage Holdings, Inc. (the "Company", "Pubco" or "Acreage") was originally incorporated under the *Business Corporations Act* (Ontario) on July 12, 1989 as Applied Inventions Management Inc. On August 29, 2014, the Company changed its name to Applied Inventions Management Corp. The Company continued into British Columbia and changed its name to "Acreage Holdings, Inc." on November 9, 2018. 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. The Company indirectly owns, operates and has contractual relationships with cannabis cultivation facilities, dispensaries and other cannabis-related companies in the United States ("U.S.").

High Street Capital Partners, LLC, a Delaware limited liability company doing business as "Acreage Holdings" ("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 450 Lexington Avenue, #3308, 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. The RTO transaction is described in detail in Note 1 to the Consolidated Financial Statements of the Company in the Company's Annual Report on Form 10-K, filed with the SEC on May 29, 2020.

Canopy Growth Corporation transaction

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

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

Pursuant to the implementation of the Amended Agreement, 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. Please refer to Note 10 for further discussion.

COVID-19

In December 2019, a novel strain of coronavirus ("COVID-19") emerged in Wuhan, China. Since then, it has spread to other countries and infections have been reported around the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic.

In response to the outbreak, governmental authorities in the United States, Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. Management has been closely monitoring the impact of COVID-19, with a focus in the health and safety of our employees, business continuity and supporting our communities. We have implemented various measures to reduce the spread of the virus, including implementing social distancing measures at our cultivation facilities, manufacturing facilities, and dispensaries, enhancing cleaning protocols at such facilities and dispensaries and encouraging employees to adhere to preventative measures recommended by local, state, and federal health officials.

## 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and going concern

The Unaudited Condensed Consolidated Financial Statements of Acreage 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, 2020.

As reflected in the financial statements, the Company had an accumulated deficit as of September 30, 2020, as well as a net loss and net cash used in operating activities for the reporting period then ended. 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.

However, management believes that substantial doubt about the Company's ability to meet its obligations for the next twelve months from the date these financial statements were issued has been alleviated due to, but not limited to, (i) access to future capital commitments, (ii) continued sales growth from our consolidated operations, (iii) latitude as to the timing and amount of certain operating expenses as well as capital expenditures, (iv) restructuring plans that have already been put in place to improve the Company's profitability (see Note 3), (v) the Standby Equity Distribution Agreement described in Note 13 of the Unaudited Condensed Consolidated Financial Statements and (vi) the anticipated Non-Core Divestitures as described in Note 3.

If the Company is unable to raise additional capital whenever necessary, it may be forced to decelerate or curtail its footprint buildout or other operational activities until such time as additional capital becomes available. Such limitation of the Company's activities would allow it to slow its rate of spending and extend its use of cash until additional capital is raised. However, management cannot provide any assurances that it will be successful in accomplishing any of the Company's 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.

Use of estimates

The preparation of the Company's Unaudited Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the amounts that are reported in the Unaudited Condensed Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may 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.

These interim Unaudited Condensed Consolidated Financial Statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2019 dated May 29, 2020, included elsewhere in this document.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

Emerging growth company

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies.

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

Our Unaudited Condensed Consolidated Financial Statements include the accounts of Acreage, its subsidiaries and variable interest entities ("VIEs") where we are considered the primary beneficiary, if any, after elimination of intercompany accounts and transactions. Investments in entities in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method. Our proportionate share of net income or loss of the entity is recorded in *Income (loss) from investments, net* in the Consolidated Statements of Operations.

The unaudited and audited consolidated financial statements are referred to as the "Financial Statements" herein. The unaudited condensed consolidated statements of operations are referred to as the "Statements of Operations" herein. The unaudited and audited condensed consolidated statements of financial position are referred to as the "Statements of Financial Position" herein. The unaudited condensed consolidated statements of cash flows are referred to as the "Statements of Cash Flows" herein.

Restricted cash

Restricted cash represents funds contractually held for specific purposes (Refer to Note 10) and, as such, not available for general corporate purposes. Cash and restricted cash, as presented on the Statements of Cash Flows, consists of $46,363 and $22,096 as of September 30, 2020, respectively, and $37,638 and $95 as of September 30, 2019, respectively.

Impairment of long-lived assets

Goodwill and indefinite-lived intangible assets are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill and indefinite-lived intangible assets are tested at the individual business level. The Company may first assess qualitative factors and, if it determines it is more likely than not that the fair value is less than the carrying value, then proceed to a quantitative test if necessary.

Finite-lived intangible assets and other long-lived assets are tested for impairment based on undiscounted cash flows when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Accounting for warrants and convertible notes

The Company determines the accounting classification of warrants it issues, as either liability or equity classified, by first assessing whether the warrants meet liability classification in accordance with ASC 480-10, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, then in accordance with ASC 815-40, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. Under ASC 480, warrants are considered liability classified if the warrants are mandatorily redeemable, obligate the Company to settle the warrants or the underlying shares by paying cash or other assets, or warrants that must or may require settlement by issuing a variable number of shares.

If warrants do not meet the liability classification under ASC 480-10, the Company assesses the requirements under ASC 815-40, which states that contracts that require or may require the issuer to settle the contract for cash are liabilities recorded at fair value, irrespective of the likelihood of the transaction occurring that triggers the net cash settlement feature. If the warrants do not require liability classification under ASC 815-40, and in order to conclude equity classification, the Company also assesses whether the warrants are indexed to its common stock and whether the warrants are classified as equity under ASC 815-40 or other applicable GAAP. After all relevant assessments, the Company concludes whether the warrants are classified as liability or equity. Liability classified warrants require fair value accounting at issuance and subsequent to initial issuance with all changes in fair value after the issuance date recorded in the statements of operations. Equity classified warrants only require fair value accounting at issuance with no changes recognized subsequent to the issuance date.

The Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the difference between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The debt discounts under these arrangements are amortized over the earlier of (i) the term of the related debt using the straight line method which approximates the interest rate method or (ii) redemption of the debt. The amortization of debt discounts is included as a component of *Interest expense* in the accompanying Statements of Operations. Refer to Note 10.

Assets held for sale

The Company classifies long-lived assets or disposal groups as held for sale in the period when the following held for sale criteria are met: (i) the Company commits to a plan to sell; (ii) the long-lived asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such long-lived assets or disposal groups; (iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; (iv) the sale is probable within one year; (v) the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. In accordance with ASC 360-10, *Property, Plant and Equipment*, long-lived assets and disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Net loss per share

Net loss per share represents the net loss attributable to shareholders divided by the weighted average number of shares outstanding during the period on an as converted basis. Basic and diluted loss per share are the same as of September 30, 2020 and 2019 as the issuance of shares upon conversion, exercise or vesting of outstanding units would be anti-dilutive in each period. There were 44,056 and 41,642 anti-dilutive shares outstanding as of September 30, 2020 and 2019, respectively. Refer to Note 16 for further details.

**Accounting Pronouncements Recently Adopted**

As of December 2019, the Company early adopted ASU 2017-04 - *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). The objective of ASU 2017-04 is to simplify how an entity is required to test goodwill for impairment. Under previous GAAP, entities were required to test goodwill for impairment using a two-step approach. Under the amendments in ASU 2017-04, an entity performs its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The adoption of ASU 2017-04 did not have an effect on the Company's Financial Statements.

**Accounting Pronouncements Not Yet Adopted**

In June 2016, the FASB issued ASU 2016-13 - *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which was subsequently revised by ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-11, ASU 2020-02 and ASU 2020-03. ASU 2016-13 introduces a new model for assessing impairment on most financial assets. Entities will be required to use a forward-looking expected loss model, which will replace the current incurred loss model, which will result in earlier recognition of allowance for losses. As an emerging growth company, the Company has elected to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Securities and Exchange Act of 1934. Accordingly, ASU 2016-13 will be effective for the Company's first interim period of fiscal 2023, and the Company is currently evaluating the impact of the new standard.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

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

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

Acquisitions

During the nine months ended September 30, 2020, the Company completed the following business combination below. The preliminary purchase price allocation is as follows:

| **Purchase Price Allocation** | **CCF (1)** |
|---|---|
| Assets acquired: | |
| Cash and cash equivalents | $ 17 |
| Inventory | 1,969 |
| Other current assets | 3,164 |
| Capital assets, net | 4,173 |
| Operating lease ROU assets | 4,455 |
| Goodwill | 5,247 |
| Intangible assets - cannabis licenses | 10,000 |
| Other non-current assets | 10 |
| Liabilities assumed: | |
| Accounts payable and accrued liabilities | (228) |
| Taxes payable | (17) |
| Other current liabilities | (4,248) |
| Operating lease liability | (4,455) |
| **Fair value of net assets acquired** | $ 20,087 |
| | |
| Consideration paid: | |
| Cash | $ 10,000 |
| Settlement of pre-existing relationship | 10,087 |
| **Total consideration** | $ 20,087 |

(1) On June 26, 2020, a subsidiary of the Company acquired 100% of Compassionate Care Foundation, Inc. (“CCF”), a New Jersey vertically integrated medical cannabis nonprofit corporation.

The settlement of pre-existing relationship included in the transaction price includes a $7,952 line of credit as well as interest receivable of $2,135 which were both previously recorded in *Notes receivable, non-current* in the Statements of Financial Position. The carrying value of these amounts approximated their fair value.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

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

During the nine months ended September 30, 2019, the Company completed the following business combinations, and has allocated each purchase price as follows:

| Purchase Price Allocation | Thames Valley (1) | NCC (2) | Form Factory (3) | Total |
|---|---|---|---|---|
| Assets acquired: | | | | |
| Cash and cash equivalents | $ 106 | $ 696 | $ 4,276 | **$ 5,078** |
| Inventory | 39 | 170 | 520 | **729** |
| Other current assets | 1 | 36 | 1,136 | **1,173** |
| Capital assets, net | — | 539 | 3,988 | **4,527** |
| Operating lease ROU assets | — | — | 10,477 | **10,477** |
| Goodwill | 3,594 | 4,196 | 66,199 | **73,989** |
| Intangible assets - cannabis licenses | 14,850 | 2,500 | 39,469 | **56,819** |
| Intangible assets - customer relationships | — | — | 4,600 | **4,600** |
| Intangible assets - developed technology | — | — | 3,100 | **3,100** |
| Other non-current assets | — | 25 | 406 | **431** |
| Liabilities assumed: | | | | |
| Accounts payable and accrued liabilities | (121) | (24) | (1,572) | **(1,717)** |
| Other current liabilities | — | (621) | (74) | **(695)** |
| Debt | — | — | (494) | **(494)** |
| Operating lease liability | — | — | (10,477) | **(10,477)** |
| Deferred tax liability | (3,397) | (465) | (14,515) | **(18,377)** |
| Other liabilities | — | (175) | (23) | **(198)** |
| **Fair value of net assets acquired** | **$ 15,072** | **$ 6,877** | **$ 107,016** | **$ 128,965** |
| | | | | |
| Consideration paid: | | | | |
| Cash | 15,072 | — | 3,711 | **18,783** |
| Deferred acquisition costs and deposits | — | 100 | — | **100** |
| Subordinate Voting Shares | — | 3,948 | 95,266 | **99,214** |
| Settlement of pre-existing relationship | — | 830 | 8,039 | **8,869** |
| Fair value of previously held interest | — | 1,999 | — | **1,999** |
| **Total consideration** | **$ 15,072** | **$ 6,877** | **$ 107,016** | **$ 128,965** |
| | | | | |
| Subordinate Voting Shares issued | — | 211 | 4,770 | **4,981** |

The operating results of the above acquisitions were not material to the periods presented.

(1) On January 29, 2019, a subsidiary of the Company acquired 100% of Thames Valley Apothecary, LLC ("Thames Valley"), a dispensary license holder in Connecticut.

(2) On March 4, 2019, a subsidiary of the Company acquired the remaining 70% ownership interest in NCC LLC ("NCC"), a dispensary license holder in Illinois. The market price used in valuing SVS issued was $18.70. As a result of this acquisition, the previously held interest in NCC was re-measured, resulting in a gain of $999, which was recorded in *Income from investments, net* in the Statements of Operations during the nine months ended September 30, 2019.

The settlement of pre-existing relationship included in the transaction price includes a $550 promissory note receivable as well as an amount receivable of $280 which was previously recorded in Other current assets in the Statements of Financial Position. The carrying value of these amounts approximated their fair value.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

(3) On April 16, 2019, a subsidiary of the Company acquired 100% of Form Factory Holdings, LLC ("Form Factory"), a manufacturer and distributor of cannabis-based edibles and beverages. The useful life of the developed technology was determined to be 19 years, and the useful life of the customer relationships was determined to be 5 years.

The market price used in valuing unrestricted SVS issued was $20.45 per share. Certain SVS are subject to clawback should certain indemnity conditions arise and as such, a discount for lack of marketability was applied that correlates to the period of time these shares are subject to restriction.

The Company also recorded an expense of $2,139 in the Statements of Operations for the nine months ended September 30, 2019 in connection with the acquisition of Form Factory that represents stock compensation fully vested on the acquisition date. 86 SVS valued at $1,753 were issued and recorded in *Other equity transactions* on the Statements of Shareholders' Equity, with the remainder settled in cash.

The settlement of pre-existing relationship included in the transaction price included a $7,924 promissory note receivable and $115 of interest receivable. The carrying value of these amounts approximated their fair value.

Deferred acquisition costs and deposits

The Company's subsidiaries make advance payments to certain acquisition targets for which the transfer is pending certain regulatory approvals prior to the acquisition date.

As of September 30, 2020 and December 31, 2019, the Company's subsidiaries had no deferred acquisition costs outstanding.

Divestitures

On May 8, 2020, a subsidiary of the Company sold all equity interests in Acreage North Dakota, LLC, a medical cannabis dispensary holder and operator, for $1,000. This resulted in a gain on sale of $217 recorded in *Other loss, net* on the Statements of Operations for the nine months ended September 30, 2020.

Assets Held for Sale

On June 30, 2020, the Company determined certain businesses and assets met the held-for-sale criteria. The Company has identified the following businesses as their separate disposal groups: Acreage Florida, Inc., Kanna, Inc., Maryland Medicinal Research & Caring, LLC ("MMRC") and certain Oregon entities comprising 22nd & Burn, Inc., The Firestation 23, Inc. and East 11th Incorporated, collectively ("Cannabliss"). As further disposal groups, the Company has identified certain assets owned in HSCP Oregon, LLC (comprising Medford, Powell and Springfield) and Michigan as held-for-sale.

In accordance to ASC 205-20-45 - *Discontinued Operations*, a disposal of a component of an entity shall be reported in discontinued operations if the divestiture represents a strategic shift that will have a major effect on the entity's operations and financial results. Management determined that the expected divestitures will not represent a strategic shift that will have a major effect on the Company's operations and financial results and thus will not report the expected divestitures of these assets as discontinued operations.

Upon classification of the disposal groups as held for sale, the Company tested each disposal group for impairment and recognized charges of $2,893 and $11,003 within *Write down of assets held-for-sale* on the Statements of Operations for the three and nine months ended September 30, 2020 to write the disposal groups down to its fair value less costs to sell. Additionally, all assets and liabilities determined within these disposal groups were transferred into *Assets held-for-sale* and *Liabilities related to assets held-for-sale* on the Statements of Financial Position, respectively as of September 30, 2020 from each of their previous respective financial statement captions. Refer to table below for further details.

The preliminary fair values of the major classes of assets and liabilities of the businesses and assets classified as held-for-sale on our Statements of Financial Position are presented below and are subject to change based on developments during the sales process.

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

| | September 30, 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Acreage Florida, Inc. | Kanna, Inc. | MMRC[1] | Michigan | OR - Cannabliss | OR - Medford | OR - Powell | OR - Springfield | Total |
| Inventory | $ 653 | $ — | $ — | $ — | $ 347 | $ 696 | $ 140 | $ 96 | $ 1,932 |
| Notes receivable, current | — | — | — | — | — | 32 | — | — | 32 |
| Other current assets | 174 | — | 30 | — | 1 | — | — | — | 205 |
| Total current assets classified as held-for-sale | 827 | — | 30 | — | 348 | 728 | 140 | 96 | 2,169 |
| Capital assets, net | 4,999 | 1,156 | 286 | 7,469 | 67 | 2,252 | 7 | 16 | 16,252 |
| Operating lease right-of-use assets | 10,305 | 944 | 362 | — | 645 | 321 | 164 | 319 | 13,060 |
| Intangible assets, net | 26,190 | 970 | 801 | — | — | — | — | — | 27,961 |
| Goodwill | — | — | — | — | 2,192 | — | — | — | 2,192 |
| Total assets classified as held for sale | $ 42,321 | $ 3,070 | $ 1,479 | $ 7,469 | $ 3,252 | $ 3,301 | $ 311 | $ 431 | $ 61,634 |
| | | | | | | | | | |
| Accounts payable and accrued liabilities | $ (317) | $ (240) | $ (7) | $ — | $ (190) | $ — | $ — | $ — | $ (754) |
| Taxes payable | — | 1 | — | — | (292) | — | — | — | (291) |
| Operating lease liability, current | (489) | (241) | (31) | — | (157) | (128) | (116) | (39) | (1,201) |
| Other current liabilities | (187) | — | — | — | 4 | — | — | — | (183) |
| Total current liabilities classified as held-for-sale | (993) | (480) | (38) | — | (635) | (128) | (116) | (39) | (2,429) |
| Debt, non-current | (3,799) | — | — | — | — | — | — | — | (3,799) |
| Operating lease liability, non-current | (14,229) | (676) | (331) | — | (456) | (313) | (54) | (280) | (16,339) |
| Deferred tax liabilities | — | — | — | — | 4 | — | — | — | 4 |
| Total liabilities classified as held-for-sale | $ (19,021) | $ (1,156) | $ (369) | $ — | $ (1,087) | $ (441) | $ (170) | $ (319) | $ (22,563) |

(1) On August 11, 2020, a subsidiary of the Company entered into a transaction of sale for MMRC for $1,500 with a buyer. The Company's applicable subsidiary, when permitted by state law, will transfer all of the issued and outstanding membership interests of MMRC to the buyer. In the interim, and subject to regulatory approval, the buyer and MMRC will enter into a management services agreement for the management and operation of MMRC until such time as the Company can transfer the equity of MMRC to the buyer.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

(in thousands, except per share data)

## 4. INTANGIBLE ASSETS AND GOODWILL

***Intangible assets***

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

| Intangibles | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Finite-lived intangible assets: | | |
| Management contracts | $ 19,580 | $ 52,438 |
| Customer relationships | — | 4,600 |
| Developed technology | — | 3,100 |
| | 19,580 | 60,138 |
| Accumulated amortization on finite-lived intangible assets: | | |
| Management contracts | (4,721) | (5,750) |
| Customer relationships | — | (649) |
| Developed technology | — | (114) |
| | (4,721) | (6,513) |
| Finite-lived intangible assets, net | 14,859 | 53,625 |
| | | |
| Indefinite-lived intangible assets | | |
| Cannabis licenses | 124,665 | 232,347 |
| | | |
| **Total intangibles, net** | **$ 139,524** | **$ 285,972** |

The intangible assets balance as of September 30, 2020 excludes intangible assets reclassified to assets held for sale. Refer to Note 3 for further information. The average useful life of finite-lived intangible assets ranges from five to eight years.

Impairment of intangible assets

In December 2019, a novel strain of coronavirus emerged in Wuhan, China, which since then, has spread worldwide. As a result of the recent global economic impact and uncertainty due to the COVID-19 pandemic, the Company concluded a triggering event had occurred as of March 31, 2020, and accordingly, performed interim impairment testing.

During the nine months ended September 30, 2020, the Company performed a quantitative analysis and concluded certain of the indefinite-lived cannabis licenses had a fair value below the carrying value. Accordingly, during the nine months ended September 30, 2020 and 2019, the Company recognized impairment charges of $92,798 and nil, respectively, with respect to its indefinite-lived intangible assets at Acreage Florida, Inc., Form Factory Holdings, LLC and Kanna, Inc. The charge is recognized in *Loss on impairment* on the Statements of Operations.

The Company evaluated the recoverability of the related finite-lived intangible assets to be held and used by comparing the carrying amount of the assets to the future net undiscounted cash flows expected to be generated by the assets, or comparable market sales data to determine if the carrying value is recoverable. During the nine months ended September 30, 2020 and 2019, the Company recognized impairment charges of $8,324 and nil, respectively, with respect to its finite-lived intangible assets at Form Factory and CWG Botanicals, Inc. (“CWG”). The charge is recognized in *Loss on impairment* on the Statements of Operations.

These impairments resulted in the recognition of a tax provision benefit and an associated reversal of deferred tax liabilities of $31,473 during the nine months ended September 30, 2020.

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

WCM Refinancing

On March 6, 2020, a subsidiary of the Company closed on a refinancing, transaction and conversion related to Northeast Patients Group, operating as Wellness Connection of Maine ("WCM"), a medical cannabis business in Maine, resulting in ownership of WCM by three individuals. In connection with the transaction, WCM converted from a non-profit corporation to a for-profit corporation. Refer to Note 6 for further details. Concurrently, a portion of the management contract was converted into a promissory note of $18,800 in *Notes receivable, non-current* on the Statements of Financial Position in exchange for the previously held management contract. An impairment was determined as the differential between the net carrying value of the previously held management contract and the promissory note received in exchange. This resulted in an impairment loss to finite-lived intangible assets of $9,395 in *Loss on impairment* on the Statements of Operations for the nine months ended September 30, 2020.

Amortization expense recorded during the three and nine months ended September 30, 2020 was $541 and $2,248, respectively. Amortization expense recorded during the three and nine months ended September 30, 2019 was $1,579 and $3,914, respectively.

Expected annual amortization expense for existing intangible assets subject to amortization at September 30, 2020 is as follows for each of the next five fiscal years:

| **Amortization of Intangibles** | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|
| Amortization expense | $ 541 | $ 2,164 | $ 2,164 | $ 2,164 | $ 2,164 |

***Goodwill***

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

| **Goodwill** | **Total** |
|---|---|
| **December 31, 2019** | **$ 105,757** |
| Acquisitions | 5,247 |
| Impairment | (76,890) |
| Less: Goodwill held for sale | (2,192) |
| **September 30, 2020** | **$ 31,922** |

Also as a result of the recent global economic impact and uncertainty due to the COVID-19 pandemic, the Company concluded a triggering event had occurred as of March 31, 2020, and accordingly, performed interim impairment testing.

During the nine months ended September 30, 2020 and 2019, the Company recognized impairment charges of $65,304 and nil, respectively, with respect to its goodwill related to Form Factory. The Company applied the discounted cash flow approach to determine the fair value of Form Factory. The charge is recognized in *Loss on impairment* on the Statements of Operations.

Pursuant to the WCM refinancing described above, the Company recognized an impairment loss to goodwill of $11,586 on *Loss of impairment* on the Statements of Operations for the nine months ended September 30, 2020. This was determined as the differential between the net carrying value of the previously held management contract and the promissory note received in exchange.

## 5. INVESTMENTS

The carrying values of the Company's investments in the Statements of Financial Position as of September 30, 2020 and December 31, 2019 are as follows:

| **Investments** | **September 30, 2020** | **December 31, 2019** |
|---|---|---|
| Investments held at FV-NI | 5,226 | 4,376 |
| Equity method investments | 33,071 | 123 |
| **Total long-term investments** | **$ 38,297** | **$ 4,499** |

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

(in thousands, except per share data)

*(Loss) income from investments, net* in the Statements of Operations during the three and nine months ended September 30, 2020 and 2019 is as follows:

| Investment income | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Short-term investments | $ — | $ — | $ — | $ 738 |
| Investments held at FV-NI | 614 | (1,434) | 877 | (968) |
| Equity method investments | (1,047) | (24) | (1,072) | 1,000 |
| **(Loss) income from investments, net** | **$ (433)** | **$ (1,458)** | **$ (195)** | **$ 770** |

Short-term investments

The Company from time to time invests in U.S. Treasury bills which are classified as held-to-maturity and measured at amortized cost. These range in original maturity from three to six months, and bear interest ranging from 2.2% - 2.4%. During the nine months ended September 30, 2019, short-term investments in U.S. Treasury bills in the amount of $149,828 matured.

Investments held at FV-NI

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

Equity method investments

The Company accounts for investments in which it can exert significant influence but does not control as equity method investments in accordance with ASC 810.

With a portion of the proceeds for the 6.1% loan received by Universal Hemp, LLC ("Universal Hemp"), Acreage engaged an investment advisor (the "Investment Advisor") which, under its 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 par value per unit, which represented 100% financial interest in an Investment Partnership, a Canada-based limited partnership. The Investment Partnership entity and the general partner was independently formed by an institutional investor. Universal Hemp through its investment with the Investment Advisor is determined to hold significant influence in accordance with ASC 810 of the Investment Partnership 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 accounts for the investment in the Investment Partnership under the equity method. See Note 10 ("September 2020 Transactions").

## 6. NOTES RECEIVABLE

Notes receivable as of September 30, 2020 and December 31, 2019 consisted of the following:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Notes receivable | $ 93,575 | $ 75,851 |
| Interest receivable | 4,763 | 5,774 |
| **Total notes receivable** | **$ 98,338** | $ 81,625 |
| Less: Notes receivable, current | 2,051 | 2,146 |
| Notes receivable, non-current | $ 96,287 | $ 79,479 |

Interest income on notes receivable during the three and nine months ended September 30, 2020 totaled $1,606 and $5,083, respectively. Interest income on notes receivable during the three and nine months ended September 30, 2019 totaled $1,190 and $2,921, respectively.

On March 6, 2020, a subsidiary of the Company closed on a refinancing transaction and conversion related to Northeast Patients Group, operating as WCM, a medical cannabis business in Maine, resulting in ownership of WCM by three individuals. In connection with the transaction, WCM converted from a non-profit corporation to a for-profit corporation. WCM previously had a series of agreements with Wellness Pain & Management Connection LLC ("WPMC"), which resulted in an outstanding balance of $18,800 due to WPMC as of closing of this transaction. A restated consulting agreement was put in place, whereby WCM agrees to pay a fixed annual fee of $120, payable monthly, in exchange for a suite of consulting services. In addition, a promissory note payable to WPMC was signed in the amount of $18,800 to convert the existing payment due into a fixed, secured debt obligation.

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

In order to fund the transaction of WCM, a subsidiary of the Company created a new Maine corporation, named Maine HSCP, Inc. ("Maine HSCP"). At closing, a subsidiary of the Company contributed $5,700 to Maine HSCP, and then sold 900 shares of Maine HSCP, constituting all of the outstanding equity interests of Maine HSCP, to three qualifying individuals in exchange for promissory notes of $1,900 each. Each note is secured by a pledge of the shares in Maine HSCP, and payment of the note is to be made solely from dividends paid to the shareholder by Maine HSCP, except for amounts to be paid to the shareholder to cover tax obligations. As of September 30, 2020, the Company recorded a holdback reserve of $917 for the State of Maine as a result of finalization of valuation by the State. The Company's relevant subsidiary has the option, exercisable at any time, to buy back the shares, at the higher of fair market value or the remaining balance under the promissory notes. The individuals also have the right at any time to put the shares to the Company's subsidiary on the same terms. The net equity impact to the Company was nil, and the option described above is only redeemable if permissible pursuant to Maine regulations.

On July 1, 2019, a subsidiary of the Company entered into $8,000 convertible note receivable with a west coast social equity program. Upon certain conditions related to a subsequent capital raise, the Company's applicable subsidiary will obtain the right to convert its financing receivable to an ownership interest. The line of credit matures in June 2022 and bears interest at a rate of 8% per annum. During the nine months ended September 30, 2020, the Company wrote off the note receivable and the accrued interest of $8,000 and $161, respectively, as the Company determined that the note was not collectible and recorded a loss on notes receivable of $8,161.

The Company provides revolving lines of credit to several entities under management services agreements which are included in notes receivable. The relevant terms and balances are detailed below.

**Lines of Credit**

| Counterparty | Maximum Obligation | Interest Rate | Balance as of September 30, 2020 | Balance as of December 31, 2019 |
|---|---|---|---|---|
| Greenleaf [1] | $ 31,200 | 3.25% - 4.75% | $ 29,085 | $ 22,569 |
| CWG [2] | 12,000 | 8% | 9,767 | 9,152 |
| CCF [3] | 12,500 | 18% | — | 7,152 |
| Prime Alternative Treatment Center, Inc. ("PATC") [4] | 4,650 | 15% | 4,650 | 4,650 |
| Patient Centric of Martha's Vineyard, Ltd. ("PCMV") [5] | 9,000 | 15% | 6,594 | 5,758 |
| Health Circle, Inc. [6] | 8,000 | 15% | 4,331 | 3,988 |
| **Total** | **$ 77,350** | | **$ 54,427** | **$ 53,269** |

(1) During the year ended December 31, 2018, a subsidiary of the Company extended lines of credit to Greenleaf Apothecaries, LLC, Greenleaf Therapeutics, LLC and Greenleaf Gardens, LLC (together "Greenleaf"), which mature in June 2023.

(2) The revolving line of credit due from CWG matures in December 2021.

(3) In September 2018, a subsidiary of the Company entered into a management agreement to provide certain advisory and consulting services to CCF for a monthly fee based on product sales.

On November 15, 2019, certain changes in New Jersey state laws occurred to allow for-profit entities to hold cannabis licenses and certain regulatory approvals. Accordingly, a subsidiary of the Company entered into a Reorganization Agreement with CCF, whereby the management agreement will terminate and any outstanding obligations on the line of credit will convert to a direct ownership interest in CCF, which will convert to a for-profit entity. On June 26, 2020, the transactions contemplated by the Reorganization Agreement closed and the line of credit converted into equity in CCF's successor entity. Please see Note 3 for additional details.

(4) PATC is a non-profit license holder in New Hampshire to which the Company's consolidated subsidiary PATCC provides management or other consulting services. The line of credit matures in August 2022.

(5) In November 2018, a subsidiary of the Company entered into a services agreement with PCMV. The line of credit matures in November 2023. The services agreement was terminated in February 2020.

(6) Health Circle, Inc. is a non-profit license holder in Massachusetts that formerly had a services agreement with the Company's consolidated subsidiary MA RMDS SVCS, LCC. The line of credit matures in November 2032. The services agreement was terminated in February 2020.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

(in thousands, except per share data)

## 7. CAPITAL ASSETS, net

Net property and equipment consisted of:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Land [(1)] | $ 6,490 | $ 9,839 |
| Building | 34,368 | 34,522 |
| Right-of-use asset, finance leases | 5,572 | 5,954 |
| Construction in progress | 16,328 | 17,288 |
| Furniture, fixtures and equipment | 19,076 | 21,019 |
| Leasehold improvements | 23,273 | 22,682 |
| **Capital assets, gross** | $ 105,107 | $ 111,304 |
| Less: accumulated depreciation | (8,544) | (5,257) |
| **Capital assets, net** | **$ 96,563** | **$ 106,047** |

Depreciation of capital assets for the three and nine months ended September 30, 2020 include $855 and $2,640 of depreciation expense, and $553 and $1,881, that was capitalized to inventory, respectively. Depreciation of capital assets for the three and nine months ended September 30, 2019 include $603 and $1,399 of depreciation expense, and $490 and $1,321, that was capitalized to inventory, respectively.

**(1)** On May 8, 2020, a subsidiary of the Company sold a parcel of land for a sale price of $1,081. In connection with the transaction, the Company recorded a $280 gain on sale at *Other loss, net* on the Statements of Operations.

## 8. LEASES

The Company leases land, buildings, equipment and other capital assets which it plans to use for corporate purposes and the production and sale of cannabis products. Leases with an initial term of 12 months or less are not recorded on the Statements of Financial Position and are expensed in the 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.

| Balance Sheet Information | Classification | September 30, 2020 | December 31, 2019 |
|---|---|---|---|
| **Right-of-use assets** | | | |
| Operating | Operating lease right-of-use assets | $ 31,507 | $ 51,950 |
| Finance | Capital assets, net | 5,194 | 5,832 |
| **Total right-of-use assets** | | **$ 36,701** | **$ 57,782** |
| | | | |
| **Lease liabilities** | | | |
| Current | | | |
| Operating | Operating lease liability, current | $ 2,482 | $ 2,759 |
| Financing | Debt, current | 75 | 49 |
| Non-current | | | |
| Operating | Operating lease liability, non-current | 30,182 | 47,522 |
| Financing | Debt, non-current | 5,547 | 6,083 |
| **Total lease liabilities** | | **$ 38,286** | **$ 56,413** |

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

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

| Statement of Operations Information | Classification | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| Short-term lease expense | General and administrative | $ 437 | $ 267 | $ 1,108 | $ 753 |
| Operating lease expense | General and administrative | 2,062 | 1,650 | 6,512 | 3,618 |
| Finance lease expense: | | | | | |
| Amortization of right of use asset | Depreciation and amortization | 87 | 26 | 81 | 45 |
| Interest expense on lease liabilities | Interest expense | 190 | 34 | 621 | 72 |
| Sublease income | Other loss, net | (12) | (10) | (28) | (58) |
| Net lease cost | | **$ 2,327** | **$ 1,700** | **$ 7,186** | **$ 3,677** |

| Statement of Cash Flows Information | Classification | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|
| Cash paid for operating leases | Net cash used in operating activities | $ 5,803 | $ 2,554 |
| Cash paid for finance leases - interest | Net cash used in operating activities | $ 587 | $ 72 |

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, 2020:

| Maturity of lease liabilities | Operating Leases | Finance Leases |
|---|---|---|
| 2020 [(1)] | $ 2,155 | $ 203 |
| 2021 [(1)] | 7,075 | 823 |
| 2022 | 5,347 | 843 |
| 2023 | 5,187 | 864 |
| 2024 | 5,204 | 886 |
| Thereafter | 29,549 | 14,090 |
| **Total lease payments** | **$ 54,517** | **$ 17,709** |
| Less: imputed interest | 20,975 | 12,087 |
| **Present value of lease liabilities** | **$ 33,542** | **$ 5,622** |
| | | |
| Weighted average remaining lease term (years) | 9 | 11 |
| Weighted average discount rate | 9% | 15% |

[(1)] Includes minimum payments under existing operating leases currently classified as held-for-sale (Refer to Note 3 for details).

As of September 30, 2020, there have been no leases entered into that have not yet commenced.

## 9. INVENTORY

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Retail inventory | $ 1,884 | $ 1,784 |
| Wholesale inventory | 16,127 | 11,993 |
| Cultivation inventory | 2,351 | 3,021 |
| Supplies & other | 1,399 | 1,285 |
| **Total** | **$ 21,761** | **$ 18,083** |

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

(in thousands, except per share data)

## 10. DEBT

The Company's debt balances consist of the following:

| Debt balances | September 30, 2020 | December 31, 2019 |
|---|---|---|
| NCCRE loan | $ 476 | $ 492 |
| Seller's notes | 2,581 | 2,810 |
| Related party debt | — | 15,000 |
| Financing liability (related party) | 15,253 | 19,052 |
| Finance lease liabilities | 5,622 | 6,132 |
| 3.55% Credit facility due 2022 | 19,841 | — |
| 3.55% Credit facility collateral (related party) | 22,116 | — |
| Convertible note, net of debt discount | — | — |
| Bridge loan | 14,884 | — |
| 7.5% Loan due 2023 | 32,043 | — |
| 6.1% Secured debenture due 2030 | 45,984 | — |
| **Total debt** | **$ 158,800** | $ 43,486 |
| Less: current portion of debt | 37,097 | 15,300 |
| **Total long-term debt** | **$ 121,703** | **$ 28,186** |

The interest expense related to the Company's debt during the three and nine months ended September 30, 2020 and 2019 consists of the following:

| Interest Expense | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| NCCRE loan | $ 5 | $ 4 | $ 14 | $ 14 |
| Seller's notes | 76 | 60 | 220 | 259 |
| Financing liability (related party) | 86 | — | 1,384 | — |
| Finance lease liability | 190 | 32 | 621 | 72 |
| 3.55% Credit facility due 2022 | 393 | — | 869 | — |
| 3.55% Credit facility collateral (related party) | 167 | — | 1,524 | — |
| Convertible note | 2,119 | — | 2,872 | — |
| Bridge loan | 3,011 | — | 3,502 | — |
| 7.5% Loan due 2023 | 23 | — | 23 | — |
| 6.1% Secured debenture due 2030 | 77 | — | 77 | — |
| **Total interest expense** | **$ 6,147** | **$ 96** | **$ 11,106** | **$ 345** |

NCC Real Estate, LLC ("NCCRE") loan

NCCRE, which is owned by the Company's consolidated subsidiary HSC Solutions, LLC, entered into a $550 secured loan with a financial institution for the purchase of a building in Rolling Meadows, Illinois in December 2016. The building is leased to NCC. The promissory note payable carries a fixed interest rate of 3.7% and is due in December 2021.

Seller's notes

The Company issued Seller's notes payable in connection with several transactions, bearing interest at rates ranging from 3.5% to 10%.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

Related party debt

During the year ended December 31, 2019, Kevin Murphy, the Chairman of the board of directors, made a non-interest bearing loan of $15,000 to Acreage. In January 2020, he made an additional loan of $5,000 to Acreage. These amounts were subsequently repaid in March 2020.

In addition, Mr. Murphy has an interest in the credit facility disclosed below under "*3.55% Credit facility and collateral*", in connection with which he loaned $21,000 of the $22,000 borrowed by the Company to the Lender (as defined below), which amount remains outstanding.

Financing liability

In connection with the Company's failed sale-leaseback transaction in October, 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 derecognized upon expiration of the lease.

3.55% Credit facility and collateral

On March 11, 2020, the Company borrowed $21,000 from an institutional lender pursuant to a credit facility. The credit facility permits the Company to borrow up to $100,000, which may be drawn down by the Company in four tranches, maturing two years from the date of the first draw down. The Company will pay an annual interest rate of 3.55% on the first advance of debt for a term of two years. The borrowed amounts under the credit facility are fully collateralized by $22,000 of restricted cash, which was borrowed pursuant to the loan transaction described below. Any additional draws must be fully cash collateralized as well.

Also on March 11, 2020, the Company closed $22,000 in borrowings pursuant to a loan transaction with IP Investment Company, LLC (the "Lender"). The maturity date is 366 days from the closing date of the loan transaction. The Company will pay monthly interest on the collateral in the form of 27 SVS through the maturity date. The Lender may put any unsold interest shares to the Company upon maturity at a price of $4.50 per share. Kevin Murphy, the Chairman of the board of directors, loaned $21,000 of the $22,000 borrowed by the Company to the Lender. The loan is secured by the non-U.S. intellectual property assets, a cannabis state license and 12,000 SVS shares of the Company.

Pursuant to the Amended Arrangement, the monthly interest on the collateral payable to Kevin Murphy was modified to cash payments for the remaining duration of the term at an interest rate of 12% per annum, payable upon maturity. The remaining interest will continue to be paid monthly in the form of 2 Fixed Shares and 1 Floating Share through the maturity date.

The Company has determined such equity interest on collateral to be a mandatorily redeemable financial instrument that is recorded as a liability in accordance with ASC 480 - *Distinguishing liabilities from equity* ("ASC 480"). The liability is calculated based upon the share interest multiplied by the maturity price of $4.50 per share. The equity and cash liability amounted to $60 and $1,408, respectively as of September 30, 2020 and was recorded in *Debt, current* within the Statements of Financial Position.

Convertible note

On May 29, 2020, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with an Investment Fund (the "Investor"), pursuant to which the Company sold and issued $11,000 in principal amount under a secured convertible debenture, with gross proceeds to the Company of $10,000 before transaction fees (the "Convertible Debenture").

The Convertible Debenture bears interest at 15% per annum and was secured by the Company's medical cannabis dispensaries in Connecticut. The Convertible Debenture was convertible by the holder in whole or in part after September 30, 2020. Prior to September 30, 2020, the holder could convert only up to $550 of principal amount. The Convertible Debenture may not be converted to common stock to the extent such conversion would result in the holder beneficially owning more than 4.99% of the Company's outstanding common stock. The Convertible Debenture was convertible into Class A Subordinate Voting Shares of the Company at a conversion price of $1.68 per share, subject to the conversion limitations described above. On September 4, 2020, the holder accordingly converted $550 of the principal amount.

The maturity date is the earlier of (i) May 29, 2021 or (ii) on the consummation of one or more debt, equity or a combination of debt and equity financing transactions in which the Company receives gross proceeds of $40,000 or more. Management accordingly accreted all discounts to *Interest expense* on the Consolidated Statements of Operations over the period through September 30, 2020.

The Company recorded beneficial conversion of $523, representing 5% of the principal amount which was convertible in *Share Capital* in the Statements of Shareholders' Equity, and an equivalent discount was recorded against the carrying value of the Convertible Debenture. The beneficial conversion feature was determined in accordance with ASC 470-20 - *Debt with conversion and other options* and is calculated at its intrinsic value being the difference between the conversion price and the fair value of the common stock into which the debt is convertible at the commitment date, being $3.28 per share, multiplied by the number of shares into which the debt is convertible. The Company had the right to redeem up to 95% of the principal amount on or prior to September 29, 2020 without penalty.

On September 29, 2020, the Company retired the convertible debenture, utilizing the proceeds received from the 7.5% Loan due 2023 entered into on the same date as described below.

The Company determined the conversion feature above did not meet the characteristics of a derivative instrument in accordance with ASC 815 - *Derivatives and Hedging* ("ASC 815"), as the conversion feature is indexed to its own stock and is classified under *Share Capital* in the Statements of Stockholders' Equity. As such, there was no derivative liability associated with the Convertible Debenture under ASC 815.

For the three and nine months ended September 30, 2020, the Company recorded amortization of debt discount of $1,122 and $1,524, respectively.

Secured bridge loan

On June 16, 2020, the Company entered into a short-term definitive funding agreement with an institutional investor for gross proceeds of $15,000 (less transaction costs of approximately $943). The secured note has a maturity date of four months and bears an interest rate of 60% per annum. It is secured by, among other items, the Company's cannabis operations in Illinois, New Jersey and Florida, as well as the Company's U.S. intellectual property. In the event of default, the Company is obligated to pay the lender an additional fee of $6,000. The Company may pre-pay the secured note without penalty or premium at any time following the 90$^{th}$ day after closing.

In October 2020, the Company retired the short-term definitive funding agreement and paid in aggregate $18,050 to retire the full principal balance and accrued interest.

September 2020 Transactions

On September 23, 2020, pursuant to the implementation of the Amended Arrangement (See Note 13), a subsidiary of Canopy Growth advanced gross proceeds of $50,000 (less transaction costs of approximately $4,025) to Universal Hemp, an affiliate of the Company, pursuant to the terms of a secured debenture ("6.1% Loan"). In accordance with the terms of the debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. An additional $50,000 may be advanced pursuant to the debenture subject to the satisfaction of certain conditions by Universal Hemp. The debenture bears interest at a rate of 6.1% per annum, matures 10 years from the date hereof or such earlier date in accordance with the terms of the debenture and all interest payments made pursuant to the debenture are payable in cash by Universal Hemp. The debenture 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 the Investment Advisor which, under its 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 par value per unit, which represented 100% financial interest in the Investment Partnership, a Canada-based limited partnership. The Investment Partnership and the general partner were independently formed by an institutional investor. The institutional investor is a Canadian alternative asset manager, along with its affiliates and subsidiaries (the "Institutional Investor"). The Investment Partnership's General Partner and limited partner hold class A units and class B units and are owned and controlled by an affiliated entity of the Institutional Investor and the Investment Advisor, respectively. Upon execution of the limited partnership agreement between the Investment Advisor and the Investment Partnership (the "Investment Agreement"), $1,019 was distributed to the class A unitholders of the Investment Partnership. The Investment Partnership's General Partner is controlled by an affiliated entity of the Institutional Investor.

On September 28, 2020 the Company received gross proceeds of $33,000 (less transaction costs of approximately $959) from an institutional lender (the "Institutional 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 three years and bears interest at a 7.5% annual interest rate. The Institutional Lender is controlled by the class A and class B unitholders of the Investment Partnership. The Investment Partnership is an investor in the Institutional Lender.

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

## 11. SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS

The table below details the change in Pubco shares outstanding by class for the nine months ended September 30, 2020:

| Shareholders' Equity | Subordinate Voting Shares | Subordinate Voting Shares Held in Treasury | Proportionate Voting Shares (as converted) | Multiple Voting Shares | Total Shares Outstanding |
|---|---|---|---|---|---|
| **December 31, 2019** | **68,177** | **(842)** | **23,143** | **168** | **90,646** |
| Issuances | 9,518 | — | — | — | **9,518** |
| NCI conversions | 583 | — | — | — | **583** |
| PVS conversions | 1,231 | — | (1,231) | — | **—** |
| Exchange pursuant to Amended Arrangement | (79,509) | 842 | (21,912) | (168) | (100,747) |
| **September 22, 2020** | **—** | **—** | **—** | **—** | **—** |

| Shareholders' Equity | Fixed Shares | Floating Shares | Fixed Shares Held in Treasury | Floating Shares Held in Treasury | Fixed Multiple Shares | Total Shares Outstanding |
|---|---|---|---|---|---|---|
| **September 23, 2020** | **70,994** | **30,476** | **(589)** | **(253)** | **118** | **100,746** |
| Issuances | — | **—** | — | — | — | — |
| NCI conversions | — | **—** | — | — | — | — |
| **September 30, 2020** | **70,994** | **30,476** | **(589)** | **(253)** | **118** | **100,746** |

Pursuant to the Amended Arrangement, on September 23, 2020, Acreage completed a capital reorganization whereby (i) each existing SVS was exchanged for 0.7 of a Fixed Share and 0.3 of a Floating Share; (ii) each existing PVS was exchanged for 28 Fixed Shares and 12 Floating Shares; and (iii) each existing MVS was exchanged for 0.7 of a Fixed Multiple Share and 0.3 of a Floating Share. No fractional Fixed Shares, Fixed Multiple Shares or Floating Shares were issued pursuant to the Capital Reorganization. See Note 13 for further information.

During the nine months ended September 30, 2020, the Company issued 327 SVS (subsequently converted to 229 and 98 Fixed Shares and Floating Shares, respectively) as a result of the conversion of $550 of the Convertible Debenture (See Note 10), recorded in *Issuances upon conversion of debenture* on the Statements of Shareholders' Equity. The Company also issued 200 SVS (subsequently converted to 140 and 60 Fixed Shares and Floating Shares, respectively in relation to the issuance of the commitment shares under the Standby Equity Distribution Agreement (See Note 13), recorded in *Other equity transactions* on the Statements of Shareholders' Equity.

The table below details the change in Pubco shares outstanding by class for the nine months ended September 30, 2019:

| Shareholders' Equity | Subordinate Voting Shares | Subordinate Voting Shares Held in Treasury | Proportionate Voting Shares (as converted) | Multiple Voting Shares | Total Shares Outstanding |
|---|---|---|---|---|---|
| **December 31, 2018** | **21,943** | **(842)** | **57,895** | **168** | **79,164** |
| Issuances | 8,017 | — | — | — | **8,017** |
| NCI conversions | 2,483 | — | — | — | **2,483** |
| PVS conversions | 34,444 | — | (34,444) | — | **—** |
| **September 30, 2019** | **66,887** | **(842)** | **23,451** | **168** | **89,664** |

During the nine months ended September 30, 2019, the Company issued 208 SVS as compensation for consulting services expense of $3,424, recorded in *Other equity transactions* on the Statements of Shareholders' Equity.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

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

*Warrants*

A summary of the warrants activity outstanding is as follows:

| Warrants | January 1, 2020 to September 22, 2020 | September 23, 2020 to September 30, 2020 | |
|---|---|---|---|
| | SVS | Fixed Shares | Floating Shares |
| **Beginning balance** | **2,040** | **5,684** | **2,436** |
| Granted | 6,085 | — | — |
| Expired | (4) | — | — |
| Modification pursuant to Amended Arrangement | (8,121) | — | — |
| **Ending Balance** | **—** | **5,684** | **2,436** |

| Warrants | Nine months ended September 30, 2019 |
|---|---|
| | SVS |
| **Beginning balance** | **2,259** |
| Granted | 4 |
| Expired | (223) |
| **Ending balance** | **2,040** |

On February 10, 2020, the Company raised $27,887, net of issuance costs, from a private placement of 6,085 special warrants priced at $4.93 per unit. Each special warrant was automatically exercised on March 2, 2020 for no additional consideration, into one unit comprised of one SVS and one SVS purchase warrant with an exercise price of $5.80 and a five-year term. Pursuant to the Amended Arrangement, the exercise price was thereafter amended to $4.00. Refer to Note 13 for further details. The Company evaluated the warrants for liability or equity classification in accordance with ASC 480 and determined that equity treatment was appropriate as the warrants only require settlement through the issuance of the Company's common stock, which are not redeemable, and do not represent an obligation to issue a variable number of shares. Accordingly, the warrants were classified as equity and are not subject to remeasurement at each balance sheet date.

Pursuant to the Amended Arrangement, the exercise price of all other warrants outstanding as of September 30, 2020 is $17.50 and $7.50 per Fixed Share and Floating Share, respectively. Refer to Note 13 for further details.

The weighted-average remaining contractual life of the warrants outstanding is approximately 4 years. There was no aggregate intrinsic value for warrants outstanding as of September 30, 2020.

During the nine months ended September 30, 2019, the Company issued 4 warrants with a weighted-average grant date fair value of $6.74 per share, and an expense of $27 was recorded in General and administrative expenses in the Statements of Operations.

The exercise price of all warrants outstanding as of September 30, 2019 was $25 per share, and the weighted-average remaining contractual life of the warrants outstanding is approximately 2 years. There was no aggregate intrinsic value for warrants outstanding as of September 30, 2019.

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, 2020 and are convertible for either 0.7 of a Fixed Share and 0.3 of a Floating Share of Pubco or cash, as determined by the Company. Summarized financial information of HSCP is presented below. USCo2 does not have discrete financial information separate from HSCP.

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

| **HSCP net asset reconciliation** | **September 30, 2020** | **December 31, 2019** |
|---|---|---|
| Current assets | $ 159,764 | $ 55,296 |
| Non-current assets | 435,581 | 584,812 |
| Current liabilities | (123,838) | (46,434) |
| Non-current liabilities | (146,437) | (75,219) |
| Other NCI balances | (547) | (1,041) |
| Accumulated equity-settled expenses | (179,476) | (111,934) |
| Net assets | $ 145,047 | $ 405,480 |
| HSCP/USCo2 ownership % of HSCP | 18.75% | 21.64% |
| Net assets allocated to USCo2/HSCP | $ 27,196 | $ 87,746 |
| Net assets attributable to other NCIs | 547 | 1,041 |
| Total NCI | **$ 27,743** | **$ 88,787** |

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| **HSCP Summarized Statement of Operations** | **2020** | **2019** | **2020** | **2019** |
| Net loss allocable to HSCP/USCo2 | (45,059) | (47,735) | (322,129) | (124,752) |
| HSCP/USCo2 weighted average ownership % of HSCP | 16.62% | 22.59% | 20.00% | 23.99% |
| Net loss allocated to HSCP/USCo2 | (7,488) | (10,782) | (64,426) | (29,928) |
| Net loss allocated to other NCIs | — | (4) | (515) | (9) |
| Net loss attributable to NCIs | **(7,488)** | **(10,786)** | **(64,941)** | **(29,937)** |

As of September 30, 2020, USCo2's non-voting shares owned approximately 0.57% of HSCP units. USCo2's capital structure is comprised of voting shares (approximately 70%), all of which are held by the Company, and of non-voting shares (approximately 30%) held by certain former HSCP members. Certain executive employees and profits interests holders own approximately 18.18% of HSCP units. The remaining 81.25% interest in HSCP is held by USCo and represents the members' equity attributable to shareholders of the parent.

During the nine months ended September 30, 2020 and 2019, the Company had several transactions with HSCP and USCo2 that changed its ownership interest in the subsidiaries but did not result in loss of control. These transactions included business acquisitions and the redemption of HSCP and USCo2 convertible units for Pubco shares (as shown in the table below), and resulted in a $3,871 and $4,788 allocation from NCI to shareholders' equity for the nine months ended September 30, 2020 and 2019, respectively.

During the three and nine months ended September 30, 2020, Pubco, by way of Acreage CCF New Jersey, LLC, acquired 100% of the operations of CCF for total consideration of $20,087. Refer to Note 3 for further information. Pursuant to the acquisition, Pubco subsequently transferred the ownership of Acreage CCF New Jersey, LLC to HSCP by way of issuance of $10,000 HSCP units at closing price.

During the nine months ended September 30, 2019, the Company made cash payments in the amount of $4,278 to HSCP and USCo2 unit holders in satisfaction of redemption requests the Company chose to settle in cash, as well as for LLC unitholders tax liabilities in accordance with the HSCP operating agreement.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

(in thousands, except per share data)

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

| | Nine Months Ended September 30, | |
|---|---|---|
| **Convertible Units** | **2020** | **2019** |
| **Beginning balance** | **25,035** | **27,340** |
| Issuance of NCI units | — | 198 |
| Vested LLC C-1s canceled | (1,310) | (233) |
| LLC C-1s vested | 1,000 | 755 |
| NCI units settled in cash | — | (58) |
| NCI units converted to Pubco | (583) | (2,483) |
| **Ending balance** | **24,142** | **25,519** |

## 12. EQUITY-BASED COMPENSATION EXPENSE

Equity-based compensation expense recognized in the Statements of Operations for the periods presented is as follows:

| **Equity-based compensation expense** | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Equity-based compensation - Plan | $ 7,607 | $ 13,673 | $ 33,388 | $ 48,228 |
| Equity-based compensation - Plan (Plan of Arrangement Awards) [(1)] | 2,688 | 10,772 | 14,680 | 11,086 |
| Equity-based compensation - other | 150 | 3,729 | 17,301 | 8,530 |
| **Total equity-based compensation expense** | **$ 10,445** | **$ 28,174** | **$ 65,369** | **$ 67,844** |

[(1)] In accordance with the Prior Plan of Arrangement (as defined in Note 13) with Canopy Growth, awards were granted in July 2019, and amortized based on the vesting schedule set forth herein.

Amended Arrangement with Canopy Growth

On September 23, 2020, the Company announced the implementation of the Amended Arrangement (as defined in Note 13). Pursuant to the Amended Arrangement, the Company's articles have been amended to create new Fixed Shares, Floating Shares and Fixed Multiple Shares. Consequently, the Company's equity-based compensation was modified into new equity awards of the Company. Please refer to Note 13 for further discussion.

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

In connection with the RTO transaction, the Company's Board of Directors adopted an Omnibus Incentive Plan, as amended May 7, 2019 and June 19, 2019 (the "Plan"), which permits the issuance of stock options, stock appreciation rights, stock awards, share units, performance shares, performance units and other stock-based awards up to an amount equal to 15% of the issued and outstanding Subordinate Voting Shares of the Company.

Pursuant to the Amended Arrangement, the Company retained the Plan described above, the upper limit of issuances being up to an amount equal to 15% of the issued and outstanding Fixed Shares and Floating Shares of the Company.

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

*Restricted Share Units ("RSUs")*

| Restricted Share Units (Fair value information expressed in whole dollars) | January 1, 2020 to September 22, 2020 RSUs | Weighted Average Grant Date Fair Value |
|---|---|---|
| **Unvested, beginning of period** [1] | **7,843** | $ 15.10 |
| Granted | 4,970 | 3.60 |
| Forfeited | (2,654) | 11.29 |
| Vested | (2,998) | 11.60 |
| **Unvested, September 22, 2020** | **7,161** | $ 9.99 |
| Vested and unreleased | 136 | 16.33 |
| Exchange pursuant to Amended Arrangement | **(7,297)** | N/A |
| **Outstanding, September 22, 2020** | **—** | $ — |

| Restricted Share Units (Fair value information expressed in whole dollars) | September 23, 2020 to September 30, 2020 Fixed Shares RSUs | Fixed Shares Weighted Average Grant Date Fair Value | Floating Shares RSUs | Floating Shares Weighted Average Grant Date Fair Value |
|---|---|---|---|---|
| **Unvested, September 23, 2020** [1] | **5,012** | $ 9.99 | **2,148** | $ 9.99 |
| Granted | — | — | — | — |
| Forfeited | — | — | — | — |
| Vested | (2) | 16.45 | (1) | 16.45 |
| **Unvested, end of period** | **5,010** | | **2,147** | |
| Vested and unreleased | 98 | 16.33 | 42 | 16.33 |
| **Outstanding, end of period** | **5,108** | $ 10.11 | **2,189** | $ 10.11 |

RSUs of the Company generally vest over a period of two years. The fair value for RSUs is based on the Company's share price on the date of the grant. The Company recorded $5,424 and $31,522 as compensation expense during the three and nine months ended September 30, 2020, respectively. The fair value of RSUs vested during the three and nine months ended September 30, 2020 was $874 and $8,125, respectively.

The total weighted average remaining contractual life and aggregate intrinsic value of unvested RSUs at September 30, 2020 was approximately 2 years and $16,268, respectively. Unrecognized compensation expense related to these awards at September 30, 2020 was $54,634 and is expected to be recognized over a weighted average period of approximately 2 years.

There were 140 and 43 vested RSUs that are pending delivery or deferred as of September 30, 2020 and 2019, respectively. On February 20, 2020, the Company issued 1,505 RSUs to certain executives with a weighted-average grant date fair value of $5.11 per share. 148 of the 1,505 RSUs vested immediately. Certain shares are subject to restriction thus a discount for lack of marketability was applied that correlates to the period of time. On March 13, 2020, the Company issued 630 RSUs to employees of the Company. All of these units vested immediately, with a fair market value of $2.15, which was the closing price of the Company's subordinate voting shares on March 13, 2020.

*(1) Equity-based compensation - Plan (Plan of Arrangement Awards)*

Included within the RSUs during the three and nine months ended September 30, 2020 are "CGC Awards" issued in connection with the RSUs which were granted in July 2019:

On June 27, 2019, pursuant to the Original Arrangement Agreement (as defined in Note 13), 4,909 RSUs were awarded in total to five executive employees under the Plan. These awards vest as follows: 25% in June 2020, 25% in June 2021 and 50% three months following the Acquisition (as defined in Note 13). The Company recorded $1,783 and $10,132 as compensation expense during the three and nine months ended September 30, 2020 in connection with these awards. A discount for lack of marketability was applied that correlates to the period of time certain of these shares are subject to restriction.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

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

On July 31, 2019, the Company issued 1,778 RSUs to employees with unvested RSUs and stock options ("make-whole awards") as at the date of the Option Premium payment (as defined in Note 13). The RSUs were issued to provide additional incentive for employees that were not eligible to receive the full Option Premium and were subject to the same vesting terms as the unvested options and RSUs held as of the grant date. The Company recorded $905 and $4,548 as compensation expense during the three and nine months ended September 30, 2020, respectively, in connection with these awards.

*Stock options*

| | January 1, 2020 to September 22, 2020 | |
|---|---|---|
| **Stock Options (Exercise price expressed in whole dollars)** | **Options** | **Weighted Average Exercise Price** |
| **Options outstanding, beginning of period** | **5,607** | $ 21.56 |
| Granted | 191 | 5.75 |
| Forfeited | (1,301) | 15.59 |
| Exercised | — | — |
| Modification pursuant to Amended Arrangement | (4,497) | N/A |
| **Options outstanding, September 22, 2020** | **—** | $ — |

| | September 23, 2020 to September 30, 2020 | | | |
|---|---|---|---|---|
| | Fixed Shares | | Floating Shares | |
| **Stock Options (Exercise price expressed in whole dollars)** | **Options** | **Weighted Average Exercise Price** | **Options** | **Weighted Average Exercise Price** |
| **Options outstanding, September 23, 2020** | **3,148** | $ 15.83 | **1,349** | $ 6.78 |
| Granted | — | — | — | — |
| Forfeited | — | — | — | — |
| Exercised | — | — | — | — |
| **Options outstanding, end of period** | **3,148** | $ 15.83 | **1,349** | $ 6.78 |
| **Options exercisable, end of period** | **1,686** | $ 17.02 | **723** | $ 7.30 |

Stock options of the Company generally vest over a period of three years and have an expiration period of 10 years. The weighted average contractual life remaining for options outstanding and exercisable as of September 30, 2020 was approximately 8 years. The Company recorded $4,871 and $16,546 as compensation expense during the three and nine months ended September 30, 2020, respectively, in connection with these awards. As of September 30, 2020, unamortized expense related to stock options totaled $24,494 and is expected to be recognized over a weighted-average period of approximately 1 year. There was no aggregate intrinsic value for options outstanding or exercisable as of September 30, 2020.

Equity-based compensation – other

*HSCP C-1 Profits Interests Units ("Profits Interests")*

These membership units qualify as profits interests for U.S. federal income tax purposes and were accounted for in accordance with ASC 718, Compensation - Stock Compensation. HSCP amortizes awards over service period and until awards are fully vested.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

(in thousands, except per share data)

The following table summarizes the status of unvested Profits Interests for the nine months ended September 30, 2020:

| | Nine Months Ended September 30, 2020 | |
|---|---|---|
| **Profits Interests** (Fair value information expressed in whole dollars) | **Number of Units** | **Weighted Average Grant Date Fair Value** |
| **Unvested, beginning of period** | **1,000** | $ 0.43 |
| Class C-1 units granted | — | — |
| Class C-1 units canceled | — | — |
| Class C-1 vested | (1,000) | 0.43 |
| **Unvested, end of period** | **—** | $ — |

The Company recorded $0 and $70 as compensation expense in connection with these awards during the three and nine months ended September 30, 2020, respectively. The fair value of Profits Interests vested during the three and nine months ended September 30, 2020 was $0 and $1,239, respectively.

As of September 30, 2020, all Profits Interests were fully vested.

*Restricted Shares ("RSs")*

In connection with the Company's acquisition of Form Factory during 2019, 1,369 restricted shares with a grant date fair value of $20.45 were issued to former employees of Form Factory subject to future service conditions, which fully vest 24 months from the acquisition date. The fair value for RSs is based on the Company's share price on the date of the grant. The Company recorded compensation expense of $150 and $17,231 during the three and nine months ended September 30, 2020, respectively, in connection with these awards. During the three months ended September 30, 2020, certain employees separated from the Company, resulting in 12 RSs accelerating vesting and $150 incurred in expenses. During the nine months ended September 30, 2020, certain employees separated from the Company, resulting in 1,302 RSs accelerating vesting and $17,169 incurred in expenses. As of September 30, 2020, all RSs were fully vested. The total weighted average remaining contractual life and aggregate intrinsic value of RSs at September 30, 2019 was approximately 2 years and $10,103, respectively. As of September 30, 2019, unamortized expense related to RSs totaled $21,304 and is expected to be recognized over a weighted average period of approximately 2 years.

## 13. COMMITMENTS AND CONTINGENCIES

Commitments

The Company provides revolving lines of credit to several of its portfolio companies. Refer to Note 6 for further information.

*Definitive agreements*

On April 17, 2019, a subsidiary of the Company entered into a definitive agreement to acquire Deep Roots Medical, LLC ("Deep Roots"), a vertically integrated license holder in Nevada, for consideration of 4,762 HSCP units and $20,000 in cash. The Company announced the termination of the agreement by Deep Roots on April 3, 2020 following March 31, 2020, the end date for consummating the transaction.

During the year ended December 31, 2018, a subsidiary of the Company entered into a definitive agreement to acquire all ownership interests in GCCC Management, LLC, a management company overseeing the operations of Greenleaf Compassionate Care Center, Inc., a non-profit cultivation and processing facility in Rhode Island, for cash consideration of $10,000. The agreement terminated in April 2020.

*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 (the "Acquisition") all of the issued and outstanding shares in the capital of the Company (each, an "Acreage Share"). Under the terms of the Original Arrangement Agreement, holders of Acreage Shares and certain securities convertible or exchangeable into SVS as of the close of business on June 26, 2019, received approximately $2.63, being their pro rata portion (on an as converted to SVS basis) of $300,000 (the "Option Premium") paid by Canopy Growth.

HSCP unit holders are required to convert their units within three years following the closing of the Acquisition as will holders of non-voting shares of USCo2.

*Second Amendment to the Arrangement Agreement with Canopy Growth*

On June 24, 2020, Acreage and Canopy Growth entered into a proposal agreement (the "Proposal Agreement") which set out, among other things, the terms and conditions upon which the parties were proposing to enter into an amending agreement (the "Amending Agreement") to amend the Original Arrangement Agreement, amend and restate the Prior Plan of Arrangement (the "Amended Plan of Arrangement") and implement the Amended Plan of Arrangement pursuant to the Business Corporations Act (British Columbia). The effectiveness of the amendment to the Original Arrangement Agreement and the implementation of the Amended Plan of Arrangement was subject to the conditions set out in the Proposal Agreement, which included, among others, approval by (i) the Supreme Court of British Columbia at a hearing upon the procedural and substantive fairness of the terms and conditions of the Amended Arrangement; and (ii) the shareholders of Acreage as required by applicable corporate and securities laws.

Following the satisfaction of various conditions set forth in the Proposal Agreement, on September 23, 2020, Acreage and Canopy Growth entered into the Amending Agreement (and together with the Original Arrangement Agreement, the "Arrangement Agreement") and implemented the Amended Arrangement effective at 12:01 a.m. (Vancouver time) (the "Amendment Time") on September 23, 2020 (the "Amendment Date"). Pursuant to the Amended Plan of Arrangement, 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, on the terms and subject to the conditions of the Amended Plan of Arrangement, each option, restricted share unit, compensation option and warrant to acquire existing SVS that was outstanding immediately prior to the Amendment Time, was exchanged for a replacement option, restricted stock unit, compensation option or warrant, as applicable, to acquire Fixed Shares (a "Fixed Share Replacement Security") and a replacement option, restricted stock unit, compensation option or warrant, as applicable, to acquire Floating Shares (a "Floating Share Replacement Security") in order to account for the Capital Reorganization.

Pursuant to the Amended Plan of Arrangement, upon the occurrence or waiver (at the discretion of Canopy Growth) of the Triggering Event (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) on the basis of 0.3048 of a common share of Canopy Growth (each whole common share, a "Canopy Growth Share") for each Fixed Share held (the "Fixed Exchange Ratio") at the time of the acquisition of the Fixed Shares (the "Acquisition Time"), subject to adjustment in accordance with the terms of the Amended Plan of Arrangement (the "Canopy Call Option"); and (ii) have the right (but not the obligation) (the "Floating Call Option"), exercisable for a period of 30 days following the Triggering Event Date to acquire all of the issued and outstanding Floating Shares at a price to be determined based upon the 30 day volume-weighted average trading price of the Floating Shares, subject to a minimum price of $6.41, as may be adjusted in accordance with the terms of the Amended Plan of Arrangement, to be payable, at the option of Canopy Growth, in cash, Canopy Growth Shares or a combination thereof. If any portion is paid in Canopy Growth Shares, the number of Canopy Growth Shares to be exchanged for each Floating Share shall be determined on the basis of a 30 day volume-weighted average calculation using the Floating Shares (the "Floating Ratio"). The closing of the acquisition of the Floating Shares pursuant to the Floating Call Option, if exercised, will take place concurrently with the closing of the acquisition of the Fixed Shares pursuant to the Canopy Call Option, if exercised. The Canopy Call Option and the Floating 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 option, restricted stock unit, compensation option or warrant, as applicable, to acquire from Canopy Growth such number of Canopy Growth Shares as is equal to: (i) the number of Fixed Shares that were issuable upon exercise of such Fixed Share Replacement Security immediately prior to the Acquisition Time, multiplied by (ii) the Fixed Exchange Ratio in effect immediately prior to the Acquisition Time (provided that if the foregoing would result in the issuance of a fraction of a Canopy Growth Share, then the number of Canopy Growth Shares to be issued will be rounded down to the nearest whole number).

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

In the event that the Floating Call Option is exercised and Canopy Growth acquires the Floating Shares at the Acquisition Time, on the terms and subject to the conditions of the Amended Plan of Arrangement, each Floating Share Replacement Security will be exchanged for a replacement option, restricted stock unit, compensation option or warrant, as applicable, to acquire from Canopy Growth such number of Canopy Growth Shares as is equal to: (i) the number of Floating Shares that were issuable upon exercise of such Floating Share Replacement Security immediately prior to the Acquisition Time, multiplied by (ii) the Floating Ratio (provided that if the foregoing would result in the issuance of a fraction of a Canopy Growth Share, then the number of Canopy Growth Shares to be issued will be rounded down to the nearest whole number).

In the event that the Floating Call Option is exercised and Canopy Growth acquires the Floating Shares at the Acquisition Time, Acreage will be a wholly-owned subsidiary of Canopy Growth.

The Amending Agreement also provides for, among other things, amendments to the definition of Purchaser Approved Share Threshold (as defined in the Arrangement Agreement) to change the number of shares of Acreage available to be issued by Acreage without an adjustment in the Fixed Exchange Ratio such that Acreage may issue a maximum of 32,700 shares (or convertible securities in proportion to the foregoing), which will include (i) 3,700 Floating Shares which are to be issued solely in connection with the exercise of stock options granted to Acreage management (the "Option Shares"); (ii) 8,700 Floating Shares other than the Option Shares; and (iii) 20,300 Fixed Shares. Notwithstanding the foregoing, the Amending Agreement provides that Acreage may not issue any equity securities, without Canopy Growth's prior consent, other than: (i) upon the exercise or conversion of convertible securities outstanding as of the Amendment Date; (ii) contractual commitments existing as of the Amendment Date; (iii) the Option Shares; (iv) the issuance of up to $3,000 worth of Fixed Shares pursuant to an at-the-market offering to be completed no more than four times during any one-year period; (v) the issuance of up to 500 Fixed Shares in connection with debt financing transactions that are otherwise in compliance with the terms of the Arrangement Agreement, as amended by the Amending Agreement; or (vi) pursuant to one private placement or public offering of securities during any one-year period for aggregate gross proceeds of up to $20,000, subject to specific limitations as set out in the Amending Agreement.

In addition, the Amending Agreement provides for, among other things: (i) various Canopy Growth rights that extend beyond the Acquisition Date and continue until Canopy Growth ceases to hold at least 35% of the issued and outstanding Acreage shares (such date being the "End Date"), including, among others, rights to nominate a majority of Acreage's Board of Directors (the "Acreage Board") following the Acquisition Time, restrictions on Acreage's ability to incur certain indebtedness without Canopy Growth's consent; (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 Arrangement Agreement in the event that Acreage does not meet certain specified financial targets on an annual basis during the term of the Canopy Call Option as further described below; (iv) implementation of further restrictions on Acreage's ability to operate its business, including its ability to hire certain employees or make certain payments or incur any non-trade-payable debt without Canopy Growth's consent in the event that Acreage does not meet certain specified financial targets on a quarterly basis during the term of the Canopy Call Option as further described below; and (v) termination of the Arrangement Agreement and Canopy Growth's obligation to complete the acquisition of the Fixed Shares pursuant to the Canopy Call Option in the event that Acreage does not meet certain specified financial targets in the trailing 12 month period as further described below. 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").

The Amending Agreement precludes Acreage from entering into any contract in respect of Company Debt (as defined in the Arrangement Agreement) if, among other restrictions: (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, requires a make-whole payment for the interest owing during the remainder of the term of such contract or charges a prepayment fee in an amount greater than 3.0% of the principal amount to be repaid; (iii) such contract would provide for interest payments to be paid through the issuance of securities as opposed to cash; or (iv) such contract has a principal amount of more than $10,000 or a Cost of Capital (as defined in the Amending Agreement) that is greater than 30.0% per annum; provided that, if such Company Debt is fully secured by cash in a blocked account, the Cost of Capital may not be greater than 3.0% per annum. Notwithstanding the foregoing, Canopy Growth's consent will not be required for Acreage or any of its subsidiaries to enter into a maximum of two transactions for Company Debt that would require consent based on the foregoing during any one-year period, in accordance with the following terms: (i) the principal amount of the Company Debt per transaction may not exceed $10,000, (ii) the Company Debt is not convertible into any securities; and (iii) the contract does not provide for the issuance of more than 500 Acreage shares (or securities convertible into or exchangeable for 500 Acreage shares).

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

The Amending Agreement also provides for certain financial reporting obligations and that Acreage may not nominate or appoint any new director or appoint any new officer that does not meet certain specified criteria. The Amending Agreement also requires Acreage to submit a business plan to Canopy Growth on a quarterly basis that complies with certain specified criteria, including the Initial Business Plan. In the event that Acreage has not satisfied: (i) 90% of the minimum revenue and earnings targets set forth in the Initial Business Plan measured on a quarterly basis, certain additional restrictive covenants will become operative as austerity measures for Acreage's business; (ii) 80% of the minimum revenue and earnings targets set forth in the Initial Business Plan, as determined on an annual basis, certain restrictive covenants applicable to Canopy Growth under the Arrangement Agreement will cease to apply in order to permit Canopy Growth to acquire, or conditionally acquire, a competitor of Acreage in the United States should it wish to do so; and (iii) 60% of the minimum revenue and earnings targets set forth in the Initial Business Plan for the trailing 12 month period ending on the date that is 30 days prior to the proposed Acquisition Time, a material adverse impact will be deemed to have occurred for purposes of Section 6.2(2)(h) of the Arrangement Agreement and Canopy Growth will not be required to complete the acquisition of the Fixed Shares pursuant to the Canopy Call Option.

The Amending Agreement also requires Acreage to limit its operations to the Identified States (as defined in the Amending Agreement). In connection with the execution of the Proposal Agreement, Acreage was provided with consent from Canopy Growth to divest of all assets outside of the Identified States (the "Non-Core Divestitures").

In addition, the Amending Agreement includes certain covenants that will apply following the Acquisition Time until the earlier of the date on which the Floating Shares are acquired by Canopy Growth or the End Date. Such covenants include, among others, pre-emptive rights and top-up rights in favor of Canopy Growth, restrictions on M&A activities, approval rights for Acreage's quarterly business plan, nomination rights for a majority of the directors on the Acreage Board and certain audit and inspection rights.

*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.

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) the Non-Core Divestitures are not completed 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.

*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, 2020, for which no liabilities are recorded on the Statements of Financial Position.

The Company is subject to other capital commitments and similar obligations. As of September 30, 2020 and 2019, such amounts were not material.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

Contingencies

As of September 30, 2020, the Company has consulting fees payable in SVS which are contingent upon successful acquisition of certain state cannabis licenses. The Company had maximum obligations of $8,750 and 280 Fixed Shares and 120 Floating Shares. No reserve for the contingencies has been recorded as of September 30, 2020.

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, 2020, 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.

*Standby Equity Distribution Definitive Agreement*

On May 29, 2020, the Company entered into an agreement with an institutional lender for $50,000 of financing commitments under a Standby Equity Distribution Agreement ("SEDA"). The investor may, at its discretion, purchase, and the Company may, at its discretion, periodically sell to the investor, up to $50,000 of subordinate voting shares of the Company at a purchase price of 95% of the market price over the course of 24 months from the effective date. Pursuant to the SEDA, investor may, at its discretion, purchase, and the Company may, at its discretion, periodically sell to the investor, up to $35,000 and $15,000 of the Company's Fixed Shares and Floating Shares, respectively. In consideration for entering the SEDA, the Company issued the investor 200 SVS as commitment shares. Pursuant to the Amended Arrangement, the shares have since been exchanged for 140 Fixed Shares and 60 Floating Shares. On November 30, 2020, except for certain indemnification provisions, the Company and institutional lender terminated the SEDA and their respective rights and obligations under the SEDA.

*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, NY Medicinal Research & Caring, LLC (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, 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 intends to vigorously defend this action, which the Company firmly believes is without merit. EPMMNY alleges that it was improperly deprived of its equity stake in NYCANNA before NYCANNA was acquired by High Street. High Street is also 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. The defendants filed a motion to dismiss on April 1, 2019. The motion was fully briefed and submitted to the Court on July 18, 2019, and oral argument was heard on September 6, 2019. The motion remains pending before the Court.

*California Employment Claim*

On February 8, 2019, a former employee of Made By Science, LLC ("Plaintiff") filed an action in the Superior Court of the State of California, County of Los Angeles against Made By Science, LLC ("MBS"), Made By Science, Inc., Form Factory LLC, Form Factory, Inc., Acreage, and a former employee (collectively, for the purposes of this matter, the "Defendants"). Plaintiff's complaint asserted six causes of action against Defendants for (i) breach of contract; (ii) failure to pay wages; (iii) conversion; (iv) failure to pay all wages upon separation of employment; (v) failure to provide accurate, itemized wage statements; and (vi) failure to pay all wages in violation of Cal. Labor Code § 204, arising from Plaintiff's employment with MBS. Several of the Defendants moved to compel arbitration of the dispute based on the arbitration provision contained in the relevant agreement. On August 14, 2019, the Court granted Defendants' motion to compel arbitration. An arbitrator has recently been assigned and a preliminary conference was held. The parties exchanged information and documents relevant to Plaintiff's claims in accordance with the applicable arbitration rules. Depositions have begun to take place and an arbitration hearing remains tentatively scheduled for March 2021. Defendants will continue to vigorously defend against Plaintiff's claims and intend to file a dispositive motion to summarily dismiss Plaintiff's claims in advance of the arbitration hearing.

*CanWell Dispute*

The CanWell dispute is comprised of five separate proceedings:

i. CanWell's petition filed in Rhode Island Superior Court (C.A. KM-2019-0948) to compel arbitration of claims arising out of WPMC withdrawal as a member of the CanWell entities as well as other disputes, including issues relating to termination of the Alternative Dosage Agreement ("ADA") (relating to the Maine dispensary).

ii. CanWell's petition filed in Rhode Island Superior Court (C.A. No. KM-2019-1047) to compel arbitration of WPMC's redemption of the CanWell entity's interest in WPMC, including issues relating to termination of the ADA.

iii. An arbitration proceeding relating to WPMC's withdrawal from the CanWell entities. A procedural meeting with the arbitrator took place on November 5, 2019.

iv. An arbitration that will soon be underway with the American Arbitration Association on the issue of whether WPMC had the right to redeem CanWell's interest in WPMC.

v. A civil action pending in Maine (Docket No. CUMSC-CV-19-0357) which was filed by Northeast Patients Group d/b/a Wellness Connection of Maine against CanWell, LLC and CanWell Processing (Maine), LLC, relating to the termination of the ADA. While no Acreage affiliate is currently a party to this action, the issue being litigated relates to the termination of the ADA, which is one of the issues that CanWell is attempting to arbitrate in Rhode Island.

vi. A declaratory judgment action pending in Delaware, High Street Capital Partners, LLC v. CanWell, LLC, CanWell Processing (Maine), LLC, and CanWell Processing (Rhode Island), LLC (Court of Chancery, No. 2019-0957-MTZ) seeking a declaratory judgment that, as a matter of law, High Street is not subject to any non-compete provision with regard to the agreements detailed above. This case remains in the preliminary stages of litigation.

The Court issued an order on January 29, 2020 that determined that the arbitrability of the ADA Disputes is to be decided by an arbitrator, not the Court.

Following the parties' entering into a Memorandum of Understanding (MOU) on proposed settlement terms that would settle each of the matters listed above, the parties have now reached a final confidential settlement agreement. As part of that agreement, the Company has accrued for $7,750 in *Loss from legal settlements* on the Statements of Operations for the three and nine months ended September 30, 2020 and anticipates the dismissal of each action listed above in the coming months.

*Lease Dispute*

On or around December 2019, it is alleged that a wholly-owned subsidiary of HSCP entered into three five-year leases to occupy approximately 70 square feet of commercial space on a cannabis cultivation campus in California. As of November 24, 2020, HSCP and its wholly-owned subsidiary entered into a confidential settlement and release agreement with the commercial landlord, pursuant to which HSCP will make six payments to the commercial landlord totaling $6,336, which the Company has accrued for in *Loss from legal settlements* on the Statements of Operations for the three and nine months ended September 30, 2020. The first payment of $1,000 was made in November 2020 and the final payment will be due on December 31, 2021.

## 14. RELATED PARTY TRANSACTIONS

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

Related party notes receivable

Acreage has certain outstanding notes receivable with related parties. Refer to Note 6 for further information.

GreenAcreage

The Company has an investment carried at fair value through profit and loss in GreenAcreage Real Estate ("GreenAcreage"). The Company also has an equity method investment in the management company of GreenAcreage resulting from the CEO's board involvement. During the year ended December 31, 2019, the Company sold and subsequently leased back several of its capital assets in a transaction with GreenAcreage. The subsequent leases met the criteria for finance leases, and as such, the transactions do not qualify for sale-leaseback treatment.

(in thousands, except per share data)

On July 15, 2020, a subsidiary of the Company entered into a definitive agreement with GreenAcreage to internalize the Company's management operations.

Related party debt

In December 2019, the Kevin Murphy, the Chairman of the board of directors, loaned $15,000 to the Company. In January 2020, he made an additional loan of $5,000 to Acreage. These amounts were subsequently repaid in March 2020.

Credit agreement collateral

On March 11, 2020, the Company closed $22,000 in borrowings pursuant to a loan transaction with the Lender. The maturity date is 366 days from the closing date of the loan transaction. The Company will pay monthly interest on the collateral in the form of 27 SVS through the maturity date. The Lender may put any unsold interest shares to the Company upon maturity at a price of $4.50 per share. Kevin Murphy, the Chairman of the board of directors, loaned $21,000 of the $22,000 borrowed by the Company to the Lender. The loan is secured by the non-U.S. intellectual property assets, a cannabis state license and 12,000 SVS shares of the Company. Refer to Note 10 for further information.

Pursuant to the Amended Arrangement, the monthly interest on the collateral payable to Kevin Murphy was modified to cash payments for the remaining duration of the term at an interest rate of 12% per annum, payable upon maturity. The remaining interest will continue to be paid monthly in the form of 2 Fixed Shares and 1 Floating Share through the maturity date.

## 15. REPORTABLE SEGMENTS

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

## 16. EARNINGS PER SHARE

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

Basic and diluted loss per share is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net loss attributable to common shareholders of the Company | $ (40,548) | $ (38,716) | $ (249,694) | $ (99,634) |
| Weighted average shares outstanding - basic | 103,450 | 89,262 | 98,304 | 84,817 |
| Effect of dilutive securities | — | — | — | — |
| Weighted average shares - diluted | 103,450 | 89,262 | 98,304 | 84,817 |
| Net loss per share attributable to common shareholders of the Company - basic | $ (0.39) | $ (0.43) | $ (2.54) | $ (1.17) |
| Net loss per share attributable to common shareholders of the Company - diluted | $ (0.39) | $ (0.43) | $ (2.54) | $ (1.17) |

During the nine months ended September 30, 2020, 5,684 Fixed warrants, 2,436 Floating warrants, 5,108 Fixed Share restricted share units, 2,189 Floating Share restricted share units, 3,148 Fixed Share stock options, 1,349 Floating Share stock options and 24,142 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, 2019, 2,040 warrants, 8,120 restricted share units, 4,963 stock options, 1,000 profits interests and 25,519 NCI convertible units were excluded from the calculation of net loss per share attributable to common share attributable to common shareholders of the Company - diluted as they were anti-dilutive.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

## 17. SUBSEQUENT EVENTS

Secured bridge loan

In October 2020, the Company retired its subsidiary's borrowing pursuant to a short-term strategic financing loan. The Company's subsidiary paid in aggregate $18,050 to retire the full principal balance and accrued interest.

Promissory note payable

In October 2020, Foros Securities LLC extended a promissory note of $2,000 to the Company bearing interest at 10% per annum. The promissory note matures on the earlier of July 5, 2021 or the date the principal is repaid in full.

Senior secured term loan facility

In November 2020, the Company's subsidiary received initial commitments and funding from a syndicate of lenders for a first advance of $28,000 pursuant to a senior secured term loan facility at an annual interest rate of 15% with a maturity of 48 months from closing.

In connection with the advance, the Company issued the lenders an aggregate of 1,557 Fixed Share Warrants with each Fixed Share Warrant exercisable for one Class E subordinate voting share and 698 Floating Share Warrants with each Floating Share Warrant exercisable for one class D subordinate voting share. The exercise price of each Fixed Share Warrant is $3.15 and the exercise price of each Floating Share Warrant is $3.01. The warrants are exercisable for a period of four years.

GreenAcreage Exchange

On November 17, 2020, the Company completed the exchange and redemption as contemplated by that certain Exchange and Redemption Agreement between HSCP, GreenAcreage and its affiliates (the "Exchange and Redemption Agreement"). Pursuant to the Exchange and Redemption Agreement, the Company, by way of HSCP, exchanged all of its equity interests in an affiliate of GreenAcreage for the fee interest in the Sanderson, Florida property previously sold to GreenAcreage in the 2019 sale-leaseback transaction described in Note 14.

Construction-Financing Loan

On November 25, 2020, the Company entered into a loan agreement with a cannabis-focused real estate investment trust for a construction financing loan in the amount of $13,320. The loan agreement provides for an annual interest rate of 16% and a term of 18 months. The loan will be used to complete the expansion of the Company's cultivation and processing factory in Illinois (the "Illinois Property"). The loan is secured by the Illinois Property.

Appointment of New Chief Executive Officer

On December 18, 2020, the Company announced that Filippo (Peter) Caldini was appointed as the Company's Chief Executive Officer, effective upon his first day of employment with the Company on December 21, 2020.

Appointment of New Director

On January 11, 2021, the Company announced that Katie Bayne was appointed to the Company's Board of Directors and Audit Committee.

Standby Equity Distribution Agreement (SEDA)

On each of September 28, 2020 and January 25, 2021, we entered into letter agreements (the "**Letter Agreements**") with the institutional investor extending the termination deadline of the SEDA to the earliest of November 30, 2020 and June 30, 2021, respectively, and the date that we have obtained both a receipt from the Ontario Securities Commission for a short-form final base shelf prospectus and a declaration from the United States Securities and Exchange Commission that its registration statement is effective, in each case qualifying an At-The-Market equity offering program.

*See accompanying notes to Unaudited Condensed Consolidated Financial Statements*

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

**Opinion on the Financial Statements**

We have audited the accompanying consolidated statements of financial position of Acreage Holdings, Inc. (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of operations, shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases, effective January 1, 2019, due to the adoption of the guidance in Accounting Standards Codification Topic 842, Leases.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2019.

New York, NY
May 29, 2020

# ACREAGE HOLDINGS, INC.
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (in thousands) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 26,505 | $ 104,943 |
| Restricted cash | 95 | 95 |
| Short-term investments | — | 149,090 |
| Inventory | 18,083 | 8,857 |
| Notes receivable, current | 2,146 | 3,114 |
| Other current assets | 8,506 | 2,716 |
| **Total current assets** | 55,335 | 268,815 |
| Long-term investments | 4,499 | 3,844 |
| Notes receivable, non-current | 79,479 | 27,431 |
| Capital assets, net | 106,047 | 45,043 |
| Operating lease right-of-use assets | 51,950 | — |
| Intangible assets, net | 285,972 | 153,953 |
| Goodwill | 105,757 | 32,116 |
| Deferred acquisition costs and deposits | — | 22,100 |
| Other non-current assets | 2,638 | 1,280 |
| **Total non-current assets** | 636,342 | 285,767 |
| **TOTAL ASSETS** | $ 691,677 | $ 554,582 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Accounts payable and accrued liabilities | $ 32,459 | $ 5,337 |
| Taxes payable | 4,740 | 962 |
| Interest payable | 291 | 541 |
| Operating lease liability, current | 2,759 | — |
| Debt, current | 15,300 | 15,144 |
| Other current liabilities | 1,604 | 10,875 |
| **Total current liabilities** | 57,153 | 32,859 |
| Debt, non-current | 28,186 | 491 |
| Operating lease liability, non-current | 47,522 | — |
| Deferred tax liability | 63,997 | 33,827 |
| Other liabilities | 25 | 1,129 |
| **Total non-current liabilities** | 139,730 | 35,447 |
| **TOTAL LIABILITIES** | 196,883 | 68,306 |
| Commitments and contingencies (Note 13) | | |
| Common stock, no par value (Note 11) - unlimited authorized, 90,646 and 79,164 issued and outstanding, respectively | — | — |
| Additional paid-in capital | 615,678 | 414,757 |
| Treasury stock, 842 SVS held in treasury | (21,054) | (21,054) |
| Accumulated deficit | (188,617) | (38,349) |
| **Total Acreage Shareholders' equity** | 406,007 | 355,354 |
| Non-controlling interests | 88,787 | 130,922 |
| **TOTAL EQUITY** | 494,794 | 486,276 |
| **TOTAL LIABILITIES AND EQUITY** | $ 691,677 | $ 554,582 |

*See accompanying notes to Consolidated Financial Statements*

# ACREAGE HOLDINGS, INC.
## CONSOLIDATED STATEMENTS OF OPERATIONS

| (in thousands, except per share amounts) | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| Retail revenue, net | $ 54,401 | $ 17,475 | $ 7,743 |
| Wholesale revenue, net | 18,539 | 2,969 | — |
| Other revenue, net | 1,169 | 680 | — |
| **Total revenues, net** | 74,109 | 21,124 | 7,743 |
| Cost of goods sold, retail | (33,844) | (10,038) | (4,308) |
| Cost of goods sold, wholesale | (9,821) | (1,666) | — |
| Total cost of goods sold | (43,665) | (11,704) | (4,308) |
| **Gross profit** | 30,444 | 9,420 | 3,435 |
| | | | |
| **OPERATING EXPENSES** | | | |
| General and administrative | 56,224 | 18,647 | 4,560 |
| Compensation expense | 42,061 | 15,356 | 3,853 |
| Equity-based compensation expense | 97,538 | 11,230 | 1,837 |
| Marketing | 5,009 | 1,571 | 212 |
| Loss on impairment | 13,463 | — | — |
| Depreciation and amortization | 7,593 | 3,749 | 20 |
| Total operating expenses | 221,888 | 50,553 | 10,482 |
| | | | |
| **Net operating loss** | $ (191,444) | $ (41,133) | $ (7,047) |
| | | | |
| Income (loss) from investments, net | (480) | 21,777 | 406 |
| Interest income from loans receivable | 3,978 | 1,178 | 330 |
| Interest expense | (1,194) | (4,617) | (1,215) |
| Other loss, net | (1,033) | (7,930) | (1,040) |
| Total other income (loss) | 1,271 | 10,408 | (1,519) |
| | | | |
| **Loss before income taxes** | $ (190,173) | $ (30,725) | $ (8,566) |
| | | | |
| Income tax expense | (4,989) | (1,536) | (970) |
| | | | |
| **Net loss** | $ (195,162) | $ (32,261) | $ (9,536) |
| | | | |
| Less: net loss attributable to non-controlling interests | (44,894) | (4,778) | (993) |
| | | | |
| **Net loss attributable to Acreage Holdings, Inc.** | $ (150,268) | $ (27,483) | $ (8,543) |
| | | | |
| **Net loss per share attributable to Acreage Holdings, Inc. - basic and diluted:** | $ (1.74) | $ (0.41) | $ (0.19) |
| | | | |
| **Weighted average shares outstanding - basic and diluted** | 86,185 | 66,699 | 45,076 |

*See accompanying notes to Consolidated Financial Statements*

# ACREAGE HOLDINGS, INC.
## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (in thousands) | LLC Membership Units | Pubco Shares (as converted) | Attributable to shareholders of the parent: Share Capital | Treasury Stock | Accumulated Deficit | Shareholders' Equity | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2016** | **40,000** | **—** | **$ 26,697** | **$ —** | **$ (2,318)** | **$ 24,379** | **$ 4,562** | **$ 28,941** |
| Issuance of Class C units for in-kind contributions | 6,000 | — | 630 | — | — | 630 | — | 630 |
| Interest expense settled with PIK units | 125 | — | 605 | — | — | 605 | — | 605 |
| Capital contributions, net | — | — | — | — | — | — | 6,461 | 6,461 |
| Equity-based compensation expense and related issuances | 3,250 | — | 1,522 | — | — | 1,522 | — | 1,522 |
| Net loss | — | — | — | — | (8,543) | (8,543) | (993) | (9,536) |
| **December 31, 2017** | **49,375** | **—** | **29,454** | **—** | **(10,861)** | **18,593** | **10,030** | **28,623** |
| Issuance of Class D units | 17,018 | — | 105,514 | — | — | 105,514 | — | 105,514 |
| Issuance of Class E units, net | 19,352 | — | 116,124 | — | — | 116,124 | — | 116,124 |
| Interest expense settled with PIK units | 330 | 66 | 1,912 | — | — | 1,912 | — | 1,912 |
| Conversion of notes to equity | 6,473 | — | 30,759 | — | — | 30,759 | — | 30,759 |
| Issuance of warrants | — | — | 3,285 | — | — | 3,285 | — | 3,285 |
| Issuance of Pubco shares in redemption of membership units | (66,820) | 65,978 | 280 | (21,054) | — | (20,774) | — | (20,774) |
| RTO-related issuances, net | — | 12,626 | 298,004 | — | — | 298,004 | — | 298,004 |
| Formation of NCI at RTO and adjustments for changes in ownership | (27,340) | — | (133,943) | — | — | (133,943) | 133,943 | — |
| Establishment of deferred tax liability due to RTO | — | — | (30,175) | — | — | (30,175) | — | (30,175) |
| Capital contributions, net | — | — | — | — | — | — | 2,767 | 2,767 |
| Increase in non-controlling interests from business acquisitions | — | — | — | — | — | — | 7,241 | 7,241 |
| Purchase of non-controlling interests | — | — | (21,798) | — | — | (21,798) | (12,305) | (34,103) |
| Other equity transactions | — | 398 | 4,426 | — | (5) | 4,421 | (5,976) | (1,555) |
| Equity-based compensation expense and related issuances | 1,612 | 96 | 10,915 | — | — | 10,915 | — | 10,915 |
| Net loss | — | — | — | — | (27,483) | (27,483) | (4,778) | (32,261) |
| **December 31, 2018** | **—** | **79,164** | **$ 414,757** | **$ (21,054)** | **$ (38,349)** | **$ 355,354** | **$ 130,922** | **$ 486,276** |
| Issuances for business acquisitions/purchases of intangible assets | — | 5,364 | 104,748 | — | — | 104,748 | 4,356 | 109,104 |
| NCI adjustments for changes in ownership | — | 2,784 | (2,766) | — | — | (2,766) | 2,766 | — |
| Capital distributions, net | — | — | — | — | — | — | (4,363) | (4,363) |
| Other equity transactions | — | 589 | 11,707 | — | — | 11,707 | — | 11,707 |
| Equity-based compensation expense and related issuances | — | 2,745 | 87,232 | — | — | 87,232 | — | 87,232 |
| Net loss | — | — | — | — | (150,268) | (150,268) | (44,894) | (195,162) |
| **December 31, 2019** | **—** | **90,646** | **$ 615,678** | **$ (21,054)** | **$ (188,617)** | **$ 406,007** | **$ 88,787** | **$ 494,794** |

*See accompanying notes to Consolidated Financial Statements*

# ACREAGE HOLDINGS, INC.
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in thousands) | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | $ (195,162) | $ (32,261) | $ (9,536) |
| Adjustments for: | | | |
| Depreciation and amortization | 7,593 | 3,749 | 20 |
| Equity-settled expenses, including compensation | 102,898 | 19,360 | 1,837 |
| Gain on sale of investment | — | (1,500) | — |
| Loss on disposal of capital assets | 363 | — | — |
| Loss on impairment | 13,463 | — | — |
| Non-cash interest expense | 67 | 2,838 | 737 |
| Non-cash operating lease expense | 1,684 | — | — |
| Deferred tax (income) expense | (3,844) | (56) | — |
| Non-cash (income) loss from investments, net | 1,272 | (19,340) | (255) |
| Other non-cash (income) expense, net | (2,394) | 469 | 4 |
| Change, net of acquisitions in: | | | |
| Inventory | (6,941) | (3,641) | (155) |
| Other assets | (5,053) | (3,075) | (503) |
| Interest receivable | (4,002) | (1,208) | (258) |
| Accounts payable and accrued liabilities | 17,217 | 95 | 1,503 |
| Taxes payable | 3,778 | (152) | 705 |
| Interest payable | (250) | 398 | 143 |
| Other liabilities | (1,568) | (1,212) | 201 |
| Net cash used in operating activities | $ (70,879) | $ (35,536) | $ (5,557) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of capital assets | $ (47,085) | $ (22,351) | $ (4,704) |
| Investments in notes receivable | (39,145) | (15,483) | (3,823) |
| Collection of notes receivable | 3,164 | 4,519 | — |
| Cash paid for long-term investments | (4,158) | (2,201) | (10,985) |
| Proceeds from sale of investment | — | 9,634 | — |
| Proceeds from sale of capital assets | 172 | — | — |
| Business acquisitions, net of cash acquired | (21,205) | (32,147) | — |
| Purchases of intangible assets | (58,488) | (6,445) | (200) |
| Deferred acquisition costs and deposits | 2,076 | (22,675) | — |
| Distributions from investments | 232 | 141 | 330 |
| Proceeds from (purchase of) short-term investments | 149,828 | (148,684) | — |
| Net cash used in investing activities | $ (14,609) | $ (235,692) | $ (19,382) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from related party debt | $ 15,000 | $ — | $ — |
| Proceeds from financing | 19,052 | — | — |
| Proceeds from issuance of membership units, net | — | 116,890 | — |
| Proceeds from issuance of subscription receipts, net | — | 298,644 | — |
| Proceeds from convertible note, net of deferred costs | — | — | 29,701 |
| Settlement of taxes withheld | (10,306) | (21,054) | — |
| Purchase of non-controlling interest | — | (19,643) | — |
| Repayment of debt | (12,333) | (17,838) | (19) |
| Capital contributions (distributions) - non-controlling interests, net | (4,363) | 2,767 | 6,461 |
| Net cash provided by financing activities | $ 7,050 | $ 359,766 | $ 36,143 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | $ (78,438) | $ 88,538 | $ 11,204 |
| Cash, cash equivalents and restricted cash - Beginning of period | 105,038 | 16,500 | 5,296 |
| Cash, cash equivalents and restricted cash - End of period | $ 26,600 | $ 105,038 | $ 16,500 |

*See accompanying notes to Consolidated Financial Statements*

## ACREAGE HOLDINGS, INC.
### CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in thousands) | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Interest paid - non-lease | $ 685 | $ 1,381 | $ 335 |
| Income taxes paid | 4,555 | 1,744 | 101 |
| OTHER NON-CASH INVESTING AND FINANCING ACTIVITIES: | | | |
| Capital assets not yet paid for | $ 8,188 | $ 393 | $ 5,717 |
| Issuance of Class D units for land | — | 2,600 | — |
| Issuance of SVS for operating lease | 3,353 | — | — |

*See accompanying notes to Consolidated Financial Statements*

## 1. NATURE OF OPERATIONS

Acreage Holdings, Inc. (the "Company", "Pubco" or "Acreage") was originally incorporated under the Business Corporations Act (Ontario) on July 12, 1989 as Applied Inventions Management Inc. On August 29, 2014, the Company changed its name to Applied Inventions Management Corp. The Company continued into British Columbia and changed its name to Acreage Holdings, Inc. on November 9, 2018. The Company's Subordinate Voting Shares are listed on the Canadian Securities Exchange under the symbol "ACRG.U", quoted on the OTCQX under the symbol "ACRGF" and traded on the Frankfurt Stock Exchange under the symbol "0VZ". The Company owns, manages and operates cannabis cultivation facilities, dispensaries and other cannabis-related companies across the United States ("U.S.").

High Street Capital Partners, LLC, a Delaware limited liability company doing business as Acreage Holdings ("HSCP"), was formed on April 29, 2014. The Company became the indirect parent of HSCP on November 14, 2018 in connection with a reverse takeover ("RTO") transaction described below.

The comparative amounts presented for the year ended December 31, 2017 are those of HSCP.

The Company's corporate office and principal place of business is located at 366 Madison Avenue, 11th 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 Pubco) ("Subco"), Acreage Finco B.C. Ltd. (a special purpose corporation) ("Finco"), Acreage Holdings America, Inc. ("USCo") and Acreage Holdings WC, Inc. ("USCo2") entered into a combination agreement (the "Agreement") whereby the parties agreed to combine their respective businesses, which would result in the reverse takeover of Pubco by the security holders of HSCP, which was deemed to be the accounting acquiror. On November 14, 2018, the parties to the Agreement completed the RTO. The RTO was structured as a series of transactions, including a Canadian three-cornered amalgamation transaction and a series of U.S. reorganization steps. In connection with the Agreement, Pubco changed its name from "Applied Inventions Management Corp." to "Acreage Holdings, Inc." On November 15, 2018, Pubco's SVS were listed and began trading on the Canadian Securities Exchange under ticker symbol "ACRG.U".

Immediately prior to the completion of the RTO, Finco completed a brokered and a non-brokered subscription receipt financing at a price of $25.00 per subscription receipt for aggregate gross proceeds to Finco of approximately $314,000 (the "Financing"). In connection with the Financing, Pubco paid a cash fee to the agents under the offering (the "Agents") equal to 6.0% of the gross proceeds of the brokered portion of the Financing (such cash fee was reduced to 2.5% in respect of sales to certain subscribers) and a financial advisory fee in the amount of $3,000 in connection with the non-brokered portion of the Financing. As additional consideration, the Agents were granted broker warrants entitling them to subscribe for that number of common shares of FinCo (the "FinCo Shares") as was equal to 2.0% of the number of subscription receipts issued under the brokered portion of the Financing (such number of broker warrants was reduced to 1.5% in respect of sales to certain subscribers). Upon completion of the RTO, each compensation option issued by Finco was exchanged for an equal number of broker warrants of Pubco, each of which is exercisable for one Subordinate Voting Share of Pubco (subject to any necessary adjustments) at a price of $25.00 per share for a period of 24 months following the date of exchange.

As part of the RTO, Pubco, Subco and FinCo were parties to a three-cornered amalgamation (the "Amalgamation"), pursuant to which the shareholders of FinCo (being the investors in the Financing after automatic conversion of their subscription receipts into FinCo Shares) received SVS of Pubco in exchange for their FinCo Shares. Immediately following the Amalgamation, the entity resulting from the Amalgamation, HSCP Merger Corp. ("Amalco"), was dissolved and liquidated, in accordance with which all of the assets of Amalco were distributed to Pubco. Refer to Note 11 for further discussion.

Canopy Growth Corporation transaction

On June 27, 2019, the Company and Canopy Growth Corporation ("Canopy Growth" or "CGC") finalized an Arrangement Agreement wherein Canopy Growth was granted an option to acquire all outstanding shares of the Company, with a requirement to do so upon the occurrence of a Triggering Event. Refer to Note 13 for further discussion.

COVID-19

In December 2019, a novel strain of coronavirus ("COVID-19") emerged in Wuhan, China. Since then, it has spread to several other countries and infections have been reported around the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic.

In response to the outbreak, governmental authorities in the United States, Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 in the United States, Canada and globally could have an adverse impact on our business, operations and financial results, including through disruptions in our cultivation and processing activities, supply chains and sales channels, as well as a deterioration of general economic conditions including a possible national or global recession. Shelter-in-place orders and social distancing practices designed to limit the spread of COVID-19 may affect our retail business. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on our business, operations or financial results; however, the impact could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and going concern

The accompanying consolidated financial statements have been prepared on a going concern basis which implies we will continue to meet our obligations for the next twelve months as of the date these financial statements are issued.

As reflected in the financial statements, the Company had an accumulated deficit and a negative net working capital (current liabilities greater than current assets) as of December 31, 2019, as well as a net loss and negative cash flow from operating activities for the reporting period then ended. 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.

However, management believes that substantial doubt of our ability to meet our obligations for the next twelve months from the date these financial statements were issued has been alleviated due to, but not limited to, (i) capital raised between January and March 2020, (ii) access to future capital commitments (see Note 17), (iii) continued sales growth from our consolidated operations, (iv) latitude as to the timing and amount of certain operating expenses as well as capital expenditures, (v) restructuring plans that have already been put in place to improve the Company's profitability, and (vi) the Standby Equity Distribution Agreement described in Note 17 of the Consolidated Financial Statements.

If the Company is unable to raise additional capital whenever necessary, it may be forced to decelerate or curtail its footprint buildout or other operational activities until such time as additional capital becomes available. Such limitation of the Company's activities would allow it to slow its rate of spending and extend its use of cash until additional capital is raised. However, management cannot provide any assurances that we will be successful in accomplishing any of our plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur at any time within the next twelve months or thereafter which could increase our need to raise additional capital on an immediate basis.

Use of estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). 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. Significant estimates inherent in the preparation of the accompanying consolidated financial statements include the fair value of assets acquired and liabilities assumed in business combinations, assumptions relating to equity-based compensation expense, estimated useful lives for property, plant and equipment and intangible assets, the valuation allowance against deferred tax assets and the assessment of potential impairment charges on goodwill, intangible assets and investments in equity and notes receivable.

Emerging growth company

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies.

Functional and presentation currency

The consolidated financial statements and the accompanying notes are expressed in U.S. dollars. Financial metrics are presented in thousands. Other metrics, such as shares outstanding, are presented in thousands unless otherwise noted.

Basis of consolidation

Our consolidated financial statements include the accounts of Acreage, its subsidiaries and variable interest entities ("VIEs") where we are 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. Our proportionate share of net income or loss of the entity is recorded in *Income (loss) from investments, net* in the Consolidated Statements of Operations.

VIEs

In determining whether we are the primary beneficiary of a VIE, we assess whether we have the power to direct matters that most significantly impact the activities of the VIE and have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. There were no material consolidated VIEs as of December 31, 2019 or 2018.

Non-controlling interests ("NCI")

Non-controlling interests represent ownership interests in consolidated subsidiaries by parties that are not shareholders of Pubco. They are shown as a component of *Total equity* in the Consolidated Statements of Financial Position, and the share of loss attributable to non-controlling interests is shown as a component of *Net loss* in the Consolidated Statements of Operations. Changes in the parent company's ownership that do not result in a loss of control are accounted for as equity transactions.

Cash and cash equivalents

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

Restricted cash

Restricted cash represents funds contractually held for specific purposes and, as such, not available for general corporate purposes.

Investments

The Company classifies its short-term investments in debt securities as held-to-maturity and accounts for them at amortized cost. Due to the short maturities, the carrying value approximates fair value. Refer to Note 5 for more information.

The Company accounts for long-term equity investments in which we are able to exercise significant influence, but do not have control over, using the equity method.

On January 1, 2018, we early adopted Accounting Standards Update ("ASU") 2016-01 - *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which, among other provisions, requires the equity investments not accounted for using the equity method to be carried at fair value, with changes recognized in net income ("FV-NI"). For investments not accounted for using the equity method without a readily determinable fair value, a measurement alternative is available, allowing measurement at cost, less any impairment plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. There was no change to the Company's accounting for investments, as it elected the measurement alternative for all former cost method investments. Refer to Note 5 for further discussion.

Inventory

The Company's inventories include the direct costs of seeds and growing materials, indirect costs such as utilities, labor, depreciation and overhead costs, and subsequent costs to prepare the products for ultimate sale, which include direct costs such as materials and indirect costs such as utilities and labor. All direct and indirect costs related to inventory are capitalized when they are incurred, and they are subsequently classified to *Cost of goods sold* in the Consolidated Statements of Operations. Inventory is valued at the lower of cost and net realizable value, defined as estimated selling price in the ordinary cost of business, less costs of disposal. The Company measures inventory cost using specific identification for its retail inventory and the average cost method for its cultivation inventory.

Fair value of financial instruments

The Company accounts for assets and liabilities measured at fair value on a recurring basis in accordance with 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:

**1.** Level 1 - quoted prices (unadjusted) that are in active markets for identical assets or liabilities

**2.** Level 2 - inputs that are observable for the asset or liability, either directly (prices) for similar assets or liabilities in active markets or indirectly (derived from prices) for identical assets or liabilities in markets with insufficient volume or infrequent transactions

**3.** Level 3 - inputs for assets or liabilities that are not based upon observable market data

There were no material transfers in or out of Level 3 during the years ended December 31, 2019, 2018 and 2017. The Company did not have any liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018. The Company's has Level 3 assets in equity-method investments and investments carried at FV-NI utilizing net asset value per share. Changes in fair value measurements categorized in Level 3 of the fair value hierarchy are analyzed each reporting period based on changes in estimates or assumptions and recorded as appropriate.

Notes receivable

The Company provides financing to various related and non-related businesses within the cannabis industry. These notes are classified as held for investment and are accounted for as financial instruments in accordance with ASC 310. The Company recognizes impairment on notes receivable when, based on all available information, it is probable that a loss has been incurred based on past events and conditions existing at the date of the financial statements. No impairment losses were recognized in the years ended December 31, 2019 or 2018.

Capital assets

Capital assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and construction in process are not depreciated. Depreciation is calculated using the straight-line method for all other asset classes. The estimated useful life of buildings range from 10 to 40 years, and the estimated useful life of furniture, fixtures and equipment range from 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the life of the lease. Repair and maintenance costs are expensed as incurred. When capital assets are disposed of, the related cost and accumulated depreciation are removed and a gain or loss is included in the Consolidated Statements of Operations.

Leases

On January 1, 2019, the Company early adopted ASU 2016-02 Leases (Topic 842) using the modified retrospective approach. The Company elected the package of practical expedients contained in the new standard which, among other provisions, allows companies to retain existing lease classification under Topic 840 at transition. As such, there will be minimal impact on the Company's Consolidated Statement of Operations. The Company has also made an accounting policy election to not recognize right of use assets or lease liabilities for leases with an initial term of 12 months or less, and to continue recognizing the related expense in the Consolidated Statement of Operations on a straight-line basis over the lease term. Sale-leasebacks are assessed to determine whether a sale has occurred under ASC 606. If a sale is determined not to have occurred, the underlying "sold" assets are not derecognized and a financing liability is established in the amount of cash received. At such time that the lease expires, the assets are then derecognized along with the financing liability, with a gain recognized on disposal for the difference between the two amounts, if any.

On the date of adoption, the Company recognized right of use assets and lease liabilities on its Consolidated Balance Sheet, which reflect the present value of the Company's current minimum lease payments over the lease terms, which include options that are reasonably certain to be exercised, discounted using the Company's incremental borrowing rate. Refer to Note 8 for further discussion.

Intangible assets

Intangible assets such as management contracts are amortized over their estimated useful lives, while indefinite-lived intangibles such as cannabis licenses are not amortized.

Convertible debt

The Company assesses its financial instruments for embedded features that may require bifurcation from their host. If the embedded features do not meet the criteria for bifurcation, the convertible instrument is accounted for as a single hybrid instrument.

Business combinations

The Company's growth strategy includes acquisition of retail, cultivation, processing and other cannabis related companies, the primary purpose of which is to continue to build a diversified portfolio of assets in the U.S. cannabis sector. These business combinations are accounted for using the acquisition method on the date that control is transferred. The consideration transferred in the acquisition is measured at fair value, along with identifiable net assets acquired. Subordinate Voting Shares issued are valued based on the closing price on the Canadian Securities Exchange. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets or liabilities of an acquired business and represents expected synergies associated with the acquisition such as the benefits of assembled workforces, expected earnings and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Based on the Company's tax status discussed below, goodwill is not expected to be deductible for income tax purposes. A bargain purchase gain is recognized when the excess of the purchase price over the fair value of the net identifiable assets or liabilities acquired is negative. The Company expenses transaction costs, other than those associated with the issue of debt or equity securities, in connection with a business combination as incurred. The Company measures non-controlling interests acquired, if any, at acquisition date fair value.

Impairment of long-lived assets

Goodwill and indefinite-lived intangible assets are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill and indefinite-lived intangible assets are tested at the individual business level. The Company may first assess qualitative factors and, if it determines it is more likely than not that the fair value is less than the carrying value, then proceed to a quantitative test if necessary.

Finite-lived intangible assets and other long-lived assets are tested for impairment based on undiscounted cash flows when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Income taxes

The Company will be treated as a U.S corporation for U.S. federal income tax purposes under U.S. Internal Revenue Code ("IRC") Section 7874 and be subject to U.S. federal income tax. However, for Canadian tax purposes, the Company is expected, regardless of any application of IRC Section 7874, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada)) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the U.S. Notwithstanding the foregoing, it is management's expectation that the Company's activities will be conducted in such a manner that income from operations will not be subjected to double taxation.

HSCP operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal, state and local income tax purposes. As a result, HSCP's income from its U.S. operations is not subject to U.S. federal income tax because the income is attributable to its members. Accordingly, the Company's U.S. tax provision is based on the portion of HSCP's income attributable to the Company and excludes the income attributable to other members of HSCP, whose income is included in *Net loss attributable to non-controlling interests* in the Consolidated Statements of Operations. In addition, the Company also records a tax provision for the corporate entities owned directly by HSCP.

Income tax expense is recognized in the Consolidated Statements of Operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current tax liabilities and when they relate to income taxes levied by the same taxing authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Certain Acreage subsidiaries are subject to IRC Section 280E. This section disallows deductions and credits attributable to a trade or business of trafficking in controlled substances. Under U.S. law, marijuana is a Schedule I controlled substance.

Revenue recognition

The Company early adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) on January 1, 2018. The new standard provides for a single model that applies to all contracts with customers with two types of recognition: at a point in time or over time. The Company has applied Topic 606 retrospectively for all periods presented and determined that there is no change to the comparative periods or transitional adjustments required as a result of adoption. The Company's accounting policy for revenue recognition under Topic 606 is as follows:

**(4)** Identify the contract with a customer;

**(5)** Identify the performance obligation(s);

**(6)** Determine the transaction price;

**(7)** Allocate the transaction price to the performance obligation(s);

**(8)** Recognize revenue when/as performance obligation(s) are satisfied.

Revenue from the direct sale of cannabis to customers for a fixed price is recognized when the Company transfers control of the good to the customer. The Company disaggregates its revenues from the direct sale of cannabis to customers on the Statements of Operations as *Retail revenue, net* and *Wholesale revenue, net*.

Revenue from management contracts is recognized over time as the management services are provided. The Company provides management services to other cannabis companies for a fee structure that varies based on the contract. The services that may be provided are broadly defined and span the entire scope of the business. The Company evaluates the nature of its promise to the customer in these contracts and determines that its promise is to provide a management service. The service comprises various activities that may vary each day (such as support for cultivation, finance, accounting, human resources, retail, etc.). The Company disaggregates its management contract revenue on the Statements of Operations as *Other revenue, net*.

Amounts disclosed as revenue are net of allowances, discounts and rebates.

Equity-settled payments

The Company issues equity-based awards to employees and non-employee directors for services. The Company measures these awards based on their fair value at the grant date and recognizes compensation expense over the requisite service period. The Company generally issues new shares to satisfy conversions, option and warrant exercises, and RSU vests. Forfeitures are accounted for as they occur.

Loss per share

Net loss per share represents the net loss attributable to shareholders divided by the weighted average number of shares outstanding during the period on an as converted basis. Basic and diluted loss per share are the same as of December 31, 2019, 2018 and 2017, as the issuance of shares upon conversion, exercise or vesting of outstanding units would be anti-dilutive in each period. There were 41,526, 38,061, and 0 anti-dilutive shares outstanding as of December 31, 2019, 2018 and 2017, respectively.

**Accounting Pronouncements Not Yet Adopted**

The following new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2019 and have not been applied in preparing these consolidated financial statements:

Financial Instruments

In June 2016, the FASB issued ASU 2016-13 - *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which was subsequently revised by ASU 2018-19. The ASU introduces a new model for assessing impairment on most financial assets. Entities will be required to use a forward-looking expected loss model, which will replace the current incurred loss model, which will result in earlier recognition of allowance for losses. The ASU will be effective for the Company's first interim period of fiscal 2023, and the Company is currently evaluating the impact of the new standard.

## 3. ACQUISITIONS

During the year ended December 31, 2019, the Company completed the following business combinations, and has allocated each purchase price as follows:

| Purchase Price Allocation | Thames Valley (1) | NCC (2) | Form Factory (3) | Total |
|---|---|---|---|---|
| Assets acquired: | | | | |
| Cash and cash equivalents | $ 106 | $ 696 | $ 4,276 | **$ 5,078** |
| Inventory | 39 | 170 | 520 | **729** |
| Other current assets | 1 | 36 | 1,136 | **1,173** |
| Capital assets, net | — | 539 | 3,988 | **4,527** |
| Operating lease ROU asset | — | — | 10,477 | **10,477** |
| Goodwill | 3,596 | 4,192 | 65,303 | **73,091** |
| Intangible assets - cannabis licenses | 14,850 | 2,500 | 40,372 | **57,722** |
| Intangible assets - customer relationships | — | — | 4,600 | **4,600** |
| Intangible assets - developed technology | — | — | 3,100 | **3,100** |
| Other non-current assets | — | 25 | 403 | **428** |
| Liabilities assumed: | | | | |
| Accounts payable and accrued liabilities | (121) | (24) | (1,572) | **(1,717)** |
| Other current liabilities | — | (621) | (74) | **(695)** |
| Debt | — | — | (494) | **(494)** |
| Operating lease liability | — | — | (10,477) | **(10,477)** |
| Deferred tax liability | (3,399) | (461) | (14,519) | **(18,379)** |
| Other liabilities | — | (175) | (23) | **(198)** |
| **Fair value of net assets acquired** | **$ 15,072** | **$ 6,877** | **$ 107,016** | **$ 128,965** |
| | | | | |
| Consideration paid: | | | | |
| Cash | $ 15,072 | $ — | $ 3,711 | **$ 18,783** |
| Deferred acquisition costs and deposits | — | 100 | — | **100** |
| Subordinate Voting Shares | — | 3,948 | 95,266 | **99,214** |
| Settlement of pre-existing relationship | — | 830 | 8,039 | **8,869** |
| Fair value of previously held interest | — | 1,999 | — | **1,999** |
| **Total consideration** | **$ 15,072** | **$ 6,877** | **$ 107,016** | **$ 128,965** |
| | | | | |
| **Subordinate Voting Shares issued** | — | 211 | 4,770 | **4,981** |

The operating results of the above acquisitions were not material to the periods presented.

(1) On January 29, 2019, the Company acquired 100% of Thames Valley Apothecary, LLC ("Thames Valley"), a dispensary license holder in Connecticut.

(2) On March 4, 2019, the Company acquired the remaining 70% ownership interest in NCC LLC ("NCC"), a dispensary license holder in Illinois. The market price used in valuing SVS issued was $18.70 per share. As a result of this acquisition, the previously held interest in NCC was re-measured, resulting in a gain of $999, which was recorded in *Income from investments, net* in the Consolidated Statements of Operations during the year ended December 31, 2019.

(3) On April 16, 2019, the Company acquired 100% of Form Factory Holdings, LLC ("Form Factory"), a manufacturer and distributor of cannabis-based edibles and beverages. The Company expects to benefit primarily from utilizing the intangible assets acquired, which include cannabis licenses in California and Oregon, existing customer relationships, and developed technology, which will complement Acreage's existing business and enable the Company to create and distribute proprietary brands of various types at scale. The useful life of the developed technology was determined to be 19 years, and the useful life of the customer relationships was determined to be 5 years.

The market price used in valuing unrestricted SVS issued was $20.45 per share. Certain SVS are subject to clawback should certain indemnity conditions arise and as such, a discount for lack of marketability was applied that correlates to the period of time these shares are subject to restriction.

The Company also recorded an expense of $2,139 in the Consolidated Statements of Operations for the year ended December 31, 2019 in connection with the acquisition of Form Factory that represents stock compensation fully vested on the acquisition date. 86 shares valued at $1,753 were issued and recorded in *Other equity transactions* on the Consolidated Statements of Shareholders' Equity, with the remainder settled in cash.

During the year ended December 31, 2018, the Company completed the following business combinations, and has allocated each purchase price as follows:

| **Purchase Price Allocation** | **D&B (1)** | **WPMC (2)** | **PATCC (3)** | **PWC (4)** | **NYCANNA (5)** | **PWCT (6)** | **IGF (7)** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Assets acquired: | | | | | | | | |
| Cash and cash equivalents | $ 308 | $ 62 | $ 36 | $ 19 | $ 453 | $ 662 | $ 4 | **$ 1,544** |
| Inventory | 120 | — | — | — | 3,385 | 205 | 319 | **4,029** |
| Other current assets | — | — | — | — | 67 | 1 | 29 | **97** |
| Notes receivable | — | 814 | 6,181 | — | — | — | — | **6,995** |
| Capital assets, net | 24 | — | — | 5,614 | 5,996 | 723 | 3,119 | **15,476** |
| Goodwill | 1,328 | 11,586 | 5,636 | 6,241 | 1,626 | 1,491 | 2,017 | **29,925** |
| Intangible assets - cannabis licenses | 13,100 | — | — | 15,300 | 39,800 | 9,399 | 10,298 | **87,897** |
| Intangible assets - management contracts | — | 31,200 | 6,401 | — | — | — | — | **37,601** |
| Other non-current assets | 5 | — | — | 123 | 69 | 7 | — | **204** |
| Liabilities assumed: | | | | | | | | |
| Accounts payable and accrued liabilities | (382) | (41) | — | (872) | (1,153) | (275) | (41) | **(2,764)** |
| Deferred tax liability | — | — | — | (3,708) | — | — | — | **(3,708)** |
| Other liabilities | (3) | — | — | — | (49) | — | — | **(52)** |
| **Fair value of net assets acquired** | **$ 14,500** | **$ 43,621** | **$ 18,254** | **$ 22,717** | **$ 50,194** | **$ 12,213** | **$ 15,745** | **$ 177,244** |
| | | | | | | | | |
| Consideration paid: | | | | | | | | |
| Cash paid in 2018 | $ 250 | $ 8,168 | $ — | $ 750 | $ 13,833 | $ 2,475 | $ 8,215 | **$ 33,691** |
| Cash paid in 2019 | — | — | — | — | — | — | 7,500 | **$ 7,500** |
| Class D units | 3,100 | 11,200 | 14,964 | 21,046 | 21,575 | 7,122 | — | **79,007** |
| Subordinate Voting Shares ("SVS") | — | — | — | — | — | — | 30 | **30** |
| Seller's notes (Note 10) | 11,150 | — | 1,118 | 921 | 2,238 | 479 | — | **15,906** |
| Fair value of previously held interest | — | 17,012 | 2,172 | — | 12,548 | 2,137 | — | **33,869** |
| Fair value of non-controlling interest | — | 7,241 | — | — | — | — | — | **7,241** |
| **Total consideration** | **$ 14,500** | **$ 43,621** | **$ 18,254** | **$ 22,717** | **$ 50,194** | **$ 12,213** | **$ 15,745** | **$ 177,244** |
| | | | | | | | | |
| Class D units/SVS issued | 500 | 1,806 | 2,414 | 3,394 | 3,480 | 1,149 | 1 | **12,744** |

(1) On May 31, 2018, the Company acquired 100% of license holder D&B Wellness, LLC ("D&B").

(2) On May 31, 2018, the Company acquired 45% of management company The Wellness & Pain Management Connection LLC ("WPMC"), giving the Company an 84% controlling interest. The estimated useful life of the management contract is 18 years. As a result of this acquisition, the Company's previously held equity method investment in WPMC was re-measured, resulting in a gain of $10,782, which was recorded in *Income from investments, net* in the Consolidated Statements of Operations during the year ended December 31, 2018. Subsequent to the acquisition, the Company acquired additional interests in WPMC. Refer to Note 11 for further discussion.

(3) On July 3, 2018, the Company acquired the remaining 88% ownership interest in management company Prime Alternative Treatment Care Consulting, LLC ("PATCC"). The estimated useful life of the management contract is 10 years. As a result of this acquisition, the Company's previously held equity method investment in PATCC was re-measured, resulting in a gain of $2,109, which was recorded in *Income from investments, net* in the Consolidated Statements of Operations during the year ended December 31, 2018.

(4) On August 15, 2018, the Company acquired 100% of license holder Prime Wellness Center, Inc. ("PWC"), which was formerly managed by Prime Consulting Group, LLC ("PCG"), a management company in which the Company held an equity method investment.

(5) On August 15, 2018, the Company acquired the remaining 75% ownership interest in license holder NYCANNA, LLC ("NYCANNA"). As a result of this acquisition, the Company's previously held investment in NYCANNA, which did not have a readily determinable fair value, was re-measured, resulting in a gain of $1,954, which was recorded in *Income from investments, net* in the Consolidated Statements of Operations during the year ended December 31, 2018.

(6) On September 13, 2018, the Company acquired the remaining 82% ownership interest in license holder Prime Wellness of Connecticut, LLC ("PWCT"). As a result of this acquisition, the Company's previously held interest in PWCT, which did not have a readily determinable fair value, was re-measured, resulting in a gain of $387, which was recorded in *Income from investments, net* in the Consolidated Statements of Operations during the year ended December 31, 2018.

(7) On November 21, 2018, the Company acquired 100% of In Grown Farms LLC 2 ("IGF"), a cultivation license holder in Illinois. $7,500 of cash consideration was deferred and paid in the year ended December 31, 2019.

Selected line items from the Company's Consolidated Statement of Operations for the year ended December 31, 2018, adjusted as if the acquisitions of D&B and PWCT (deemed to be the only acquisitions with material operations in the period) had occurred on January 1, 2018, are presented below:

| **Pro forma results (unaudited)** | **Revenues, net** | **Gross profit** | **Net operating income (loss)** | **Net income (loss)** |
|---|---|---|---|---|
| Consolidated results | $ 21,124 | $ 9,420 | $ (41,133) | $ (32,261) |
| D&B/PWCT pre-acquisition | 11,077 | 4,661 | 2,685 | 2,502 |
| Pro forma results | $ 32,201 | $ 14,081 | $ (38,448) | $ (29,759) |
| | | | | |
| D&B/PWCT post-acquisition | $ 8,357 | $ 2,899 | $ 1,791 | $ 1,800 |

Deferred acquisition costs and deposits

The Company makes advance payments to certain acquisition targets for which the transfer is pending certain regulatory approvals prior to the acquisition date.

As of December 31, 2018, the Company had the following deferred acquisition costs and deposits, which are expected to be offset against the consideration payable for the related future purchases. There were no deferred acquisition costs outstanding as of December 31, 2019.

| **Acquisition Target** | **December 31, 2018** |
|---|---|
| Nature's Way Nursery of Miami, Inc. | $ 12,000 |
| Form Factory [(1)] | 10,000 |
| NCC | 100 |
| **Deferred acquisition costs and deposits** | **$ 22,100** |

(1) During the year ended December 31, 2019, the deferred acquisition deposit for Form Factory was converted to a line of credit. Upon acquisition of Form Factory, the Company recovered $2,076 of the deferred acquisition deposit not previously drawn against under the line of credit.

## 4. INTANGIBLE ASSETS AND GOODWILL

***Intangible assets***

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

| Intangibles | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Finite-lived intangible assets: | | |
| Management contracts | $ 52,438 | $ 68,384 |
| Customer relationships | 4,600 | — |
| Developed technology | 3,100 | — |
| | 60,138 | 68,384 |
| Accumulated amortization on finite-lived intangible assets: | | |
| Management contracts | (5,750) | (3,128) |
| Customer relationships | (649) | — |
| Developed technology | (114) | — |
| | (6,513) | (3,128) |
| Finite-lived intangible assets, net | 53,625 | 65,256 |
| | | |
| Indefinite-lived intangible assets | | |
| Cannabis licenses | 232,347 | 88,697 |
| | | |
| **Total intangibles, net** | **$ 285,972** | **$ 153,953** |

Modification of management contract

On October 7, 2019, the Company modified the terms of its Management Service Agreement ("MSA") with Greenleaf Apothecaries, LLC ("GLA"). As a result of this modification, the Company exchanged certain future cash flows under the MSA in exchange for a note receivable of $12,500. In connection with this modification, the Company reduced the carrying value of the MSA by $10,106, recorded a gain of $2,394 and reduced the associated deferred tax liability by $2,730, with a corresponding increase to *Other equity transactions* in the Statements of Shareholders' Equity.

Impairment of intangible assets

The Company recorded $9,514 of impairment on certain cannabis licenses and $3,949 of impairment on management contracts during the year ended December 31, 2019 resulting from its annual impairment testing.

Purchases of intangible assets

The Company determined that the below purchases of intangible assets did not qualify as business combinations as the entities were non-operational at the time of purchase.

*2019*

- On January 4, 2019, the Company purchased a vertically-integrated license in Florida to operate a cultivation and processing facility and up to 40 medical cannabis dispensaries by acquiring Acreage Florida, Inc. (formerly known as Nature's Way Nursery of Miami, Inc.). Total consideration of $70,103 included: (i) $53,747 in cash, (ii) $12,000 of previously-paid deferred acquisition costs and (iii) $4,356 in HSCP units (198 units). The HSCP units issued were valued based on the market price of SVS (for which HSCP units are convertible) at the transaction date, which was $22.00 per share. In addition to the intangible asset purchased, the Company also acquired $361 of equipment, recorded in *Capital assets, net* and a $190 surety bond, recorded in *Other non-current assets* in the Consolidated Statements of Financial Position. A deferred tax liability of $16,049 was also recorded in connection with this purchase.

- On July 2, 2019, the Company acquired Kanna, Inc. ("Kanna"), a dispensary license holder in Oakland, California, for total consideration of $7,525 which included: (i) $1,991 in cash and (ii) $5,534 in Subordinate Voting Shares (383 shares). A deferred tax liability of $2,316 was also recorded in connection with this purchase. The SVS issued were valued based on the market price at the transaction date, which was $15.81 per share. Certain SVS are subject to clawback should certain indemnity conditions arise and as such, a discount for lack of marketability was applied that correlates to the period of time these shares are subject to restriction.

*2018*

- On May 4, 2018, the Company obtained a management contract with a useful life of 20 years through acquisition of South Shore BioPharma, LLC ("SSBP"), a management company located in Massachusetts, for total consideration of $4,277, which included: (i) $416 of cash, (ii) $1,805 in Class D units (291 units) and (iii) $2,056 in seller's notes.

- The Company entered into management contracts with GLA to operate five dispensaries, Greenleaf Therapeutics, LLC to operate a processing facility, and Greenleaf Gardens, LLC to operate a cultivation facility (together "Greenleaf") on July 2, August 8 and December 20, 2018, respectively. The useful lives of the management contracts are 10 years. Total consideration of $23,272 consisted of: (i) $8,245 in cash ($2,750 of which was paid in 2019), (ii) $5,494 in Class D units (886 units), (iii) $6,095 in seller's notes and (iv) $3,438 in SVS (269 shares, valued at $12.84 per share, the closing price on the date of the cultivation facility management contract purchase). As part of this arrangement, the Company also issued a secured line of credit for use in build-out of the managed facilities (refer to Note 6 for further information).

- On July 30, 2018, the Company purchased a management contract with a useful life of 7 years by acquiring the remaining 55% ownership interest in HSRC NorCal, LLC ("NorCal"). Total consideration of $7,409 included: (i) $534 in cash, $3,446 in Class D units (556 units), (iii) $86 settlement of pre-existing relationship and (iv) $3,343 fair value of previously held interest. As a result of this acquisition, the Company's previously held equity method investment in NorCal was re-measured, resulting in a gain of $255, which was recorded in *Income from investments, net* in the Consolidated Statements of Operations during the year ended December 31, 2018. As part of this purchase, the Company also acquired a secured line of credit with an outstanding balance of $4,175 at the time of purchase for use in build-out of the managed facilities (refer to Note 6 for further information).

Amortization expense recorded during the years ended December 31, 2019, 2018 and 2017 was $5,276, $3,128 and $0, respectively.

Expected annual amortization expense for existing intangible assets subject to amortization at December 31, 2019 is as follows for each of the next five fiscal years:

| **Amortization of Intangibles** | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|
| Amortization expense | $ 5,234 | $ 5,234 | $ 5,234 | $ 5,234 | $ 4,585 |

***Goodwill***

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

| **Goodwill** | **Total** |
|---|---|
| **December 31, 2017** | **$ 2,191** |
| Acquisitions | 29,925 |
| **December 31, 2018** | $ 32,116 |
| Acquisitions | 73,091 |
| Adjustment to purchase price allocation | 550 |
| **December 31, 2019** | **$ 105,757** |

During the year ended December 31, 2019, the Company made final adjustments to the purchase price allocation with respect to certain acquisitions made during the year ended December 31, 2018 within the one-year measurement period.

## 5. INVESTMENTS

The carrying values of the Company's investments in the Consolidated Statements of Financial Position as of December 31, 2019 and 2018 are as follows:

| Investments | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Total short-term investments** | **$ —** | **$ 149,090** |
| Investments held at FV-NI | 4,376 | 2,869 |
| Equity method investments | 123 | 975 |
| **Total long-term investments** | **$ 4,499** | **$ 3,844** |

*Income from investments, net* in the Consolidated Statements of Operations during the years ended December 31, 2019, 2018 and 2017 is as follows:

| Investment income | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Short-term investments | $ 738 | $ 406 | $ — |
| Investments without readily determinable fair value | — | — | 150 |
| Investments held at FV-NI | (2,218) | 6,570 | — |
| Equity method investments | 1,000 | 13,301 | 256 |
| Gain from investments held for sale | — | 1,500 | — |
| **Income from investments, net** | **$ (480)** | **$ 21,777** | **$ 406** |

Income from investments without readily determinable fair value for the year ended December 31, 2018 primarily resulted from the remeasurement of previously held investments at the time of acquisition, in which the Company previously had an investment carried at cost (prior to January 1, 2018) or for which the measurement alternative was elected (January 1, 2018 and beyond), as further discussed in Note 3.

Income from equity method investments for the year ended December 31, 2018 was primarily driven by the remeasurement of previously held investments at the time of acquisition, as further discussed in Note 3.

Short-term investments

The Company from time to time invests in U.S. Treasury bills which are classified as held-to-maturity and measured at amortized cost. These range in original maturity from three to six months, and bear interest ranging from 2.2% - 2.4%. During the year ended December 31, 2019, short-term investments in U.S. Treasury bills in the amount of $149,828 matured.

Investments in equity without readily determinable fair value (formerly cost method investments)

The Company adopted ASU 2016-01 on January 1, 2018. Prior to adoption, investments in equity securities that did not give the Company significant influence over the investee were classified as cost method investments and held at their initial cost, assessed periodically for impairment. Upon adoption of ASU 2016-01, the Company elected to use the available measurement alternative for investments without readily determinable fair values (which are classified as Level 3 investments in the fair value hierarchy). The measurement alternative requires the investments to be held at cost and adjusted for impairment and observable price changes, if any.

In October 2018, the Company resigned as a manager of Florida Wellness, LLC ("FLW"), an entity in which the Company owned 44% and consolidated due to control as manager. FLW in turn owned 15% of San Felasco Nurseries, LLC ("SFN"), which the Company classified as an investment carried at cost (prior to January 1, 2018) and for which the measurement alternative was elected (January 1, 2018 and beyond). In connection with its resignation, the Company exchanged its share of the investment in SFN for a note receivable of $2,028. The Company also issued warrants to FLW and recognized expense of $1,423 during the year ended December 31, 2018, recorded in *Income from investments, net* in the Consolidated Statements of Operations. The remaining $4,775 interest in FLW as well as the NCI's portion of a note receivable of $880 was eliminated through de-consolidation of the non-controlling interest in *Other equity transactions* in the Consolidated Statements of Shareholders' Equity.

Investments held at FV-NI

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

Equity method investments

The Company accounts for investments in which it can exert significant influence but does not control as equity method investments. As of December 31, 2019 and 2018, the Company's equity method investments were not deemed significant to the Company's financial statements and as such, additional disclosure is omitted. The Company purchased the remaining interests in the majority of its equity method investments during the year ended December 31, 2018. Refer to Notes 3 and 4 for further discussion.

Investments held for sale

In the fourth quarter of 2017, the Company initiated a plan to sell its equity interest in Compass Ventures, Inc., Greenhouse Compass, LLC, HSGH Properties, LLC and HSGH Properties Union, LLC (together, "Compass"). During the year ended December 31, 2018, the Company sold its investment in Compass for cash proceeds of $9,634, recognizing a $1,500 net gain on the sale.

## 6. NOTES RECEIVABLE

Notes receivable as of December 31, 2019 and 2018 consisted of the following:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Notes receivable | $ 75,851 | $ 27,920 |
| Interest receivable | 5,774 | 2,625 |
| **Total notes receivable** | **$ 81,625** | **$ 30,545** |
| Less: Notes receivable, current | 2,146 | 3,114 |
| Notes receivable, non-current | $ 79,479 | $ 27,431 |

Interest income on notes receivable during the years ended December 31, 2019, 2018 and 2017 totaled $3,978, $1,178 and $330, respectively.

Activity during the year ended December 31, 2019

On July 1, 2019, the Company entered into a $8,000 convertible note receivable with a west coast social equity program. Upon certain conditions related to a subsequent capital raise, the Company will obtain the right to convert its financing receivable to an ownership interest. The line of credit matures in June 2022 and bears interest at a rate of 8% per annum.

On October 7, 2019, the Company recorded a note receivable of $12,500 in connection with the MSA modification described in Note 4. The note is payable monthly and bears interest at a rate of prime plus 10% for the unpaid portion of any monthly payments.

The Company provides revolving lines of credit to several entities under management services agreements which make up the majority of its notes receivable. The relevant terms and balances are detailed below.

| **Lines of Credit** | | | **Balance as of** | |
|---|---|---|---|---|
| **Counterparty** | **Maximum Obligation** | **Interest Rate** | **December 31, 2019** | **December 31, 2018** |
| Greenleaf [1] | $ 29,286 | 4.75% - 5% | $ 22,569 | $ 7,030 |
| CWG Botanicals, Inc. ("CWG") [2] | 12,000 | 8% | 9,152 | 4,587 |
| Compassionate Care Foundation, Inc. ("CCF") [3] | 12,500 | 18% | 7,152 | 5,616 |
| Prime Alternative Treatment Center, Inc. ("PATC") [4] | 4,650 | 15% | 4,650 | 4,650 |
| Patient Centric of Martha's Vineyard, Ltd. ("PCMV") [5] | 9,000 | 15% | 5,758 | 856 |
| Health Circle, Inc. [6] | 8,000 | 15% | 3,988 | 1,519 |
| **Total** | **$ 75,436** | | **$ 53,269** | **$ 24,258** |

(1) During the year ended December 31, 2018, the Company extended lines of credit to Greenleaf Apothecaries, LLC, Greenleaf Therapeutics, LLC and Greenleaf Gardens, LLC (together "Greenleaf"), which mature in June 2023.

(2) The revolving line of credit due from CWG, the license holder managed by NorCal, matures in December 2021.

(3) In September 2018, the Company entered into a management agreement to provide certain advisory and consulting services to Compassionate Care Foundation, Inc. ("CCF") for a monthly fee based on product sales. Upon certain changes in New Jersey state laws to allow for-profit entities to hold cannabis licenses and certain regulatory approvals, the management agreement will terminate and any outstanding obligations on the line of credit will convert to a direct ownership interest in CCF, which will convert to a for-profit entity.

On November 15, 2019, as a result of changes to state laws as described above, Acreage entered into a Reorganization Agreement with CCF, pursuant to which Acreage will acquire 100% of the equity interests in CCF, pending state approval. The outstanding amounts receivable under the line of credit will convert to 54% ownership, and the Company will pay $10,000 for the remaining 46%.

(4) Prime Alternative Treatment Center, Inc. ("PATC") is a non-profit license holder in New Hampshire to which the Company's consolidated subsidiary PATCC provides management or other consulting services. The line of credit matures in August 2022.

(5) In November 2018, the Company entered into a services agreement with Patient Centric of Martha's Vineyard, Ltd. ("PCMV"). Upon certain changes in Massachusetts state laws, the management agreement would become convertible to an ownership interest in PCMV. The line of credit matures in November 2023.

(6) Health Circle, Inc. is a non-profit license holder in Massachusetts managed by the Company's consolidated subsidiary MA RMDS. The line of credit matures in November 2032.

## 7. CAPITAL ASSETS, net

Net property and equipment consisted of:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Land | $ 9,839 | $ 6,241 |
| Building | 34,522 | 14,364 |
| Right-of-use asset, finance leases | 5,954 | — |
| Construction in progress | 17,288 | 5,569 |
| Furniture, fixtures and equipment | 21,019 | 8,156 |
| Leasehold improvements | 22,682 | 12,115 |
| **Capital assets, gross** | $ 111,304 | $ 46,445 |
| Less: accumulated depreciation | (5,257) | (1,402) |
| **Capital assets, net** | **$ 106,047** | **$ 45,043** |

Depreciation of capital assets for the years ended December 31, 2019, 2018 and 2017 includes $2,317, $621, and $20 of depreciation expense, and $1,556, $724, and $0 that was capitalized to inventory, respectively.

Sale-leasebacks

During the year ended December 31, 2019, the Company sold and subsequently leased back several of its capital assets in a transaction with GreenAcreage Real Estate Corp. ("GreenAcreage"), a related party (refer to Note 14). The Company sold assets and subsequently leased them back for total proceeds of $19,052. The subsequent leases met the criteria for finance leases, and as such, the transactions do not qualify for sale-leaseback treatment. The "sold" assets remain within land, building and leasehold improvements, as appropriate, for the duration of the lease and a financing liability equal to the amount of proceeds received is recorded within debt (see Note 10). Upon lease termination, the sale will be recognized by removing the remaining carrying values of the capital assets and financing liability, with any difference recognized as a gain.

## 8. LEASES

The Company adopted ASC 842 on January 1, 2019 by capitalizing operating and finance right-of-use assets totaling $11,718 and $383, respectively. The Company leases land, buildings, equipment and other capital assets which it plans to use for corporate purposes and the production and sale of cannabis products. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and are expensed in the Consolidated Statements of Operations on the straight-line basis over the lease term. The Company does not have any material variable lease payments, and accounts for non-lease components separately from leases.

| Balance Sheet Information | Classification | December 31, 2019 |
|---|---|---|
| **Right-of-use assets** | | |
| Operating | Operating lease right-of-use assets | $ 51,950 |
| Finance | Capital assets, net | 5,832 |
| **Total right-of-use assets** | | **$ 57,782** |
| | | |
| **Lease liabilities** | | |
| Current | | |
| Operating | Operating lease liability, current | $ 2,759 |
| Financing | Debt, current | 49 |
| Non-current | | |
| Operating | Operating lease liability, non-current | 47,522 |
| Financing | Debt, non-current | 6,083 |
| **Total lease liabilities** | | **$ 56,413** |

| Statement of Operations Information | Classification | Year Ended December 31, 2019 |
|---|---|---|
| Short-term lease expense | General and administrative | $ 1,262 |
| Operating lease expense | General and administrative | 5,351 |
| Finance lease expense: | | |
| Amortization of right of use asset | Depreciation and amortization | 122 |
| Interest expense on lease liabilities | Interest expense | 290 |
| Sublease income | Other loss, net | (110) |
| **Net lease cost** | | **$ 5,653** |

| Statement of Cash Flows Information | Classification | Year Ended December 31, 2019 |
|---|---|---|
| Cash paid for operating leases | Net cash used in operating activities | $ 3,667 |
| Cash paid for finance leases - interest | Net cash used in operating activities | $ 223 |

The Company's rent expense during the years ended December 31, 2018 and 2017 was $1,604 and $703, respectively.

The following represents the Company's future minimum payments required under existing leases with initial terms of one year or more as of December 31, 2019:

| Maturity of lease liabilities | Operating Leases | Finance Leases |
|---|---|---|
| 2020 | $ 7,329 | $ 832 |
| 2021 | 8,035 | 873 |
| 2022 | 7,884 | 893 |
| 2023 | 7,704 | 914 |
| 2024 | 7,396 | 936 |
| Thereafter | 49,921 | 18,740 |
| **Total lease payments** | **$ 88,269** | **$ 23,188** |
| Less: interest | 37,988 | 17,056 |
| **Present value of lease liabilities** | **$ 50,281** | **$ 6,132** |
| | | |
| Weighted average remaining lease term (years) | 11 | 24 |
| Weighted average discount rate | 10% | 14% |

## 9. INVENTORY

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Retail inventory | $ 1,784 | $ 1,101 |
| Wholesale inventory | 11,993 | 4,848 |
| Cultivation inventory | 3,021 | 2,400 |
| Supplies & other | 1,285 | 508 |
| **Total** | **$ 18,083** | **$ 8,857** |

## 10. DEBT

The Company's debt balances consist of the following:

| Debt balances | December 31, 2019 | December 31, 2018 |
|---|---|---|
| NCCRE loan | $ 492 | $ 511 |
| Seller's notes | 2,810 | 15,124 |
| Related party debt | 15,000 | — |
| Financing liability | 19,052 | — |
| Finance lease liabilities | 6,132 | — |
| **Total debt** | **$ 43,486** | **$ 15,635** |
| Less: current portion of debt | 15,300 | 15,144 |
| **Total long-term debt** | **$ 28,186** | **$ 491** |

The interest expense related to the Company's debt during the years ended December 31, 2019, 2018 and 2017 consists of the following:

| | Year Ended December 31, | | |
|---|---|---|---|
| **Interest Expense** | **2019** | **2018** | **2017** |
| Convertible notes: | | | |
| Cash interest | $ — | $ 869 | $ 456 |
| PIK interest | — | 1,912 | 605 |
| Accretion | — | 926 | 132 |
| Convertible note interest | **$ —** | **$ 3,707** | **$ 1,193** |
| NCCRE loan | 19 | 22 | 22 |
| Seller's notes | 416 | 888 | — |
| Interest expense on financing liability | 469 | — | — |
| Interest expense on finance lease liability | 290 | — | — |
| **Total interest expense** | **$ 1,194** | **$ 4,617** | **$ 1,215** |

Senior secured convertible notes

The Company issued senior secured convertible notes in November 2017 for a total principal amount of $31,294, net of issuance costs. The debt contained a conversion feature and attached warrants, neither of which met the criteria for bifurcation. In connection with the RTO on November 14, 2018, the notes and PIK interest mandatorily converted to 6,473 Class A membership units, and the Company issued 1,878 warrants to purchase Pubco shares at $25 per share, which expire on November 14, 2021. The carrying value of the debt, including unamortized discount, was credited to *Share capital* in the Consolidated Statements of Shareholders' Equity and no gain or loss was recognized.

NCC Real Estate, LLC ("NCCRE") loan

NCCRE, which is owned by the Company's consolidated subsidiary HSC Solutions, LLC, entered into a $550 secured loan with a financial institution for the purchase of a building in Rolling Meadows, Illinois in December 2016. The building is leased to NCC. The promissory note payable carries a fixed interest rate of 3.7% and is due in December 2021.

Seller's notes

The Company issued Seller's notes payable in connection with several transactions, bearing interest at rates ranging from 3.5% to 10%. Substantially all of these notes became due upon completion of the RTO. Refer to Note 3, Note 4 and Note 11 for further detail.

Related party debt

During the year ended December 31, 2019, the Company's CEO made a non-interest bearing loan of $15,000 to Acreage, which was subsequently repaid in March.

Financing liability

In connection with the Company's failed sale-leaseback transaction (refer to Note 7), 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 derecognized upon expiration of the lease.

## 11. SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS

Pre-RTO transactions

*2017*

During the year ended December 31, 2017, HSCP issued 6,000 Class C units to certain employees in exchange for $630 of notes receivable.

*2018*

During the year ended December 31, 2018, HSCP issued 17,018 Class D units for total consideration of $105,514 in exchange for cash, the settlement of expenses, equity issuance costs pertaining to HSCP's issuance of Class E units, as well as certain asset and business acquisitions and non-controlling interest purchases. Refer to Note 3, Note 4 and the "Non-controlling interests" section below for further information.

During the year ended December 31, 2018, HSCP issued 19,352 Class E units in exchange for gross proceeds of $119,983 and incurred $3,859 in equity issuance costs.

Immediately prior to completion of the RTO, the Company completed, through a special purpose corporation, a private placement of 12,566 subscription receipts for gross proceeds of $314,154 and incurred $17,652 in equity issuance costs. Additionally, the Company recognized $6,126 of expenses associated with the RTO and public listing in *Other loss, net* in the Consolidated Statements of Operations. Concurrent with the completion of the RTO, each subscription receipt automatically converted into one Subordinate Voting Share of the Company, and all pre-RTO HSCP units were converted into the post-RTO capital structure described below. An additional 60 SVS were issued to satisfy RTO-related obligations of $1,502 during the year ended December 31, 2018. In connection with the RTO, Kevin Murphy, the Chief Executive Officer of the Company, made a contribution of HSCP units and $280 in cash to Pubco in exchange for 168 Multiple Voting Shares of Pubco, representing 100% of the issued and outstanding Multiple Voting Shares as of closing of the RTO. A deferred tax liability of $30,175 was established with respect to prior acquisitions and purchases of intangible assets.

Post-RTO - Acreage Holdings, Inc. capital structure

The Company has authorized an unlimited number of Subordinate, Proportionate and Multiple Voting Shares, all with no par value. All share classes are included within *Share capital* in the Consolidated Statements of Shareholders' Equity on an as converted basis. Each share class is entitled to notice of and to attend at any meeting of the shareholders, except a meeting of which only holders of another particular class of shares will have the right to vote. All share classes are entitled to receive dividends, as and when declared by the Company, on an as-converted basis, and no dividends will be declared by the Company on any individual class unless the Company simultaneously declares or pays dividends on all share classes. No subdivision or consolidation of any share class shall be made without simultaneously subdividing or consolidating all share classes in the same manner. No holders of any class are entitled to a right of first refusal on any future security issuance of the Company.

*Subordinate Voting Shares*

Holders of Class A Subordinate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share held. As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Subordinate Voting Shares.

*Proportionate Voting Shares*

Holders of Class B Proportionate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share into which such Proportionate Voting Shares could ultimately then be converted (forty-to-one). As long as any Proportionate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Proportionate Voting Shares and Multiple Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Proportionate Voting Shares. Consent of the holders of a majority of the outstanding Proportionate Voting Shares and Multiple Voting Shares shall be required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with the Proportionate Voting Shares.

*Multiple Voting Shares*

Class C Multiple Voting Shares are intended to give the Company's founder and CEO voting control. Holders of Multiple Voting Shares will be entitled to three thousand votes for each Multiple Voting Share held. Multiple Voting Shares shall automatically convert into subordinate voting shares on a one-to-one basis at the latest five years from RTO date. No Multiple Voting Share will be permitted to be transferred by the holder thereof without the prior written consent of the Company's Board.

*Treasury shares*

In connection with the RTO, the Company withheld shares that were previously issued to satisfy certain shareholders' U.S. federal income tax requirements and made a payment on their behalf in the amount of $21,054.

The table below details the change in Pubco shares outstanding by class:

| Shareholders' Equity | Subordinate Voting Shares | Subordinate Voting Shares Held in Treasury | Proportionate Voting Shares (as converted) | Multiple Voting Shares | Total Shares Outstanding |
|---|---|---|---|---|---|
| **December 31, 2017** | **—** | **—** | **—** | **—** | **—** |
| Existing unitholders transfer | 8,817 | (842) | 57,835 | 168 | **65,978** |
| Private placement | 12,566 | — | — | — | **12,566** |
| Issuances | 560 | — | 60 | — | **620** |
| **December 31, 2018** | **21,943** | **(842)** | **57,895** | **168** | **79,164** |
| Issuances | 8,698 | — | — | — | **8,698** |
| NCI conversions | 2,784 | — | — | — | **2,784** |
| PVS conversions | 34,752 | — | (34,752) | — | **—** |
| **December 31, 2019** | **68,177** | **(842)** | **23,143** | **168** | **90,646** |

During the year ended December 31, 2019 and 2018, the Company issued 208 and 28 SVS as compensation for consulting services of $3,424 and $358, respectively, recorded in *Other equity transactions* on the Consolidated Statements of Shareholders' Equity.

*Warrants*

A summary of the warrants activity outstanding is as follows:

| | Year Ended December 31, | |
|---|---|---|
| **Warrants** | **2019** | **2018** |
| **Beginning balance** | **2,259** | **—** |
| Granted | 4 | 2,259 |
| Expired | (223) | — |
| **Ending balance** | **2,040** | **2,259** |

During the year ended December 31, 2018, in addition to the warrants issued with respect to the convertible debt (refer to Note 10), the Company issued 223 warrants valued at $1,423 and expiring in 6 months to former investors in FLW in connection with the Company's withdrawal (see Note 5 for further discussion), as well as 158 warrants valued at $1,862 and expiring in 2 years issued to brokers for services performed in connection with the RTO. The fair value of the warrants were determined using a Black-Scholes model with volatility and risk-free rate assumptions similar to those disclosed in Note 12, and the expected term determined using the respective contractual term for each warrant.

The exercise price of all warrants outstanding as of December 31, 2019 is $25 per share, and the weighted-average remaining contractual life of the warrants outstanding is approximately 2 years. There was no aggregate intrinsic value for warrants outstanding as of December 31, 2019.

Non-controlling interests - convertible units

The Company has NCIs in consolidated subsidiaries USCo2 and HSCP. The non-voting shares of USCo2 and HSCP units make up substantially all of the NCI balance as of December 31, 2019 and are convertible at the Company's discretion into either one Subordinate Voting Share or cash, as determined by the Company. Summarized financial information of HSCP is presented below. USCo2 does not have discrete financial information separate from HSCP.

| HSCP net asset reconciliation | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current assets | $ 55,296 | $ 268,817 |
| Non-current assets | 584,812 | 282,058 |
| Current liabilities | (46,434) | (32,626) |
| Non-current liabilities | (75,219) | (1,622) |
| Other NCI balances | (1,041) | (1,130) |
| Accumulated equity-settled expenses | (111,934) | (9,878) |
| Net assets | $ 405,480 | $ 505,619 |
| HSCP/USCo2 ownership % of HSCP | 21.64% | 25.67% |
| Net assets allocated to USCo2/HSCP | $ 87,746 | $ 129,792 |
| Net assets attributable to other NCIs | 1,041 | 1,130 |
| Total NCI | $ 88,787 | $ 130,922 |

| | Year Ended December 31, | |
|---|---|---|
| HSCP Summarized Statement of Operations | 2019 | 2018 |
| Net loss allocable to HSCP/USCo2 (1) | $ (191,511) | $ (16,080) |
| HSCP/USCo2 weighted average ownership % of HSCP (1) | 23.44% | 25.67% |
| Net loss allocated to HSCP/USCo2 | $ (44,890) | $ (4,128) |
| Net loss allocated to other NCIs | (4) | (650) |
| Net loss attributable to NCIs | $ (44,894) | $ (4,778) |

(1) Net loss and ownership percentage for the year ended December 31, 2018 were calculated from the RTO date through the end of the year.

As of December 31, 2019, USCo2's non-voting shares owned approximately 0.74% of HSCP units. USCo2's capital structure is comprised of voting shares (approximately 64%), all of which are held by the Company, and of non-voting shares (approximately 36%) held by certain former HSCP members. Certain executive employees and profits interests holders own approximately 20.90% of HSCP units. The remaining 78.36% interest in HSCP is held by USCo and represents the members' equity attributable to shareholders of the parent.

During the year ended December 31, 2019, the Company had several transactions with HSCP and USCo2 that changed its ownership interest in the subsidiaries but did not result in loss of control. These transactions included business acquisitions and intangible purchases where equity was issued as consideration (see Notes 3 and 4) and the redemption of HSCP and USCo2 convertible units for Subordinate Voting Shares (as shown in the table below), and resulted in a $2,766 allocation from shareholders' equity to NCI. During the year ended December 31, 2018, in connection with the RTO, the Company allocated $133,943 from shareholders' equity to NCI to allocate net assets of HSCP to the non-controlling interests held by HSCP and USCo2 as calculated above.

During the year ended December 31, 2019, the Company made cash payments in the amount of $4,278 to HSCP and USCo2 unit holders in satisfaction of redemption requests the Company chose to settle in cash, as well as for LLC unitholders tax liabilities in accordance with the HSCP operating agreement.

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

| Convertible Units | Year Ended December 31, 2019 | 2018 |
|---|---|---|
| **Beginning balance** | **27,340** | **49,350** |
| Issuance of NCI units | 198 | 43,198 |
| Vested LLC C-1s canceled | (416) | — |
| LLC C-1s vested | 755 | 1,612 |
| NCI units settled in cash | (58) | — |
| NCI units converted to Pubco | (2,784) | (66,820) |
| **Ending balance** | **25,035** | **27,340** |

Other non-controlling interests

During the year ended December 31, 2018, the Company purchased additional interests in consolidated subsidiaries.

| 2018 NCI purchases | Total |
|---|---|
| Cash | $ 19,643 |
| Class D units | 5,475 |
| Seller's notes | 8,885 |
| Forgiveness of shareholder advance | 100 |
| **Total consideration** | **$ 34,103** |
| Carrying value on transaction date | 12,305 |
| **Decrease in additional paid in capital** | **$ (21,798)** |

## 12. EQUITY-BASED COMPENSATION EXPENSE

Equity-based compensation expense recognized in the Consolidated Statements of Operations for the periods presented is as follows:

| Equity-based compensation expense | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| Equity-based compensation - Plan | $ 62,946 | $ 9,862 | $ — |
| Equity-based compensation - Plan (CGC Awards) | 23,056 | — | — |
| Equity-based compensation - other | 11,536 | 1,368 | 1,837 |
| **Total equity-based compensation expense** | **$ 97,538** | **$ 11,230** | **$ 1,837** |

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 (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.

*Restricted Share Units ("RSUs")*

| Restricted Share Units (Fair value information expressed in whole dollars) | Year Ended December 31, 2019 RSUs | Weighted Average Grant Date Fair Value | Year Ended December 31, 2018 RSUs | Weighted Average Grant Date Fair Value |
|---|---|---|---|---|
| **Unvested, beginning of period** | **2,032** | $ 24.53 | **—** | $ — |
| Granted [1] | 7,986 | 14.28 | 2,128 | 24.62 |
| Forfeited | (117) | 17.85 | — | — |
| Vested | (2,058) | 21.06 | (96) | 25.00 |
| **Unvested, end of period** | **7,843** | $ 15.10 | **2,032** | $ 24.53 |

RSUs of the Company generally vest over a period of two years. The fair value for RSUs is based on the Company's share price on the date of the grant. The Company recorded $59,627 and $6,364 as compensation expense during the years ended December 31, 2019 and 2018, respectively. The fair value of RSUs vested during the years ended December 31, 2019 and 2018 was $23,470 and $2,398, respectively. There was no comparable RSU activity during the year ended December 31, 2017.

The total weighted average remaining contractual life and aggregate intrinsic value of unvested RSUs at December 31, 2019 was approximately 2 years and $46,431, respectively. Unrecognized compensation expense related to these awards at December 31, 2019 was $98,255 and is expected to be recognized over a weighted average period of approximately 2 years.

In connection with the vesting of RSUs, the Company withheld 682 shares to satisfy $10,306 of employer withholding tax requirements. 96 RSUs that vested in 2018 were delivered in the period, and 80 that vested in 2019 are pending delivery or deferred.

*(1) Equity-based compensation - Plan (CGC Awards)*

Included in the RSUs granted during the year ended December 31, 2019 are "CGC Awards" issued in connection with the Arrangement Agreement (as defined in Note 13) as follows:

On June 27, 2019, pursuant to the Arrangement Agreement (as defined in Note 13), 4,909 RSUs were awarded in total to five executive employees under the Plan. These awards vest as follows: 25% in June 2020, 25% in June 2021 and 50% three months following the Acquisition (as defined in Note 13). The Company recorded $14,753 as compensation expense during the year ended December 31, 2019 in connection with these awards. A discount for lack of marketability was applied that correlates to the period of time certain of these shares are subject to restriction.

On July 31, 2019, the Company issued 1,778 RSUs to employees with unvested RSUs and stock options ("make-whole awards") as at the date of the Option Premium payment (as defined in Note 13). The RSUs were issued to provide additional incentive for employees that were not eligible to receive the full Option Premium and were subject to the same vesting terms as the unvested options and RSUs held as of the grant date. The Company recorded $8,303 as compensation expense during the year ended December 31, 2019 in connection with these awards.

*Stock options*

| | Year Ended December 31, 2019 | | Year Ended December 31, 2018 | |
|---|---|---|---|---|
| **Stock Options (Exercise price expressed in whole dollars)** | **Options** | **Weighted Average Exercise Price** | **Options** | **Weighted Average Exercise Price** |
| **Options outstanding, beginning of period** | **4,605** | $ 25.00 | **—** | $ — |
| Granted | 1,785 | 14.04 | 4,605 | 25.00 |
| Forfeited | (782) | 24.68 | — | — |
| Exercised | — | — | — | — |
| **Options outstanding, end of period** | **5,608** | $ 21.56 | **4,605** | $ 25.00 |
| **Options exercisable, end of period** | **1,427** | $ 24.80 | **—** | $ — |

Stock options of the Company generally vest over a period of three years and have an expiration period of 10 years. The weighted average contractual life remaining for options outstanding and exercisable as of December 31, 2019 was approximately 9 years and 8 years, respectively. The Company recorded $26,375 and $3,498 as compensation expense during the years ended December 31, 2019 and 2018, respectively, in connection with these awards. As of December 31, 2019, unamortized expense related to stock options totaled $55,655 and is expected to be recognized over a weighted-average period of approximately 2 years. There was no comparable option activity during the year ended December 31, 2017. There was no aggregate intrinsic value for options outstanding or exercisable as of December 31, 2019.

The fair values of stock options granted were calculated using a Black-Scholes model with the following assumptions:

| | Year Ended December 31, | |
|---|---|---|
| **Black-Scholes inputs** | **2019** | **2018** |
| Weighted average grant date fair value range | $4.76 - $16.72 | $12.04 - $18.70 |
| Assumption ranges: | | |
| Risk-free rate | 1.50% - 2.60% | 2.78% - 2.92% |
| Expected dividend yield | —% | —% |
| Expected term (in years) | 6 | 6 |
| Expected volatility | 75% - 85% | 87% |

Volatility was estimated by using the average historical volatility of a representative peer group of publicly traded cannabis companies. The expected term represents the period of time the options are expected to be outstanding. The risk-free rate is based on U.S. Treasury bills with a remaining term equal to the expected term.

Equity-based compensation – other

*HSCP C-1 Profits Interests Units ("Profits Interests")*

These membership units qualify as profits interests for U.S. federal income tax purposes and were accounted for in accordance with ASC 718, Compensation - Stock Compensation. HSCP amortizes awards over service period and until awards are fully vested.

The following table summarizes the status of unvested Profits Interests for the years ended December 31, 2019, 2018 and 2017:

| | Year Ended December 31, 2019 | | Year Ended December 31, 2018 | | Year Ended December 31, 2017 | |
|---|---|---|---|---|---|---|
| **Profits Interests (Fair value information expressed in whole dollars)** | **Number of Units** | **Weighted Average Grant Date Fair Value** | **Number of Units** | **Weighted Average Grant Date Fair Value** | **Number of Units** | **Weighted Average Grant Date Fair Value** |
| **Unvested, beginning of period** | **1,825** | $ 0.43 | **—** | **$ —** | **—** | **$ —** |
| Class C-1 units granted | — | — | 4,284 | 0.48 | 3,250 | 0.47 |
| Class C-1 units canceled | (70) | 0.43 | (847) | 0.64 | — | — |
| Class C-1 vested | (755) | 0.43 | (1,612) | 0.43 | (3,250) | 0.47 |
| **Unvested, end of period** | **1,000** | $ 0.43 | **1,825** | $ 0.43 | **—** | $ — |

The Company recorded $369, $1,053 and $1,522 as compensation expense in connection with these awards during the years ended December 31, 2019, 2018 and 2017, respectively. The fair value of Profits Interests vested during the years ended December 31, 2019 and 2018 and 2017 was $13,141, $690 and $1,528, respectively.

The total weighted average remaining contractual life and aggregate intrinsic value of unvested Profits Interests at December 31, 2019 was approximately 1 year and $5,920, respectively. As of December 31, 2019, unamortized expense related to unvested Profits Interests totaled $70 and is expected to be recognized over a weighted average period of approximately 1 year.

*Restricted Shares ("RSs")*

In connection with the Company's acquisition of Form Factory (refer to Note 3), 1,369 restricted shares with a grant date fair value of $20.45 were issued to former employees of Form Factory subject to future service conditions, which fully vest 24 months from the acquisition date. The fair value for RSs is based on the Company's share price on the date of the grant. The Company recorded compensation expense of $9,528 during the year ended December 31, 2019 in connection with these awards. The total weighted average remaining contractual life and aggregate intrinsic value of RSs at December 31, 2019 was approximately 1 year and $8,104, respectively. As of December 31, 2019, unamortized expense related to RSs totaled $17,364 and is expected to be recognized over a weighted average period of approximately 1 year. There was no comparable RS activity during the years ended December 31, 2018 or 2017.

*Employee settlement*

During the year ended December 31, 2019, the Company issued 82 Subordinate Voting Shares and recognized $1,639 of compensation expense in settlement of post-employment expenses.

*Forgiveness of notes receivable*

The Company forgave $315 of notes receivable from certain employees in recognition of services rendered during both the years ended December 31, 2018 and 2017.

## 13. COMMITMENTS AND CONTINGENCIES

Commitments

The Company provides revolving lines of credit to several of its portfolio companies. Refer to Note 6 for further information.

*Definitive agreements*

On April 17, 2019, the Company entered into a definitive agreement to acquire Deep Roots Medical LLC ("Deep Roots"), a vertically integrated license holder in Nevada, for consideration of 4,762 HSCP units (valued at approximately $28,191 based on the December 31, 2019 closing price of $5.92 per share) and $20,000 in cash. The Company announced the termination of the agreement by Deep Roots on April 3, 2020 following March 31, 2020, the end date for consummating the transaction.

During the year ended December 31, 2018, the Company entered into a definitive agreement to acquire all ownership interests in GCCC Management, LLC, a management company overseeing the operations of Greenleaf Compassionate Care Center, Inc., a non-profit cultivation and processing facility in Rhode Island, for cash consideration of $10,000. The agreement terminated in April 2020.

*Canopy Growth*

On June 19, 2019, the shareholders of the Company and of Canopy Growth separately approved the proposed transaction between the two companies, and on June 21, 2019, the Supreme Court of British Columbia granted a final order approving the arrangement. Effective June 27, 2019, the articles of the Company were amended to provide Canopy Growth with the option (the "Canopy Growth Call Option") to acquire all of the issued and outstanding shares in the capital of the Company (each, an "Acreage Share"), with a requirement to do so upon a change in federal laws in the United States to permit the general cultivation, distribution and possession of marijuana (as defined in the relevant legislation) or to remove the regulation of such activities from the federal laws of the United States (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 "Arrangement Agreement"). Under the terms of the agreement, holders of Acreage Shares and certain securities convertible or exchangeable into Class A subordinate voting shares of Acreage (the "Subordinate Voting Shares") as of the close of business on June 26, 2019, were to receive approximately $2.63, being their pro rata portion (on an as converted to Subordinate Voting Share basis) of $300,000 (the "Option Premium") paid by Canopy Growth to such persons as consideration for granting the Canopy Growth Call Option.

Upon the occurrence of the Triggering Event, Canopy Growth is required to exercise the Canopy Growth Call Option and, subject to the satisfaction or waiver of the conditions to closing set out in the Arrangement Agreement, acquire (the "Acquisition") each of the Subordinate Voting Shares of Acreage (following the automatic conversion of the Class B proportionate voting shares and Class C multiple voting shares of Acreage into Subordinate Voting Shares) for the payment of 0.5818 of a common share of Canopy Growth (each whole common share, a "Canopy Growth Share") per Subordinate Voting Share (subject to adjustment in accordance with the terms of the Arrangement Agreement) (the "Exchange Ratio").

HSCP unit holders will be required to convert their units within three years following the closing of the Arrangement as will holders of non-voting shares of USCo2.

The Company will be permitted to issue up to an additional 58,000 Subordinate Voting Shares (of which approximately 51,000 remain available for issuance as of December 31, 2019) without any adjustment being required to the Exchange Ratio. The Exchange Ratio is subject to adjustment in the circumstances set out in the Arrangement Agreement.

*Surety bonds*

The Company has indemnification obligations with respect to surety bonds primarily used as security against non-performance in the amount of $5,000 as of December 31, 2019, for which no liabilities are recorded on the Consolidated Statements of Financial Position.

The Company is subject to other capital commitments and similar obligations. As of December 31, 2019 and 2018, such amounts were not material.

Contingencies

As of December 31, 2019, the Company has consulting fees payable in SVS which are contingent upon successful acquisition of certain state cannabis licenses. The Company had maximum obligations of $8,750 and 400 SVS, and no reserve for the contingencies has been recorded as of December 31, 2019.

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 ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as of December 31, 2019, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

The Company 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, NY Medicinal Research & Caring, LLC (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, 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 intends to vigorously defend this action, which the Company firmly believes is without merit. EPMMNY alleges that it was improperly deprived of its equity stake in NYCANNA before NYCANNA was acquired by High Street. High Street is also 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. The defendants filed a motion to dismiss on April 1, 2019. The motion was fully briefed and submitted to the Court on July 18, 2019, and oral argument was heard on September 6, 2019. The motion remains pending before the Court.

## 14. RELATED PARTY TRANSACTIONS

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

Related party notes receivable

Acreage has certain outstanding notes receivable with related parties. Refer to Note 6 for further information.

GreenAcreage

The Company has an investment carried at FV-NI in GreenAcreage. The Company also has an equity method investment in the management company of GreenAcreage resulting from the CEO's board involvement.

Related party debt

In December 2019, the Company's CEO loaned $15,000 to the Company. Refer to Note 10 for further information.

## 15. INCOME TAXES

The provision for income taxes for the years ended December 31, 2019, 2018 and 2017 are as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| **Income tax provision** | **2019** | **2018** | **2017** |
| Current taxes: | | | |
| Federal | $ 6,351 | $ 1,117 | $ 895 |
| State | 2,482 | 475 | 75 |
| Total current | **8,833** | **1,592** | **970** |
| Deferred taxes: | | | |
| Federal | (2,625) | (38) | — |
| State | (1,219) | (18) | — |
| Total deferred | **(3,844)** | **(56)** | **—** |
| **Total income tax provision** | **$ 4,989** | **$ 1,536** | **$ 970** |

The table below reconciles the expected statutory federal income tax to the actual income tax provision (benefit):

| | Year Ended December 31, 2019 | | Year Ended December 31, 2018 | | Year Ended December 31, 2017 | |
|---|---|---|---|---|---|---|
| **Tax provision reconciliation** | **$** | **%** | **$** | **%** | **$** | **%** |
| Computed expected federal income tax benefit | **$ (39,936)** | **21.0%** | **$ (6,452)** | **21.0%** | **$ (2,912)** | **34.0%** |
| Increase (decrease) in income taxes resulting from: | | | | | | |
| State taxes | (20,151) | 10.6 | (3,022) | 9.8 | (1,070) | 12.5 |
| Nondeductible permanent items | 49,231 | (25.9) | 4,483 | (14.6) | 611 | (7.1) |
| Pass-through entities & non-controlling interests | 13,465 | (7.1) | 6,375 | (20.7) | 4,139 | (48.3) |
| Increase in valuation allowance | 1,816 | (1.0) | 149 | (0.5) | — | — |
| Other | 564 | (0.2) | 3 | — | 202 | (2.4) |
| **Actual income tax provision** | **$ 4,989** | **(2.6)%** | **$ 1,536** | **(5.0)%** | **$ 970** | **(11.3)%** |

The following table presents a reconciliation of gross unrecognized tax benefits:

| | Year Ended December 31, | | |
|---|---|---|---|
| **Unrecognized tax benefits** | **2019** | **2018** | **2017** |
| **Balance at beginning of period** | $ 1,394 | $ 1,391 | $ 1,189 |
| Increase based on tax positions related to current period | — | — | 165 |
| Increase based on tax positions related to prior period | 500 | 3 | 37 |
| Decrease related to settlements with taxing authorities | (27) | — | — |
| **Balance at end of period** | **$ 1,867** | **$ 1,394** | **$ 1,391** |

Interest and penalties related to unrecognized tax benefits are recorded as components of the provision for income taxes. As of December 31, 2019 and 2018, we had interest accrued of approximately $210 and $162, respectively, included in *Taxes payable* and *Other current liabilities* in the Consolidated Statements of Financial Position. No material penalties were accrued for the years ended December 31, 2019 and 2018.

The principal components of deferred taxes as of December 31, 2019 and 2018 are as follows:

| Deferred taxes | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Deferred tax assets:** | | |
| Net operating losses | $ 1,295 | $ 66 |
| Other | 670 | 83 |
| Total deferred tax assets | 1,965 | 149 |
| Valuation allowance | (1,965) | (149) |
| **Net deferred tax asset** | — | — |
| **Deferred tax liabilities:** | | |
| Partnership basis difference | (63,997) | (33,827) |
| **Net deferred tax liability** | **(63,997)** | **(33,827)** |
| **Net deferred tax liabilities** | **$ (63,997)** | **$ (33,827)** |

The Company assesses available positive and negative evidence to estimate if it is more likely than not to use certain jurisdiction-based deferred tax assets including net operating loss carryovers. On the basis of this assessment, a valuation allowance was recorded during the years ended December 31, 2019 and 2018.

As of December 31, 2019, we have various state net operating loss carryovers that expire at different times, the earliest of which is 2023. The statute of limitations with respect to our federal returns remains open for tax years 2018 and forward. For certain acquired subsidiaries, the federal statue remains open with respect to tax years 2014 and forward.

As the Company operates in the cannabis industry, it is subject to the limitations of IRC Section 280E, under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-deductible under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

In connection with the RTO transaction, the Company entered into a tax receivable agreement with certain members of HSCP, who represent a portion of the NCI, in which it agreed to pay 65% of any realized tax benefits upon conversion of HSCP units into Subordinate Voting Shares to such members. In addition, 20% of any realized tax benefits will be paid to certain HSCP members pursuant to the Company's tax receivable bonus plan. The Company will retain the remaining 15% of the realized tax benefits.

## 16. REPORTABLE SEGMENTS

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

## 17. SUBSEQUENT EVENTS

Related party debt

In January 2020, the Company's CEO loaned $5,000 to the Company. The Company repaid the total amount loaned by the CEO, including the $15,000 loaned in December 2019, on March 4, 2020. Refer to Note 14 for more details.

Refer to *Financing transactions* below for a description of a subsequent financing transaction involving the Company's CEO.

Financing transactions

In the first quarter of 2020, the Company raised $48,887, net of issuance costs, as part of a series of financing transactions that were announced on February 7, 2020.

On February 10, 2020, the Company raised $27,887, net of issuance costs, from a private placement of 6,085 special warrants priced at $4.93 per unit. The special warrants were automatically exercised on March 2, 2020 for no additional consideration, and each unit sold consists of one SVS and one SVS purchase warrant with a strike price of $5.80 and a five-year expiration.

On March 11, 2020, the Company borrowed $21,000 from an institutional lender pursuant to a credit facility. The credit facility permits the Company to borrow up to $100,000, which may be drawn down by the Company in four tranches, maturing two years from the date of the first draw down. The Company will pay an annual interest rate of 3.55% on the first advance of debt for a term of two years. The borrowed amounts under the credit facility are fully collateralized by $22,000 of restricted cash, which was borrowed pursuant to the loan transaction described below.

Also on March 11, 2020, the Company closed $22,000 in borrowings pursuant to a loan transaction with IP Investment Company, LLC (the "Lender"). The maturity date is 366 days from the closing date of the loan transaction. The Company will pay monthly interest on the collateral in the form of 41 SVS through the maturity date. The Lender may put any unsold interest shares to the Company upon maturity at a price of $4.50 per share. Kevin Murphy, the Company's Chief Executive Officer, loaned $21,000 of the $22,000 borrowed by the Company to the Lender. The loan is secured by the non-U.S. intellectual property assets of the Company.

RSU grant

On February 20, 2020, the Company issued 1,505 RSUs to certain executives with a weighted-average grant date fair value of $5.11 per share. A discount for lack of marketability was applied that correlates to the period of time. Certain of these shares are subject to restriction.

WCM Refinancing

On March 6, 2020, the Company closed a refinancing, transaction and conversion related to Northeast Patients Group, operating as Wellness Connection of Maine ("WCM"), a medical cannabis business in Maine, resulting in ownership of WCM by three Maine residents, as required by Maine law. In connection with the transaction, WCM converted from a non-profit corporation to a for-profit corporation. WCM previously had a series of agreements with Wellness Pain & Management Connection LLC ("WPMC"), which resulted in an outstanding balance of $18,800 due to WPMC as of closing of this transaction. A restated consulting agreement was put in place, whereby WCM agrees to pay a fixed annual fee of $120, payable monthly, in exchange for a suite of consulting services. In addition, a promissory note payable to WPMC was signed in the amount of $18,800 to convert the existing payment due into a fixed, secured debt obligation.

In order to fund the transaction of WCM, the Company created a new Maine corporation, named Maine HSCP, Inc. ("Maine HSCP"). At closing, the Company contributed $5,700 to Maine HSCP, and then sold 900 shares of Maine HSCP, constituting all of the outstanding equity interests of Maine HSCP, to three qualifying Maine residents in exchange for promissory notes of $1,900 each. Each note is secured by a pledge of the shares in Maine HSCP, and payment of the note is to be made solely from dividends paid to the shareholder by Maine HSCP, except for amounts to be paid to the shareholder to cover tax obligations. The Company has the option, exercisable at any time, to buy back the shares, at the higher of fair market value or the remaining balance under the promissory notes. The Maine residents also have the right at any time to put the shares to the Company at the same price.

MSA Terminations

Effective February 13, 2020, subsidiaries of the Company terminated consulting services agreements with three unowned licensed cannabis companies in Massachusetts.

Terminated Transactions

On April 3, 2020, the Company announced the termination of the securities purchase agreement among Greenleaf Compassionate Care Center, Inc., GCCC Management, LLC ("GCCCM"), the equity holders of GCCCM and High Street Capital Partners, LLC relating to the proposed acquisition of a dispensary in Rhode Island.

Additionally, the merger agreement entered into with Deep Roots Medical LLC was terminated.

Sale of Acreage North Dakota

On May 8, 2020, the Company sold all equity interests in Acreage North Dakota, LLC, a medical cannabis dispensary license holder and operator, for $1,000.

Standby Equity Distribution Definitive Agreement

On May 28, 2020, the Company reached a definitive agreement with an institutional lender for $50,000 of financing commitments under a Standby Equity Distribution Agreement. The investor commits to purchase up to $50,000 of subordinate voting shares of the Company at a purchase price of 95% of the market price over the course of 24 months from the effective date.

**18. QUARTERLY FINANCIAL DATA (unaudited)**

| | Quarter Ended | | | |
|---|---|---|---|---|
| | March 31, | June 30, | September 30, | December 31, |
| **2019** | | | | |
| Total revenues, net | $ 12,897 | $ 17,745 | $ 22,402 | $ 21,065 |
| Gross profit | 5,320 | 7,613 | 9,694 | 7,817 |
| Net loss | (30,804) | (49,265) | (49,502) | (65,591) |
| Net loss attributable to Acreage | (23,377) | (37,541) | (38,716) | (50,634) |
| Net loss attributable to Acreage, basic and diluted | $ (0.29) | $ (0.44) | $ (0.43) | $ (0.56) |
| **2018** | | | | |
| Total revenues, net | $ 2,197 | $ 2,991 | $ 5,755 | $ 10,181 |
| Gross profit | 841 | 1,343 | 2,661 | 4,575 |
| Net income (loss) | (4,992) | 14,809 | (12,317) | (29,761) |
| Net income (loss) attributable to Acreage | (4,836) | 14,962 | (12,022) | (25,587) |
| Net income (loss) attributable to Acreage, basic and diluted | $ (0.10) | $ 0.29 | $ (0.15) | $ (0.31) |

**PROSPECTUS**


# ACREAGE HOLDINGS, INC.

**4,259,633 Class E Subordinate Voting Shares Underlying Warrants (exercisable at $4.00) Previously Issued**
**1,825,556 Class D Subordinate Voting Shares Underlying Warrants (exercisable at $4.00) Previously Issued**
**16,799 Class E Subordinate Voting Shares**
**7,199 Class D Subordinate Voting Shares**
**1,556,929 Class E Subordinate Voting Shares Underlying Warrants (exercisable at $3.15) Previously Issued**
**697,666 Class D Subordinate Voting Shares Underlying Warrants (exercisable at $3.01) Previously Issued**

**, 2021**

**PART II**

## INFORMATION NOT REQUIRED IN PROSPECTUS

### ITEM 13- OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

| | | Amount |
|---|---|---|
| SEC Registration Fee | $ | 5,151 |
| Legal Fees and Expenses* | $ | 60,000 |
| Accounting Fees and Expenses* | $ | 17,500 |
| Printing Expenses* | $ | 15,000 |
| Miscellaneous Expenses* | $ | — |
| **Total*** | **$** | **97,651** |

* Except for the SEC Registration Fee, all other amounts are estimates based on expenses incurred in connection with the filing of the registration statement. Expenses in connection with the offer and sale of securities are expected to increase depending on the securities offered.

### ITEM 14- INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") the Registrant may indemnify a director or officer, a former director or officer, or an individual who acts or acted as a director or officer of an affiliate of the Registrant, or at the Registrant's request as a director or officer (or in a similar capacity) of another corporation or other legal entity, against all judgments, penalties or fines awarded or imposed in, or amounts paid in settlement of, any legal proceeding or investigative action, whether current, threatened, pending or completed, in which such individual or any of his or her heirs and personal or other legal representatives is or may be joined as a party, or is or may liable for in respect of a judgment, penalty or fine in, or expenses related to such legal proceeding or investigative action because of serving in such capacity, on condition that (i) the individual acted honestly and in good faith with a view to the best interests of the Registrant or such other corporation or legal entity, and (ii) in the case of such a proceeding or investigative action other than a civil proceeding, the individual had reasonable grounds for believing that his or her conduct was lawful. The Registrant may also indemnify a person described above in respect of all costs, charges and expenses, including legal and other fees, actually and reasonably incurred by such person in respect of such a legal proceeding or investigative action, providing such person complies with (i) and (ii) above. The Registrant may provide indemnification in respect of such costs, charges and expenses after the final disposition of such legal proceeding or investigative action, and may pay such costs, charges and expenses as they are incurred in advance of such final disposition, provided it obtains a written undertaking that such person will repay the amounts advanced if it is ultimately determined that the individual did not comply with (i) and (ii) above. Under the BCBCA, an individual described above is entitled to indemnification from the Registrant in respect of such costs, charges and expenses after the final disposition of such legal proceeding or investigative action as a matter of right if the individual has not been reimbursed for such costs, charges and expenses and is wholly successful in the outcome of such legal proceeding or investigative action, or is substantially successful on the merits thereof, providing such individual complies with (i) and (ii) above. On application of the Registrant or an individual described above, the Supreme Court of British Columbia may order the Registrant to indemnify a person described above in respect of any liability incurred by such person in respect of such a legal proceeding or investigative action, and to pay some or all of the expenses incurred by such individual in respect of such legal proceeding or investigative action.

In accordance with the BCBCA, the Articles of the Registrant provide that the Registrant must indemnify a person named above, and such person's heirs and legal personal representatives, against all judgments, penalties or fines awarded or imposed in, or amounts paid in settlement of, any legal proceeding or investigative action, whether current, threatened or completed, which such individual or any of his or her heirs and legal personal representatives is or may be joined as a party, or is or may be liable for in respect of a judgment, penalty or fine in, or costs, charges and expenses, including legal and other fees relating to such legal proceeding or investigative action, because of that person having been a director or officer of the Registrant, provided that (i) the individual acted honestly and in good faith with a view to the best interests of the Registrant; and (ii) in the case of such a legal proceeding or investigative action other than a civil proceeding, the person had reasonable grounds for believing that his or her conduct was lawful.

A policy of directors' and officers' liability insurance is maintained by the Registrant which insures directors and officers for losses as a result of claims against the directors and officers of the Registrant in their capacity as directors and officers and also reimburses the Registrant for payments made pursuant to the indemnity provisions under the Articles of the Registrant and the BCBCA.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**ITEM 15- RECENT SALE OF UNREGISTERED SECURITIES**

***February 2020 Offering***

On February 10, 2020, we closed an offering made pursuant to an agency agreement dated February 10, 2020 between us and Canaccord Genuity Corp. (the "**February 2020 Offering**"). The February 2020 Offering consisted of (i) 6,085,192 special warrants (the "**Special Warrants**") and (ii) up to 4,056,795 units issuable upon the exercise of an option granted to the lead purchaser ("**Additional Units**"). The Special Warrants were automatically converted into units ("**Initial Units**") each comprised of one SVS and one SVS purchase warrant (each, an "**Initial Warrant**"). Each Additional Unit is comprised of one SVS and one SVS purchase warrant.

In connection with the Amended Arrangement, we and the Warrant Agent entered into the Supplemental Indenture to amend the Warrant Indenture. In accordance with the Supplemental Indenture, each outstanding Warrant at the Amendment Time, of which there were 6,085,192, was exchanged for: (i) 0.7 of a Fixed Warrant; and (ii) 0.3 of a Floating Warrant. Upon completion of the Amended Arrangement, there were 4,259,633 Fixed Warrants and 1,825,556 Floating Warrants outstanding, each having an exercise price of $4.00.

***Convertible Debenture***

Effective May 29, 2020, we entered into a securities purchase agreement (the "**Securities Purchase Agreement**") with YA, II PN, Ltd. ("**Yorkville**") and each of the investors listed on the Schedule of Buyers attached thereto. The Securities Purchase Agreement provided for the offer and sale of a $11,000,000 principal amount convertible debenture (the "**Convertible Debenture**"). The Convertible Debenture bore interest at 15% per annum and was secured by our medical cannabis dispensaries in Connecticut. The Convertible Debenture was convertible by Yorkville in whole or in part after September 30, 2020. Prior to September 30, 2020, Yorkville could convert only $550,000 of principal amount. The Convertible Debenture was convertible into SVS at a conversion price of $1.68 per share, subject to the conversion limitations described above. We had the right to redeem up to 95% of the principal amount on or prior to September 29, 2020 without penalty.

On September 4, 2020, Yorkville exercised its right to convert $550,000 of the principal amount into SVS at a conversion price of $1.68 per share and received 327,380 SVS. Subsequent to the Capital Reorganization, the SVS issued to Yorkville were exchanged for 229,166 Fixed Shares and 98,214 Floating Shares.

On September 29, 2020, we redeemed 95% of the principal amount of the Convertible Debenture.

***Standby Equity Distribution Agreement***

We agreed to issue to SAFMB 200,000 SVS as commitment shares in consideration for entering into the SEDA. Subsequent to the Capital Reorganization, the SVS issued to SAFMB were exchanged for 140,000 Fixed Shares and 60,000 Floating Shares (the "**Commitment Shares**").

***February Credit Agreement***

On February 7, 2020, we entered into a credit agreement (the "**February Credit Agreement**") through our subsidiary, HSCP CN Holdings ULC (the "**Borrower**"), by and among the Borrower, Acreage Finance Delaware, LLC (the "**Guarantor**"), and the institutional lender party thereto and its administrative agent.

The February Credit Agreement provides for a secured credit facility in the amount of up to $100.0 million, which may be drawn down on by the Borrower in three tranches, maturing on the date that is two years from the date the first tranche is drawn down on. The obligations under the February Credit Agreement are guaranteed by the Guarantor, and secured by a first priority lien (the "**Security Interest**") over $50.0 million in cash deposited in a bank account by us (the "**Restricted Account**").

In order to fund the Restricted Account, on March 6, 2020, our subsidiary, the IP Borrower entered into the Original Credit Agreement, which provided for a credit facility in the amount of up to $50.0 million ("**Credit Facility**") to be available in two advances. The maturity date for the first advance of borrowings under the March Credit Agreement, subject to acceleration in certain instances, is 366 days from the closing date of the Credit Facility. All funds drawn under the Credit Facility are required to be deposited into the Restricted Account as security for repayment of funds borrowed and amounts owing pursuant to the February Credit Agreement.

On March 11, 2020, IP Borrower drew the first advance of $22.0 million (the "**Borrowed Amount**") under the Original Credit Agreement and deposited the funds into the Restricted Account (the "**Loan Transaction**"). Kevin Murphy, our Chair and former Chief Executive Officer, loaned $21.0 million of the Borrowed Amount to the IP Lender in connection with the Loan Transaction.

Interest on the principal amount borrowed under the Credit Facility was to be satisfied by the IP Borrower delivering to the IP Lender 83,333 SVS per month (or 58,333 Fixed Shares and 24,999 Floating Shares), or 1,000,000 SVS (or 700,000 Fixed Shares and 300,000 Floating Shares) in the aggregate (the "**Interest Shares**"). We were advised that Mr. Murphy was not a member, an officer nor a director of IP Lender and that Mr. Murphy was entitled to receive, assuming full repayment of the Borrowed Amount at maturity, $23.1 million along with up to 304,001 SVS, forming part of the Interest Shares, which entitlement to Interest Shares he forfeited in accordance with the Amended Arrangement.

In connection with, and as a condition to the implementation of, the Amended Arrangement, the Original Credit Agreement was amended in accordance with the Credit Agreement Amendment. The Credit Agreement Amendment provides that: (i) with respect to the Murphy Amount, effective as of the Amendment Time, the Original Credit Agreement was amended to (a) remove any entitlement to "Interest Shares" (as defined in the Original Credit Agreement) in respect of this amount, (b) provide for an interest rate of 12% per annum payable in cash, (c) amend Section 9.3 of the Original Credit Agreement to amend the obligation of IP Borrower to cause us to sell up to 8,800,000 SVS to repay the amount outstanding such that the obligation was reduced to cause the issuance of up to 2,000,000 Fixed Shares, and (ii) with respect to $1.0 million of the principal amount advanced pursuant to the Original Credit Agreement, the lender is entitled to (a) 16,799 Fixed Shares and 7,199 Floating Shares, (b) upon maturity of the Original Credit Agreement, a return of $1.1 million and (c) otherwise be treated in accordance with the current terms of the Original Credit Agreement.

IP Lender was entitled to 23,999 SVS under the Original Credit Agreement, of which 12,000 SVS were issued to IP Lender prior to the Capital Reorganization. The 12,000 SVS issued to IP Lender prior to the Capital Reorganization were subsequently transferred to Pilgrim Foresight Fund, LLC ("**Pilgrim**"), an affiliate of IP Lender, pursuant to applicable securities laws. Subsequent to the Capital Reorganization, the SVS originally issued to IP Lender and currently held by Pilgrim were exchanged for 8,400 Fixed Shares and 3,600 Floating Shares. In accordance with the Credit Agreement Amendment, IP Lender is entitled to receive an additional 8,399 Fixed Shares and 3,599 Floating Shares, with such shares replacing the 11,999 SVS IP Lender was entitled to pursuant to the Original Credit Agreement; IP Lender will receive 1,527 Fixed Shares and 654 Floating Shares each month (the "**Unissued Interest Shares**"), with any remaining balance to be issued and delivered upon maturity of the Loan Transaction. We understand that IP Lender intends to transfer the Unissued Interest Shares to Pilgrim, pursuant to applicable securities laws, once such shares are received.

This Prospectus registers the resale of the 16,799 Fixed Shares and 7,199 Floating Shares by Pilgrim in connection with the Loan Transaction (the "**Loan Shares**"). We will not receive any cash proceeds from the sale of the Loan Shares.

***Warrants Issued in November 2020***

On November 3, 2020, we announced that we had received initial commitments and funding from a syndicate of lenders for a first advance of $28.0 million pursuant to a senior secured term loan facility at an annual interest rate of 15% with a maturity of 48 months from closing.

In connection with the advance, we issued the lenders an aggregate of 1,556,929 November Fixed Warrants with each November Fixed Warrant exercisable for one Fixed Share and 697,666 November Floating Warrants with each November Floating Warrant exercisable for one Floating Share. The exercise price of each November Fixed Share Warrant is $3.15 and the exercise price of each November Floating Share Warrant is $3.01. The November Warrants are exercisable for a period of four years.

**ITEM 16- EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

Other than contracts made in the ordinary course of business, the following are the material contracts and other material exhibits as of the date of this registration statement:

| | | Incorporated by Reference | | | | |
|---|---|---|---|---|---|---|
| Exhibit No. | Description of Document | Schedule Form | File Number | Exhibit/Form | Filing Date | Filed or Furnished Herewith |
| 2.1 | Arrangement Agreement between Canopy Growth Corporation and Acreage Holdings Inc., dated April 18, 2019.† | 6-K | 000-56021 | 99.2 | 4/30/2019 | |
| 2.2 | First Amendment to Arrangement Agreement between Canopy Growth Corporation and Acreage Holdings, Inc., dated May 15, 2019. | 6-K | 000-56021 | 99.2 | 6/20/2019 | |
| 2.3 | Second Amendment to Arrangement Agreement between Canopy Growth Corporation and Acreage Holdings, Inc., dated September 23, 2020. † | 8-K | 000-56021 | 10.1 | 9/28/2020 | |
| 2.4 | Agency Agreement, between Canaccord Genuity Corp. and Acreage Holdings, Inc., dated February 10, 2020. | 8-K | 000-56021 | 1.1 | 2/13/2020 | |
| 2.5 | Proposal Agreement Between Canopy Growth Corporation and Acreage Holdings Inc. dated June 24, 2020 | 8-K | 000-56021 | 2.1 | 6/30/2020 | |
| 3.1 | Articles of Incorporation. | 8-A | 000-56071 | 3.1 | 9/23/2020 | |
| 4.1 | Form of Indenture. | S-3 | 333-249583 | 4.1 | 10/21/2020 | |
| 4.2 | Credit Agreement dated February 7, 2020. | 8-K | 000-56021 | 4.1 | 2/13/2020 | |
| 4.3 | Special Warrant Indenture, between Acreage Holdings, Inc. and Odyssey Trust Company, dated February 10, 2020. | 8-K | 000-56021 | 4.2 | 2/13/2020 | |
| 4.4 | Warrant Indenture, between Acreage Holdings, Inc. and Odyssey Trust Company, dated February 10, 2020. | 8-K | 000-56021 | 4.3 | 2/13/2020 | |
| 4.5 | Credit Agreement, by and among Acreage Finance Delaware, LLC, Acreage IP Holdings, LLC, Prime Wellness of Connecticut, LLC, D&B Wellness, LLC, Thames Valley Apothecary, LLC and IP Investment Company, LLC., dated March 11, 2020. | 10-K | 000-56021 | 4.5 | 5/29/2020 | |
| 4.6 | Security Agreement, by and among Acreage IP Holdings, LLC and IP Investment Company, LLC, dated March 11, 2020. | 10-K | 000-56021 | 4.6 | 5/29/2020 | |
| 4.7 | Guaranty, dated March 11, 2020, of Acreage IP Holdings, LLC to IP Investment Company, LLC. | 10-K | 000-56021 | 4.7 | 5/29/2020 | |

| Exhibit No. | Description of Document | Incorporated by Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Schedule Form | File Number | Exhibit/Form | Filing Date | |
| 4.8 | Second Amending Agreement, effective March 11, 2020. | 10-K | 000-56021 | 4.8 | 5/29/2020 | |
| 4.9 | Debenture issued to Universal Hemp, LLC to 11065220, dated as of September 23, 2020 | 8-K | 000-56021 | 10.2 | 9/28/2020 | |
| 4.10 | Amendment to Credit Agreement by and among Acreage Finance Delaware, LLC, Acreage IP Holdings, LLC, Prime Wellness of Connecticut, LLC, D&B Wellness, LLC, Thames Valley Apothecary, LLC and IP Investment Company, LLC, dated as of September 23, 2020. | 8-K | 000-56021 | 10.3 | 9/28/2020 | |
| 4.11 | Amendment to Warrant Indenture between Acreage Holdings, Inc. and Odyssey Trust Company, dated as of September 23, 2020. | 8-K | 000-56021 | 10.4 | 9/28/2020 | |
| 4.12 | Loan Agreement, dated September 28, 2020 | 8-K | 000-56021 | 10.1 | 9/30/20/20 | |
| 4.13 | Loan Agreement among High Street Capital Partners, LLC, the Lenders who may become parties thereto and Acquiom Agency Services LLC, as administrative and collateral agent for the Lenders, dated October 30, 2020. | 8-K | 000-56021 | 10.1 | 11/4/2020 | |
| 4.14 | Construction Loan and Security Agreement by and among In Grown Farms, LLC 2, for the benefit of Pelorus Fund, LLC and the Lender, dated November 25, 2020. | 8-K | 000-56021 | 10.1 | 12/2/2020 | |
| 4.15 | Description of Securities. | 10-K | 000-56021 | 4.9 | 5/29/2020 | |
| 5.1 | Opinion of DLA Piper LLP. | S-1 | | | | X |
| 10.1 | Acreage Holdings, Inc. Omnibus Incentive Plan, as amended and restated September 23, 2020.+ | | | | | X |
| 10.2 | Form of Stock Option Award Agreement | | | | | X |
| 10.3 | Form of Restricted Stock Award Agreement | | | | | X |
| 10.4 | Third Amended and Restated Limited Liability Agreement, dated November 14, 2018. | 40-F | 000-56021 | 99.42 | 1/29/2019 | |
| 10.5 | First Amendment to Third Amended and Restated Limited Liability Agreement, dated November 14, 2018, dated May 10, 2019. | 10-K | 000-56021 | 10.6 | 5/29/2020 | |
| 10.6 | Second Amendment to Third Amended and Restated Limited Liability Agreement, dated November 14, 2018, dated June 27, 2019. | 10-K | 000-56021 | 10.7 | 5/29/2020 | |

| Exhibit No. | Description of Document | Incorporated by Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Schedule Form | File Number | Exhibit/Form | Filing Date | |
| 10.7 | Third Amendment to Third Amended and Restated Limited Liability Agreement, dated November 14, 2018, dated September 23, 2020. | S-1 | | | | X |
| 10.8 | Tax Receivables Agreement, by and among Acreage Holdings America, Inc., High Street Capital Partners, LLC and the members of the High Street Capital Partners, LLC, dated November 14, 2018. | 40-F | 000-56021 | 99.43 | 1/29/2019 | |
| 10.9 | Coattail Agreement, between Acreage Holdings, Inc. and Odyssey Trust Fund, dated November 14, 2018. | 40-F | 000-56021 | 99.41 | 1/29/2019 | |
| 10.10 | Support Agreement, between Acreage Holdings, Inc. and Acreage Holdings WC, Inc., dated November 14, 2018. | 40-F | 000-56021 | 99.44 | 1/29/2019 | |
| 10.11 | Support Agreement, by and among Acreage Holdings, Inc., Acreage Holdings America, Inc. and High Street Capital Partners, dated November 14, 2018. | 40-F | 000-56021 | 99.45 | 1/29/2019 | |
| 10.12 | Secured Convertible Debenture of Acreage Holdings, Inc., dated May 29, 2020. | 8-K | 000-56021 | 10.2 | 6/4/2020 | |
| 10.13 | Registration Rights Agreement, between Acreage Holdings, Inc. and YA II PN, Ltd., dated May 29, 2020. | 8-K | 000-56021 | 10.3 | 6/4/2020 | |
| 10.14 | Standby Equity Distribution Agreement, between Acreage Holdings, Inc. and SAFMB Concord LP, dated May 29, 2020. | S-3 | 333-239332 | 10.15 | 6/22/2020 | |
| 10.15 | Loan Agreement between High Street Capital Partners, LLC and ALBF Investments, LLC, dated June 15, 2020. | S-3 | 333-239332 | 10.16 | 6/22/2020 | |
| 10.16 | Term Loan Note between High Street Capital Partners, LLC and ALBF Investments, LLC, dated June 15, 2020. | S-3 | 333-239332 | 10.16 | 6/22/2020 | |
| 10.17 | Form of Voting Support and Lock-Up Agreement. | 8-K | 000-56021 | 1.1 | 8/19/2020 | |
| 10.18 | Second Amendment to the Arrangement Agreement between Acreage Holdings, Inc. and Canopy Growth Corporation, dated September 23, 2020.†† | 8-K | 000-56021 | 10.1 | 9/28/2020 | |
| 10.19 | Debenture between Universal Hemp, LLC to 11065220 Canada Inc., dated September 23, 2020.†† | 8-K | 000-56021 | 10.2 | 9/28/2020 | |

| Exhibit No. | Description of Document | Schedule Form | Incorporated by Reference | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | | File Number | Exhibit/Form | Filing Date | |
| 10.20 | Letter amending the Standby Equity Distribution Agreement by and between the Institutional Investor and Acreage Holdings, Inc., dated September 28, 2020 | 8-K | 000-56021 | 10.1 | 1/28/21 | |
| 10.21 | Letter amending the Standby Equity Distribution Agreement by and between the Institutional Investor and Acreage Holdings, Inc., dated January 25, 2021 | 8-K | 000-56021 | 10.2 | 1/28/21 | |
| 10.22 | Separation Agreement between Tyson Macdonald and Acreage Holdings, Inc., effective March 9, 2020. | S-1 | | | | X |
| 21.1 | Subsidiaries as of December 31, 2019. | 10-K | 000-56021 | 21.1 | 5/29/2020 | |
| 23.1 | Consent of Marcum LLP, the Independent Registered Public Accounting Firm of Acreage Holdings, Inc. | S-1 | | | | X |
| 23.2 | Consent of DLA Piper LLP (contained in Exhibit 5.1 hereto). | S-1 | | | | X |
| 24.1 | Power of Attorney (contained in the signature page of this Form S-1 Registration Statement). | S-1 | | | | X |

+ Indicates management contract or compensatory plan.

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

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

†† Portions of these exhibits are redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

**ITEM 17 – UNDERTAKINGS**

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement.

*Provided, however*, that Paragraphs (1)(i), (1)(ii) and (1)(iii) of this section do not apply if the registration statement is on Form S-1, Form S-3, Form SF-3 or Form S-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Exchange Act that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

If the registrant is subject to Rule 430C , each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A , shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of New York, State of New York, on February 8, 2021.

**ACREAGE HOLDINGS, INC.**

By: /s/ Glen Leibowitz
Name: Glen Leibowitz
Title: Chief Financial Officer

## POWERS OF ATTORNEY

We, the undersigned directors and officers of Acreage Holdings, Inc., hereby severally constitute and appoint Glen Leibowitz and James Doherty, and each of them, our true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any subsequent registration statements pursuant to Rule 462 of the Securities Act of 1933, as amended and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as we might or could do in person, hereby ratifying and confirming all that each of said attorney-in-fact or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on February 8, 2021.

| Signature | Title |
|---|---|
| /s/ Peter Caldini<br>Peter Caldini | Chief Executive Officer (Principal Executive Officer) |
| /s/ Glen Leibowitz<br>Glen Leibowitz | Chief Financial Officer (Principal Financial Officer) |
| /s/ Kevin Murphy<br>Kevin Murphy | Director |
| /s/ John Boehner<br>John Boehner | Director |
| /s/ Douglas Maine<br>Douglas Maine | Director |
| /s/ Brian Mulroney<br>Brian Mulroney | Director |
| /s/ Brian Mulroney<br>William Van Faasen | Director |
| /s/ Katherine J. Bayne<br>Katherine J. Bayne | Director |

**Exhibit 5.1**

**DLA Piper (Canada) LLP**
Suite 2800, Park Place
666 Burrard St
Vancouver BC V6C 2Z7
www.dlapiper.com

February 8, 2021

Acreage Holdings, Inc.
450 Lexington Avenue, #3308
New York, NY 10163

**Re: Acreage Holdings, Inc.: Registration of Shares under the US Securities Act of 1933, as amended (the "Securities Act")**

We have acted as British Columbia legal counsel to Acreage Holdings, Inc. (the "**Company**"), a British Columbia company, in connection with the registration under the Securities Act of the resale or other disposition from time to time of:

(a) 4,259,633 Class E Subordinate Voting Shares (the "**February Fixed Shares**") issuable upon exercise of warrants issued by the Company in February 2020, with an exercise price of $4.00 per share for 5 years from the date of issuance (the "**February Fixed Warrants**"), and 1,825,556 Class D Subordinate Voting Shares (the "**February Floating Shares**") issuable upon exercise of warrants issued by the Company in February 2020, with an exercise price of $4.00 per share for 5 years from the date of issuance (the "**February Floating Warrants**"). The February Fixed Warrants and the February Floating Warrants were issued pursuant to a Supplemental Warrant Indenture between the Company and Odyssey Trust Company (the "**Warrant Agent**") dated September 23, 2020 (the "**Supplemental Warrant Indenture**") in exchange for certain warrants issued pursuant to a Warrant Indenture between the Company and the Warrant Agent dated February 10,2020 (the "**Original Warrant Indenture**");

(b) 16,799 Class E Subordinate Voting Shares (the "**Commitment Fixed Shares**") and 7,199 Class D Subordinate Voting Shares (the "**Commitment Floating Shares**") issued pursuant to a credit agreement among Acreage Finance Delaware, LLC, as borrower, and Acreage IP Holdings, LLC, Prime Wellness of Connecticut, LLC, D&B Wellness, LLC and Thames Valley Apothecary, LLC, as guarantors, and IP Investment Company, LLC, as lender, administrative agent and collateral agent dated March 6, 2020 (the "**Original Credit Agreement**"), as amended by Amendment No. 1 thereto dated September 23, 2020 (the "**Credit Agreement Amendment No. 1**") and as further amended by Amendment No. 2 thereto dated October 20, 2020 (the "**Credit Agreement Amendment No. 2**"); and

(c) 1,556,929 Class E Subordinate Voting Shares (the "**November Fixed Shares**") issuable upon exercise of warrants issued by the Company in November 2020, with an exercise price of $3.15 per share for 4 years from the date of issuance (the "**November Fixed Warrants**"), and 697,666 Class D Subordinate Voting Shares (the "**November Floating Shares**", and together with the February Fixed Shares, the February Floating Shares, the Commitment Fixed Shares, the Commitment Floating Shares and the November Fixed Shares, the "**Shares**") issuable upon exercise of warrants issued by the Company in November 2020, with an exercise price of $3.01 per share for 4 years from the date of issuance (the "**November Floating Warrants**"). The November Fixed Warrants and the November Floating Warrants were issued pursuant to a loan agreement between the Company's subsidiary, High Street Capital Partners, LLC and a syndicate of lenders dated October 30, 2020 (the "**Term Loan Agreement**") in respect of a $70 million secured term loan facility guaranteed by the Company;

in each case, pursuant to the prospectus contained in the Registration Statement (as defined below). The Shares may be sold by the selling shareholders (the "**Selling Security Holders**") identified as such in the Registration Statement.

2. **Documents Examined and Reliances**

(a) For the purpose of rendering our opinions expressed below, we have examined and relied upon the following documents:

(i) a Certificate of Good Standing with respect to the Company issued by the Registrar of Companies under the *Business Corporations Act* (British Columbia) dated February 7, 2021;

(ii) the Original Warrant Indenture, and a written resolution of the directors of the Company dated February 5, 2020 authorizing entry into the Original Warrant Indenture;

(iii) the Supplemental Warrant indenture, and a written resolution of the directors of the Company dated September 22, 2020 authorizing entry into the Supplemental Warrant Indenture;

(iv) the forms of certificate representing the February Fixed Warrants and the February Floating Warrants (the "**February Warrant Certificates**");

(v) the Original Credit Agreement, and a written resolution of the directors of the Company dated February 5, 2020 authorizing the reservation and issuance of certain shares of the Company in connection with the Original Credit Agreement;

(vi) the Credit Agreement Amendment No. 1, and a written resolution of the directors of the Company dated September 22, 2020 authorizing the reservation and issuance of 8,399 Commitment Fixed Shares and 3,599 Commitment Floating Shares in connection with the Credit Agreement Amendment;

(vii) the Credit Agreement Amendment No. 2;

(viii) the Term Loan Agreement, and a written resolution of the directors of the Company dated October 29, 2020 authorizing entry into the Term Loan Agreement;

(ix) the forms of certificate representing the November Fixed Warrants and the November Floating Warrants (the "**November Warrant Certificates**");

(x) a draft registration statement on Form S-1 dated February 8, 2021 (the "**Registration Statement**") relating to the registration of the Shares under the Securities Act;

(xi) A written resolution of the directors of the Company dated February 5, 2021 approving the registration of the Shares under the Registration Statement; and

(xii) a certificate dated today's date (the "**Officer's Certificate**") of James Doherty, the General Counsel of the Company, with respect to certain factual matters relevant to our opinions expressed below.

We have relied exclusively upon the certificates, documents and records referred to above with respect to the accuracy of the factual matters contained therein and we have not performed any independent investigation or verification of such factual matters.

3. **Assumptions**

For the purposes of rendering our opinions expressed below, we have assumed:

(a) the legal capacity of all individuals signing documents, the genuineness of all signatures and the authenticity of all documents submitted to us as originals, and the conformity to authentic original documents of all documents submitted to us as certified, conformed, electronic, telecopied or photocopied copies;

(b) the completeness, accuracy, and currency of: (i) the indices and filing systems maintained at the public offices where we have searched or made inquiries, (ii) all documents supplied or otherwise conveyed to us by public officials, and (iii) all facts set forth in those documents and in official public records;

(c) that all documents reviewed by us have not been modified in any manner since the date they were submitted to us, whether by written or oral agreement or by conduct of the parties thereto or otherwise;

(d) that the Registration Statement, and any amendments thereto (including post-effective amendments), will have become effective and such effectiveness will not have been terminated or rescinded; and

(e) that all Shares will be offered, issued and sold in compliance with applicable United States federal and state securities laws and in the manner stated in the Registration Statement.

We are qualified to practise law in the Province of British Columbia, and our opinions expressed below are rendered solely with respect to the laws of the Province British Columbia and the federal laws of Canada applicable therein. Except as otherwise set forth herein, our opinions are expressed as at the date hereof based on legislation and regulations in effect on the date hereof, and we disclaim any obligation or undertaking to advise any person of any change in law or fact that may come to our attention after the date hereof.

Whenever our opinions expressed below refer to Shares, whether issued or to be issued, as being “fully paid and non-assessable”, such opinion indicates that the holder of such shares cannot be required to contribute any further amounts to the Company by virtue of its status as holder of such shares, either in order to complete payment for the shares, to satisfy claims of creditors or otherwise. We express no opinion as to actual receipt by the Company of the consideration for the issuance of such shares or as to the adequacy of any consideration received.

We express no opinion as to whether the Registration Statement provides full, true and plain disclosure of all material facts relating to the Company or the Shares or whether the Registration Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, all within the meaning of applicable securities laws.

4. **Opinions**

Based and relying upon the foregoing, we are of the opinion that:

(a) the issuance of the February Fixed Shares upon exercise of the February Fixed Warrants and issuance of the February Floating Shares upon exercise of the February Floating Warrants has been duly authorized, and upon exercise of such warrants in accordance with the terms of the February Warrant Certificates, the Original Warrant Indenture and the Supplemental Warrant Indenture, including full payment of the exercise price per Share purchased, the February Fixed Shares and the February Floating Shares will be duly and validly issued as fully paid and non-assessable;

(b) the Fixed Commitment Shares and the Floating Commitment Shares have been duly and validly issued as fully paid and non-assessable; and

(c) the issuance of the November Fixed Shares upon exercise of the November Fixed Warrants and the issuance of the November Floating Shares upon exercise of the November Floating Warrants has been duly authorized, and upon exercise of such warrants in accordance with the terms of the November Warrant Certificates, including full payment of the exercise price per Share purchased, the November Fixed Shares and the November Floating Shares will be duly and validly issued as fully paid and non-assessable.

Our opinions expressed above are rendered for the sole benefit of the addressee, are delivered in connection with the transactions described herein and may not be relied upon by any other person or in connection with any other transaction, quoted from or referred to in any other documents, or furnished (either in its original form or by copy) to any other person without our prior written consent.

5. **Consent**

We consent to the filing of a copy of this opinion as Exhibit 5.1 to the Registration Statement and to reference to us being made in the paragraph of the Registration Statement headed “Legal Matters”. In giving this consent, we do not admit that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations promulgated by the US Securities and Exchange Commission under the Securities Act.

Yours Truly,

*/s/ DLA Piper (Canada) LLP*

**DLA Piper (Canada) LLP**

**Exhibit 10.1**

**ACREAGE HOLDINGS, INC.**
**SECOND AMENDED AND RESTATED OMNIBUS INCENTIVE PLAN**

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1. **HISTORY; EFFECTIVE DATE AND EXCHANGE OF OPTIONS AND RSUs**.

Acreage Holdings, Inc. ("**Acreage**"), a company continued under the laws of the Province of British Columbia, Canada, previously established the ACREAGE HOLDINGS, INC. OMNIBUS INCENTIVE PLAN (effective as of November 14, 2018) (the "**Omnibus Plan**"), with amendments to the Omnibus Plan approved by the Board of Directors of Acreage (the "**Board**") on May 7, 2019 and June 19, 2019. The Omnibus Plan was amended and restated effective as of August 19, 2019 (the "**Amended and Restated Omnibus Plan**").

Acreage and Canopy Growth Corporation ("**Canopy Growth**") are parties to an arrangement agreement dated April 18, 2019, as amended on May 15, 2019, as the same may be further amended, supplemented or restated (the "**Arrangement Agreement**") providing for an arrangement between them pursuant to the BCBCA (the "**Arrangement**"). Pursuant to a proposal agreement between Acreage and Canopy Growth dated June 24, 2020 (the "**Proposal Agreement**"), the parties thereto agreed to amend certain terms of the Arrangement Agreement as provided in the second amendment to the Arrangement Agreement to be entered into between Acreage and Canopy Growth (the "**Amending Agreement**", and together with the Proposal Agreement, the "**Amending Documents**"). In accordance with the terms of the Amending Documents and for the purposes described in Section 2 below, the Board has authorized the adoption of this second amended and restated omnibus incentive plan, effective August 16, 2020 (the "**Effective Date**"), subject to the approval of Acreage's shareholders (the "**Plan**").

In accordance with the terms of the Amending Documents and the Amended Plan of Arrangement, at the Amendment Time, all options to purchase Class A subordinate voting shares of Acreage ("**Existing SVS**") granted under this Plan which are then outstanding ("**Existing Options**") will be automatically exchanged in accordance with Section 10 of the Omnibus Plan for: (1) a new option to acquire such number of Fixed Shares as is equal to: (A) the number of Existing SVS that were issuable upon exercise of such Existing Option immediately prior to the Amendment Time, multiplied by (B) 0.7, rounded down to the nearest whole number, which new options shall have an exercise price (rounded up to the nearest whole cent) equal to the product obtained when: (i) the exercise price per Existing SVS that would otherwise be payable pursuant to the Existing Option it replaces is multiplied by (ii) 0.7 (a "**Fixed Option**"); (2) a new option to acquire such number of Floating Shares as is equal to: (A) the number of Existing SVS that were issuable upon exercise of such Existing Option immediately prior to the Amendment Time, multiplied by (B) 0.3, rounded down to the nearest whole number, with such new options having an exercise price (rounded up to the nearest whole cent) equal to the product obtained when: (i) the exercise price per Existing SVS that would otherwise be payable pursuant to the Existing Option it replaces is multiplied by (ii) 0.3 (a "**Floating Option**"), and any document evidencing such an Existing Option shall thereafter be deemed to evidence such new Fixed Option and Floating Option. All such new Fixed Options and Floating Options created at the Amendment Time shall be governed in all respects by the terms of this Plan.

In accordance with the terms of the Amending Documents and the Amended Plan of Arrangement, at the Amendment Time, all RSUs granted under this Plan, which are then outstanding ("**Existing RSUs**") will be automatically adjusted in accordance with Section 10 of the Omnibus Plan, such that each such Existing RSU shall be replaced by: (1) a new RSU to acquire such number of Fixed Shares as is equal to: (A) the number of Existing SVS that were issuable upon vesting of such Existing RSU immediately prior to the Amendment Time, multiplied by (B) 0.7, rounded down to the nearest whole number, which new RSU shall provide for a conversion price (rounded up to the nearest whole cent) equal to the product obtained when: (i) the conversion price per Existing SVS that would otherwise be payable pursuant to the Existing RSU it replaces is multiplied by (ii) 0.7 (a "**Fixed RSU**"), and (2) a new RSU to acquire such number of Floating Shares as is equal to: (A) the number of Existing SVS that were issuable upon vesting of such Existing RSU immediately prior to the Amendment Time, multiplied by (B) 0.3, which new RSU shall provide for a conversion price (rounded up to the nearest whole cent) equal to the product obtained when: (i) the conversion price per Existing SVS that would otherwise be payable pursuant to the Existing RSU it replaces is multiplied by (ii) 0.3 (a "**Floating RSU**"), and any document evidencing an Existing RSU shall thereafter be deemed to evidence such Fixed RSU and Floating RSU. All such Fixed RSUs and Floating RSUs created at the Amendment Time shall be governed in all respects by the terms of the Plan.

2. **PURPOSE**.

The Purpose of the Plan is to:

(a) promote the long-term financial interests and growth of Acreage and its Subsidiaries (together, the "**Company**") by attracting and retaining management and other personnel and key service providers with the training, experience and ability to enable them to make a substantial contribution to the success of the Company's business;

(b) motivate management personnel by means of growth-related incentives to achieve long-range goals; and

(c) further the alignment of interests of Participants with those of the shareholders of Acreage through opportunities for increased stock or stock-based ownership in Acreage.

Toward these objectives, the Administrator may, subject to Board approval, grant stock options, stock appreciation rights, stock awards, restricted share units, performance shares, performance units, and other stock-based awards to eligible individuals on the terms and subject to the conditions set forth in the Plan.

3. **DEFINITIONS**.

Except as otherwise specifically provided in an Award Agreement, capitalized words and phrases used in the Plan or an Award Agreement shall have the following meanings:

"**Acreage**" has the meaning ascribed thereto on the first page hereof.

"**Acreage LLC**" means High Street Capital Partners, LLC.

"**Acreage LLC Units**" means the Common Units and Class C-1 units of Acreage LLC outstanding from time to time.

"**Administrator**" means the Board or, where delegated by the Board, the Compensation Committee, or such other committee(s) or officer(s) duly appointed by the Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by the Board or the Compensation Committee; provided, however, that at any time the Board may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) or officer(s) to whom administrative authority has been delegated. With respect to any Award to which Section 16 of the Exchange Act applies, the Administrator shall consist of either the Board or a committee of the Board, which committee shall consist of two or more directors, each of whom is intended to be, to the extent required by Rule 16b-3 of the Exchange Act, a "non-employee director" as defined in Rule 16b-3 of the Exchange Act and an "independent director" to the extent required by the rules of the national securities exchange that is the principal trading market(s) for the Fixed Shares and the Floating Shares; provided, that with respect to Awards made to a member of the Board who is not an employee of the Company, "Administrator" means the Board. Any member of the Administrator who does not meet the foregoing requirements shall abstain from any decision regarding an Award and shall not be considered a member of the Administrator to the extent required to comply with Rule 16b-3 of the Exchange Act.

"**Affiliate**" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Acreage or any successor to Acreage. For this purpose, "control" (including the correlative meanings of the terms "controlled by" and "under common control with") shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

"**Amended Plan of Arrangement**" means the amended and restated plan of arrangement, substantially in the form attached as Schedule A to the Amending Agreement.

"**Amending Documents**" has the meaning ascribed thereto on the first page hereof.

"**Amending Agreement**" has the meaning ascribed thereto on the first page hereof.

"**Amendment Time**" means 12:01 a.m. (Vancouver time) on the date on which the records and information required to be provided to the Registrar of Companies under the BCBCA (the "**Registrar**") in respect of the amendment to the Arrangement provided for in the Amending Agreement, together with a copy of the final order of the Supreme Court of British Columbia approving such amendment under Section 291 of the BCBCA, are filed with the Registrar in accordance with the Amending Agreement.

"**Arrangement Agreement**" has the meaning ascribed thereto on the first page hereof.

"**as converted basis**" includes the conversion of the Multiple Voting Shares and the redemption or exchange, as applicable, on a 0.7:1.0 basis of the Acreage LLC Units, Warrants, Awards and Class B non-voting common shares of Acreage Holdings WC, Inc. into Fixed Shares.

"**as converted floating basis**" includes the redemption or exchange, as applicable, on a 0.3:1.0 basis of the Acreage LLC Units, Warrants, Awards and Class B non-voting common shares of Acreage Holdings WC, Inc. into Floating Shares.

"**Award**" means any stock option, stock appreciation right, Stock Award, RSU, Performance Share, Performance Unit, and/or Other Stock-Based Award, granted under this Plan.

"**Award Agreement**" means the written document(s), including an electronic writing acceptable to the Administrator, and any notice, addendum or supplement thereto, memorializing the terms and conditions of an Award granted pursuant to the Plan and which shall incorporate the terms of the Plan.

"**BCBCA**" means the *Business Corporations Act* (British Columbia).

"**Board**" means the Board of Directors of Acreage.

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Vancouver, or the City of New York for the transaction of banking business.

"**Canopy Growth**" has the meaning ascribed thereto on the first page hereof.

"**Change in Control**" means the first of the following to occur subsequent to the Effective Date: (i) a Change in Ownership of Acreage, (ii) a Change in Effective Control of Acreage, or (iii) a Change in the Ownership of Assets of Acreage, as described herein and construed in accordance with Code section 409A, but, notwithstanding anything to the contrary contained herein, any acquisition of Shares by Canopy Growth upon the exercise (or deemed exercise) of the Purchaser Call Option in the event the Floating Call Option (as such terms are defined in the Amended Plan of Arrangement) is not also exercised by Canopy Growth shall in no case constitute a "Change in Control" for the purposes of this Plan.

(a) A "**Change in Ownership of Acreage**" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire, ownership of the capital stock of Acreage that, together with the stock held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the capital stock of Acreage. However, if any one Person is, or Persons Acting as a Group are, considered to own more than 50%, on a fully diluted basis, of the total fair market value or total voting power of the capital stock of Acreage, the acquisition of additional stock by the same Person or Persons Acting as a Group is not considered to cause a Change in Ownership of Acreage or to cause a Change in Effective Control of Acreage (as described below). An increase in the percentage of capital stock owned by any one Person, or Persons Acting as a Group, as a result of a transaction in which Acreage acquires its stock in exchange for property will be treated as an acquisition of stock.

(b) A "**Change in Effective Control of Acreage**" shall occur on the date either (A) a majority of members of Acreage's Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of Acreage's Board before the date of the appointment or election, or (B) any one Person (excluding Kevin Murphy and his affiliates), or Persons Acting as a Group (excluding Kevin Murphy and his affiliates), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of Acreage possessing 50% or more of the total voting power of the stock of Acreage.

(c) A "**Change in the Ownership of Assets of Acreage**" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire (or has or have acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons), assets from Acreage that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of Acreage immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of Acreage, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

The following rules of construction apply in interpreting the definition of Change in Control:

(i) A "**Person**" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the *Securities Exchange Act* of 1934, as amended, other than employee benefit plans sponsored or maintained by Acreage and by entities controlled by Acreage or an underwriter, initial purchaser or placement agent temporarily holding the capital stock of Acreage pursuant to a registered public offering.

(ii) Persons will be considered to be Persons Acting as a Group (or Group) if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a Group with other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(iii) A Change in Control shall not include a transfer to a related person as described in Code section 409A or a public offering of capital stock of Acreage.

(iv) For purposes of the definition of Change in Control, Section 318(a) of the Code applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation §1.83-3(b) and (j)), the stock underlying the option is not treated as owned by the individual who holds the option.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor section, regulations and guidance.

"**Company**" means Acreage and its Subsidiaries, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Acreage.

"**Compensation Committee**" means the Compensation and Corporate Governance Committee of the Board.

"**Dividend Equivalent**" means Dividend Floating Share Equivalent or Dividend Subordinate Voting Share Equivalent, as the context requires.

"**Dividend Floating Share Equivalent**" means a right, granted to a Participant, to receive cash, Floating Shares, Floating Units or other property equal in value to dividends paid with respect to a specified number of Floating Shares.

"**Dividend Subordinate Voting Share Equivalent**" means a right, granted to a Participant, to receive cash, Subordinate Voting Shares, stock Units or other property equal in value to dividends paid with respect to a specified number of Subordinate Voting Shares.

"**Effective Date**" has the meaning ascribed thereto on the first page hereof.

"**Eligible Individuals**" means (i) officers and employees of, and other individuals, including non-employee directors, who are natural persons providing bona fide services to or for, Acreage, or any of its Subsidiaries, provided that such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for Acreage's securities and (ii) Acreage consultants who are natural persons providing bona fide services to or for, Acreage or any of its Subsidiaries, provided that such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for Acreage's securities.

"**Exchange**" means the Subordinate Voting Share Exchange or the Floating Share Exchange, as the context requires.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto. Reference to any specific section of the Exchange Act shall be deemed to include such regulations and guidance issued thereunder, as well as any successor section, regulations and guidance.

"**Existing Multiple Voting Shares**" means the Class C multiple voting shares of Acreage existing as at the date hereof, and any securities into which they are converted, including, without limitation, the New Multiple Voting Shares.

"**Existing Subordinate Voting Shares**" means the Class A subordinate voting shares of Acreage existing as at the date hereof, and any securities into which they are converted, including, without limitation, the Fixed Shares.

"**Fair Market Value**" means the Subordinate Voting Share Fair Market Value or the Floating Share Fair Market Value, as the context requires.

"**Fixed Shares**" means the Class E subordinate voting shares of Acreage to be created in accordance with the Amended Plan of Arrangement and designated as subordinate voting shares, each entitling the holder thereof to one vote per share at shareholder meetings of Acreage, and any securities into which they may be converted.

"**Floating RSU**" means a right granted to a Participant to receive Floating Shares or cash at the end of a specified deferral period, which right may be conditioned on the satisfaction of certain requirements (including the satisfaction of certain Performance Criteria).

"**Floating Share Exchange**" means the Canadian Securities Exchange or any such exchange in Canada or the United States on which Floating Shares are listed and posted for trading.

"**Floating Share Fair Market Value**" means, on a per share basis as of any date, unless otherwise determined by the Administrator:

(a) if the principal market for the Floating Shares (as determined by the Administrator if the Floating Shares are listed or admitted to trading on more than one exchange or market) is a national securities exchange or an established securities market, the official closing price per Floating Share for the regular market session on that date on the principal exchange or market on which the Floating Shares are then listed or admitted to trading or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(b) if the principal market for the Floating Shares is not a national securities exchange or an established securities market, but the Floating Shares are quoted by a national quotation system, the average of the highest bid and lowest asked prices for the Floating Shares on that date as reported on a national quotation system or, if no prices are reported for that date, on the last preceding day on which prices were reported, all as reported by such source as the Administrator may select; or

(c) if the Floating Shares are neither listed or admitted to trading on a national securities exchange or an established securities market, nor quoted by a national quotation system, the value determined by the Administrator in good faith by the reasonable application of a reasonable valuation method, which method may, but need not, include taking into account an appraisal of the fair market value of the Floating Shares conducted by a nationally recognized appraisal firm selected by the Administrator.

"**Floating Shares**" means the Class D subordinate voting shares of Acreage to be created in accordance with the Amended Plan of Arrangement, each entitling the holder to one vote per share at shareholder meetings of Acreage, and any securities into which they may be converted.

"**Floating Unit**" means a bookkeeping entry used by Acreage to record and account for the grant of the following types of Awards until such time as the Award is paid, cancelled, forfeited or terminated, as the case may be: stock units, RSUs, Performance Units, and Performance Shares that are expressed in terms of units of Floating Shares.

"**Full Value Award**" means an Award that results in Acreage transferring the full value of a Subordinate Voting Share or Floating Share, as applicable, under the Award, whether or not an actual share is issued. Full Value Awards shall include, but are not limited to, Stock Awards, RSUs, Performance Shares, Performance Units that are payable in Subordinate Voting Shares or Floating Shares, as applicable, and Other Stock-Based Awards for which Acreage transfers the full value of a Subordinate Voting Share or a Floating Share, as applicable, under the Award, but shall not include Dividend Equivalents.

"**Incentive Stock Option**" means any stock option that is designated, in the applicable Award Agreement or the resolutions of the Administrator under which the stock option is granted, as an "incentive stock option" within the meaning of Section 422 of the Code and otherwise meets the requirements to be an "incentive stock option" set forth in Section 422 of the Code.

"**Multiple Voting Shares**" means the Existing Multiple Voting Shares or the New Multiple Voting Shares, as the context requires.

"**New Multiple Voting Shares**" means shares in the capital of Acreage to be created in accordance with the Amended Plan of Arrangement and designated as multiple voting shares, being the shares into which the Existing Multiple Voting Shares will be converted, and any securities into which they are converted.

"**Non-qualified Option**" means any stock option that is not an Incentive Stock Option.

"**Other Stock-Based Award**" means an Award of Subordinate Voting Shares, Floating Shares or any other Award that is valued in whole or in part by reference to, or is otherwise based upon, Subordinate Voting Shares or Floating Shares, as applicable, including without limitation Dividend Equivalents.

"**Participant**" means an Eligible Individual to whom one or more Awards are or have been granted pursuant to the Plan and have not been fully settled or cancelled and, following the death of any such person, his successors, heirs, executors and administrators, as the case may be.

"**Performance Award**" means a Full Value Award, the grant, vesting, lapse of restrictions or settlement of which is conditioned upon the achievement of performance objectives over a specified Performance Period and includes, without limitation, Performance Shares and Performance Units.

"**Performance Criteria**" means the Performance Criteria established by the Administrator in connection with the grant of Awards based on Performance Metrics or other performance criteria selected by the Administrator.

"**Performance Period**" means that period established by the Administrator during which any Performance Criteria specified by the Administrator with respect to such Award are to be measured.

"**Performance Metrics**" means criteria established by the Administrator relating to any of the following, as it may apply to an individual, one or more business units, divisions, or Affiliates, or on a company-wide basis, and in absolute terms, relative to a base period, or relative to the performance of one or more comparable companies, peer groups, or an index covering multiple companies:

(a) Earnings or Profitability Metrics: any derivative of revenue; earnings/loss (gross, operating, net, or adjusted); earnings/loss before interest and taxes ("**EBIT**"); earnings/loss before interest, taxes, depreciation and amortization ("**EBITDA**"); profit margins; operating margins; expense levels or ratios; provided that any of the foregoing metrics may be adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments or investment losses, early extinguishment of debt or stock-based compensation expense;

(b) Return Metrics: any derivative of return on investment, assets, equity or capital (total or invested);

(c) Investment Metrics: relative risk-adjusted investment performance; investment performance of assets under management;

(d) Cash Flow Metrics: any derivative of operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per share; working capital;

(e) Liquidity Metrics: any derivative of debt leverage (including debt to capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios);

(f) Stock Price and Equity Metrics: any derivative of return on shareholders' equity; total shareholder return; stock price; stock price appreciation; market capitalization; earnings/loss per share (basic or diluted) (before or after taxes);

(g) Strategic Metrics: product research and development; completion of an identified special project; clinical trials; regulatory filings or approvals; patent application or issuance; manufacturing or process development; sales or net sales; market share; market penetration; economic value added; customer service; customer satisfaction; inventory control; balance of cash, cash equivalents and marketable securities; growth in assets; key hires; employee satisfaction; employee retention; business expansion; acquisitions, divestitures, joint ventures or financing; legal compliance or safety and risk reduction; and/or

(h) Any such personal performance objectives as determined by the Plan Administrator.

"**Performance Shares**" means a grant of stock or stock Units the issuance, vesting or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period.

"**Performance Units**" means a grant of dollar-denominated Units the value, vesting or payment of which is contingent on performance against predetermined objectives over a specified Performance Period.

"**Plan**" means this Second Amended and Restated Omnibus Incentive Plan, as set forth herein and as it may be amended from time to time.

"**Proposal Agreement**" has the meaning ascribed thereto on the first page hereof.

"**RSU**" means a Subordinate Voting RSU or a Floating Share RSU, as the context requires.

"**Restricted Stock**" means an Award of Subordinate Voting Shares or Floating Shares, as applicable, to a Participant that may be subject to certain transferability and other restrictions and to a risk of forfeiture (including by reason of not satisfying certain Performance Criteria).

"**Restriction Period**" means, with respect to Full Value Awards, the period commencing on the date of grant of such Award to which vesting or transferability and other restrictions and a risk of forfeiture apply and ending upon the expiration of the applicable vesting conditions, transferability and other restrictions and lapse of risk of forfeiture and/or the achievement of the applicable Performance Criteria (it being understood that the Administrator may provide that vesting shall occur and/or restrictions shall lapse with respect to portions of the applicable Award during the Restriction Period in accordance with Section 7(b)).

"**Shares**" means the Subordinate Voting Shares and/or the Floating Shares, as the context requires.

"**Stock Award**" has the meaning ascribed thereto in Section 7(g).

"**Subordinate Voting RSU**" means a right granted to a Participant to receive Subordinate Voting Shares or cash at the end of a specified deferral period, which right may be conditioned on the satisfaction of certain requirements (including the satisfaction of certain Performance Criteria).

"**Subordinate Voting Share Exchange**" means the Canadian Securities Exchange or any such exchange in Canada or the United States on which Subordinate Voting Shares are listed and posted for trading.

"**Subordinate Voting Share Fair Market Value**" means, on a per share basis as of any date, unless otherwise determined by the Administrator:

(a) if the principal market for the Subordinate Voting Shares (as determined by the Administrator if the Subordinate Voting Shares are listed or admitted to trading on more than one exchange or market) is a national securities exchange or an established securities market, the official closing price per Subordinate Voting Share for the regular market session on that date on the principal exchange or market on which the Subordinate Voting Shares are then listed or admitted to trading or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(b) if the principal market for the Subordinate Voting Shares is not a national securities exchange or an established securities market, but the Subordinate Voting Shares are quoted by a national quotation system, the average of the highest bid and lowest asked prices for the Subordinate Voting Shares on that date as reported on a national quotation system or, if no prices are reported for that date, on the last preceding day on which prices were reported, all as reported by such source as the Administrator may select; or

(c) if the Subordinate Voting Shares are neither listed or admitted to trading on a national securities exchange or an established securities market, nor quoted by a national quotation system, the value determined by the Administrator in good faith by the reasonable application of a reasonable valuation method, which method may, but need not, include taking into account an appraisal of the fair market value of the Subordinate Voting Shares conducted by a nationally recognized appraisal firm selected by the Administrator.

"**Subordinate Voting Shares**" means the Existing Subordinate Voting Shares or the Fixed Shares, as the context requires.

"**Subordinate Voting Unit**" means a bookkeeping entry used by Acreage to record and account for the grant of the following types of Awards until such time as the Award is paid, cancelled, forfeited or terminated, as the case may be: stock units, RSUs, Performance Units, and Performance Shares that are expressed in terms of units of Subordinate Voting Shares.

"**Subsidiary**" means any corporation or other entity in an unbroken chain of corporations or other entities beginning with Acreage if each of the corporations or other entities, or group of commonly controlled corporations or other entities, other than the last corporation or other entity in the unbroken chain then owns stock or other equity interests possessing 50% or more of the total combined voting power of all classes of stock or other equity interests in one of the other corporations or other entities in such chain or otherwise has the power to direct the management and policies of the entity by contract or by means of appointing a majority of the members of the board or other body that controls the affairs of the entity; provided, however, that solely for purposes of determining whether a Participant has a Termination of Service that is a "separation from service" within the meaning of Section 409A of the Code or whether an Eligible Individual is eligible to be granted an Award that in the hands of such Eligible Individual would constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, a "Subsidiary" of a corporation or other entity means all other entities with which such corporation or other entity would be considered a single employer under Sections 414(b) or 414(c) of the Code.

"**Tax Withholding Obligation**" means any federal, state, local or foreign (non-United States) income, employment or other tax or social insurance contribution required by applicable law to be withheld in respect of Awards.

"**Termination of Service**" means the termination of the Participant's employment or consultancy with, or performance of services for, Acreage and its Subsidiaries. Temporary absences from employment because of illness, vacation or leave of absence and transfers among Acreage and its Subsidiaries shall not be considered Terminations of Service. With respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, "**Termination of Service**" shall mean a "**separation from service**" as defined under Section 409A of the Code to the extent required by Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code. A Participant has a separation from service within the meaning of Section 409A of the Code if the Participant terminates employment with Acreage and all Subsidiaries for any reason. A Participant will generally be treated as having terminated employment with Acreage and all Subsidiaries as of a certain date if the Participant and the entity that employs the Participant reasonably anticipate that the Participant will perform no further services for Acreage or any Subsidiary after such date or that the level of bona fide services that the Participant will perform after such date (whether as an employee or an independent contractor) will permanently decrease to no more than 20 percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if the Participant has been providing services for fewer than 36 months); provided, however, that the employment relationship is treated as continuing while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of leave does not exceed six months or, if longer, so long as the Participant retains the right to reemployment with Acreage or any Subsidiary.

"**Total and Permanent Disability**" means, with respect to a Participant, except as otherwise provided in the relevant Award Agreement, that a Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant's death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which the Participant participates and which conditions the right to receive benefits under such program on the Participant being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant's death or result in death. The Administrator shall have sole authority to determine whether a Participant has suffered a Total and Permanent Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant's condition.

"**Unit**" means a Subordinated Voting Unit or a Floating Unit, as the context requires.

"**Warrants**" means the issued and outstanding warrants in the capital of Acreage outstanding from time to time.

4. **ADMINISTRATION**.

(a) **Administration of the Plan**. The Plan shall be administered by the Administrator. Nothing in this Plan shall derogate from the Board's authority to approve the grant of Awards and the issuance of any Shares pursuant thereto.

(b) **Powers of the Administrator**. The Administrator shall, except as otherwise provided under the Plan, have full authority, subject to Board approval, to grant Awards pursuant to the terms of the Plan to Eligible Individuals and to take all other actions necessary or desirable to carry out the purpose and intent of the Plan. Among other things, the Administrator shall have the authority, in its sole and absolute discretion, subject to the terms and conditions of the Plan to:

(i) determine the Eligible Individuals to whom, and the time or times at which, Awards shall be granted;

(ii) determine the types of Awards to be granted any Eligible Individual;

(iii) determine the number of Subordinate Voting Shares and Floating Shares to be covered by or used for reference purposes for each Award or the value to be transferred pursuant to any Award;

(iv) determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (A) the purchase price of any Subordinate Voting Shares and Floating Shares, as applicable, (B) the method of payment for shares purchased pursuant to any Award, (C) the method for satisfying any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of Subordinate Voting Shares and Floating Shares, as applicable, (D) subject to Section 7(b), the timing, terms and conditions of the exercisability, vesting or payout of any Award or any shares acquired pursuant thereto, (E) the Performance Criteria applicable to any Award and the extent to which such Performance Criteria have been attained, (F) the time of the expiration of any Award, (G) the effect of the Participant's Termination of Service on any of the foregoing, and (H) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto as the Administrator shall consider to be appropriate and not inconsistent with the terms of the Plan;

(v) subject to Sections 7(f), 10(c) and 15, modify, amend or adjust the terms and conditions of any Award;

(vi) subject to Section 7(b), accelerate or otherwise change the time at or during which an Award may be exercised or becomes payable and waive or accelerate the lapse, in whole or in part, of any restriction, condition or risk of forfeiture with respect to such Award; provided, however, that, except in connection with death, disability, Change in Control, termination of employment following the implementation of the Amended Plan of Arrangement, or resignation following the one year anniversary of the implementation of the Amended Plan of Arrangement, no such change, waiver or acceleration shall be made to any Award that is considered "deferred compensation" within the meaning of Section 409A of the Code if the effect of such action is inconsistent with Section 409A of the Code;

(vii) determine whether an Award will be paid or settled in cash, Subordinate Voting Shares, Floating Shares, or in any combination thereof and whether, to what extent and under what circumstances cash, Subordinate Voting Shares and/or Floating Shares payable with respect to an Award shall be deferred either automatically or at the election of the Participant;

(viii) for any purpose, including but not limited to, qualifying for preferred or beneficial tax treatment, accommodating the customs or administrative challenges or otherwise complying with the tax, accounting or regulatory requirements of one or more jurisdictions, adopt, amend, modify, administer or terminate sub-plans, appendices, special provisions or supplements applicable to Awards regulated by the laws of a particular jurisdiction, which sub-plans, appendices, supplements and special provisions may take precedence over other provisions of the Plan, and prescribe, amend and/or rescind rules and regulations relating to such sub-plans, supplements and/or special provisions;

(ix) establish any "blackout" period, during which transactions affecting Awards may not be effected, that the Administrator in its sole discretion deems necessary or advisable;

(x) determine the Fair Market Value of Subordinate Voting Shares, Floating Shares or other property for any purpose under the Plan or any Award;

(xi) administer, construe and interpret the Plan, Award Agreements and all other documents relevant to the Plan and Awards issued thereunder, and decide all other matters to be determined in connection with an Award;

(xii) establish, amend, rescind and interpret such administrative rules, regulations, agreements, guidelines, instruments and practices for the administration of the Plan and for the conduct of its business as the Administrator deems necessary or advisable;

(xiii) correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent the Administrator shall consider it desirable to carry it into effect; and

(xiv) specify that vesting conditions in respect of Awards shall not extend beyond applicable limitations such that the Award complies at all times with the exception in paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the *Income Tax Act* (Canada) or comparable legislation of any jurisdiction; and

(xv) otherwise administer the Plan and all Awards granted under the Plan.

(e) **Delegation of Administrative Authority**. The Administrator may designate officers or employees of Acreage to assist the Administrator in the administration of the Plan and, to the extent permitted by applicable law and stock exchange rules, the Administrator may delegate to officers or other employees of the Company any of the Administrator's duties and powers under the Plan, subject to such conditions and limitations as the Administrator shall prescribe, including without limitation the authority to execute agreements or other documents on behalf of the Administrator; provided, however, that such delegation of authority shall not extend to the granting of, or exercise of discretion with respect to, Awards to Eligible Individuals who are officers under Section 16 of the Exchange Act.

(c) **Non Uniform Determinations.** The Administrator's determinations under the Plan (including without limitation, determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the Award Agreements evidencing such Awards, and the ramifications of a Change in Control upon outstanding Awards) need not be uniform and may be made by the Administrator selectively among Awards or persons who receive or are eligible to receive Awards under the Plan, whether or not such persons are similarly situated.

(d) **Limited Liability; Advisors**. To the maximum extent permitted by law, no member of the Administrator shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder. The Administrator may employ counsel, consultants, accountants, appraisers, brokers or other persons. The Administrator, Acreage, and the officers and directors of Acreage shall be entitled to rely upon the advice, opinions or valuations of any such persons.

(e) **Indemnification**. To the maximum extent permitted by law, by Acreage's Articles, and by any directors' and officers' liability insurance coverage which may be in effect from time to time, the members of the Administrator and any agent or delegate of the Administrator who is a director, officer or employee of Acreage or an Affiliate shall be indemnified by Acreage against any and all liabilities and expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of the Plan.

(f) **Effect of Administrator's Decision**. All actions taken and determinations made by the Administrator on all matters relating to the Plan or any Award pursuant to the powers vested in it hereunder shall be in the Administrator's sole and absolute discretion, unless in contravention of any express term of the Plan, including, without limitation, any determination involving the appropriateness or equitableness of any action. All determinations made by the Administrator shall be conclusive, final and binding on all parties concerned, including Acreage, its shareholders, any Participants and any other employee, consultant, or director of Acreage and its Affiliates, and their respective successors in interest. No member of the Administrator, nor any director, officer, employee or representative of Acreage shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or Awards.

5. **SHARES**.

**Number of Shares Available for Awards.** Subject to adjustment as provided in Section 5(a), the number of Shares issuable pursuant to Awards that may be granted under the Plan shall be equal to 15% of the aggregate number of Subordinate Voting Shares and Floating Shares issued and outstanding from time to time, on an as-converted basis and an as-converted floating basis (the "**Share Pool**"). Subject to applicable Law, the requirements of the Exchange and any shareholder or other approval which may be required, the Administrator may in its discretion amend the Plan to increase such limit without notice to any Participants.

(a) **Adjustments**. On and after the Effective Date, the Share Pool shall be adjusted, in addition to any adjustments to be made pursuant to Section 10 of the Plan, as follows:

(i) The Share Pool shall be reduced, on the date of grant, by one share for each stock option or stock appreciation right granted under the Plan and by one share for each Stock Award, RSU, Performance Share and/or Other Stock-Based Award granted under the Plan; provided that Awards that are valued by reference to Subordinate Voting Shares or Floating Shares but are required to be paid in cash pursuant to their terms, shall not reduce the Share Pool;

(ii) If and to the extent options or stock appreciation rights originating from the Share Pool terminate, expire, or are canceled, forfeited, exchanged, or surrendered without having been exercised, or if any Stock Awards, RSUs, Performance Shares and/or Other Stock-Based Awards are forfeited, the Subordinate Voting Shares and/or Floating Shares, subject to such Awards shall again be available for Awards under the Share Pool, and shall increase the Share Pool by one share for each stock option or stock appreciation right so terminated, expired, canceled, forfeited, exchanged or surrendered and one share for each Stock Award, RSU, Performance Share and/or Other Stock-Based Award forfeited;

(iii) Notwithstanding the foregoing, the following Shares shall not become available for issuance under the Plan: (A) shares tendered by Participants, or withheld by the Company, as full or partial payment to the Company upon the exercise of stock options granted under the Plan, until such Shares are cancelled; (B) shares reserved for issuance upon the grant of stock appreciation rights, to the extent the number of reserved shares exceeds the number of shares actually issued upon the exercise of the stock appreciation rights; and (C) shares withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations upon the lapse of restrictions on Stock Awards or the exercise of stock options or stock appreciation rights granted under the Plan, until such shares are cancelled.

(b) **ISO Limits**. The following limitations shall apply to awards of Incentive Stock Options, notwithstanding any generally applicable contrary provisions in the Plan. Any Award of Incentive Stock Options which does not comply with the provisions of this paragraph shall be deemed to be an award of Non-Qualified Stock Options to the extent of such non-compliance.

(i) Subject to adjustment pursuant to Section 10 of the Plan, and also subject to the total number of the maximum number of Shares available for all Grants under this Plan, the total number of Shares that may be issued pursuant to stock options granted under the Plan that are intended to qualify as Incentive Stock Options within the meaning of Section 422 of the Code shall be 2,000,000.

(ii) To the extent that the aggregate Fair Market Value of (x) the Shares with respect to Incentive Stock Options, plus (y) the Shares with respect to which other Incentive Stock Options are first exercisable by a Participant during any calendar year under all plans of the Company and any Affiliate exceeds $100,000, such Incentive Stock Options shall be treated as Nonqualified Stock Options. For purposes of the preceding sentence, the Fair Market Value of the Shares shall be determined as of the time the Option or other incentive stock option is granted.

(iii) No Incentive Stock Options may be granted pursuant to the Plan after the day immediately prior to the tenth anniversary of the Effective Date.

(iv) During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant or, in the case of the Participant's Disability, by the Participant's guardian or legal representative.

(v) No Incentive Stock Option may be granted to any non-employee of the Company or an Affiliate.

(c) **Source of Shares**. The Shares with respect to which Awards may be made under the Plan shall be shares authorized by Acreage for issuance but unissued, or issued and reacquired, including without limitation shares purchased in the open market or in private transactions.

(d) **Stock Exchange Limits**.

(i) The number of Shares subject to Awards granted to any one Participant shall be determined by the Board, but no one Participant shall be granted Awards which exceed, in aggregate, the maximum number permitted by the Exchange, if applicable.

(ii) Subject to the aggregate limit and adjustment provisions in Section 5 of this Plan, the aggregate number of Shares that may be issued to "Insiders" (as defined in the *Securities Act* (Ontario) and includes an associate and Affiliate, as defined in the *Securities Act* (Ontario) pursuant to the exercise of Awards under the Plan and all other security based compensation arrangements of the Company are subject, in all respects, to Exchange policies.

6. **PARTICIPATION.**

Participation in the Plan shall be open to all Eligible Individuals, as may be selected by the Administrator from time to time.

7. **AWARDS**.

(a) **Awards, In General**. The Administrator, in its sole discretion, shall establish the terms of all Awards granted under the Plan consistent with the terms of the Plan. Awards may be granted individually or in tandem with other types of Awards, concurrently with or with respect to outstanding Awards. All Awards are subject to the terms and conditions of the Plan and as provided in the Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. Unless otherwise specified by the Administrator, in its sole discretion, or otherwise provided in the Award Agreement, an Award shall not be effective unless the Award Agreement is signed or otherwise accepted by Acreage and the Participant receiving the Award (including by electronic delivery and/or electronic signature). Unless the Administrator determines otherwise, any failure by the Participant to sign and return the Award Agreement within such period of time following the granting of the Award as the Administrator shall prescribe shall cause such Award to the Participant to be null and void. The Administrator may direct that any stock certificate evidencing shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares pursuant to the Plan.

(b) **Minimum Restriction Period for Full Value Awards**. Except as provided below and notwithstanding any provision of the Plan to the contrary, each Award granted under the Plan shall be subject to a minimum Restriction Period of 12 months from the date of grant if vesting of or lapse of restrictions on such Award is based on the satisfaction of Performance Criteria and a minimum Restriction Period of 36 months from the date of grant, applied in either pro rata installments or a single installment, if vesting of or lapse of restrictions on such Award is based solely on the Participant's satisfaction of specified service requirements with the Company. If the grant of a Performance Award is conditioned on satisfaction of Performance Criteria, the Performance Period shall not be less than 12 months' duration, but no additional minimum Restriction Period need apply to such Award. Except as provided below and notwithstanding any provision of the Plan to the contrary, the Administrator shall not have discretionary authority to waive the minimum Restriction Period applicable to a Full Value Award, except in the case of death, disability, retirement, a Change in Control, termination of employment following the implementation of the Amended Plan of Arrangement, or resignation following the one year anniversary of the implementation of the Amended Plan of Arrangement. Notwithstanding the foregoing, the provisions of this Section 7(b) shall not apply and/or may be waived, in the Administrator's sole discretion, with respect to up to the number of Full Value Awards that is equal to 10% of the aggregate Share Pool as of the Effective Date. Notwithstanding the foregoing, the minimum Restriction Period may be less than 36 months in order to ensure that an Award complies at all times with the exception in paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the *Income Tax Act* (Canada) or comparable legislation of any jurisdiction.

(c) **Stock Options**.

(i) Grants. A stock option means a right to purchase a specified number of Subordinate Voting Shares or Floating Shares, as applicable, from Acreage at a specified price during a specified period of time. The Administrator may from time to time grant to Eligible Individuals Awards of Incentive Stock Options or Non-qualified Options; provided, however, that Awards of Incentive Stock Options shall be limited to employees of Acreage or of any current or hereafter existing "parent corporation" or "subsidiary corporation," as defined in Sections 424(e) and 424(f) of the Code, respectively, of Acreage, and any other Eligible Individuals who are eligible to receive Incentive Stock Options under the provisions of Section 422 of the Code. No stock option shall be an Incentive Stock Option unless so designated by the Administrator at the time of grant or in the applicable Award Agreement.

(ii) Exercise. Stock options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; provided, however, that Awards of stock options may not have a term in excess of ten years' duration unless required otherwise by applicable law. The exercise price per share subject to a stock option granted under the Plan shall not be less than the Fair Market Value of one Subordinate Voting Share or Floating Share, as applicable, on the date of grant of the stock option, except as provided under applicable law or with respect to stock options that are granted in substitution of similar types of awards of a company acquired by Acreage or a Subsidiary or with which Acreage or a Subsidiary combines (whether in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, or otherwise) to preserve the intrinsic value of such awards. Notwithstanding the foregoing, An Incentive Stock Option shall not be granted to any individual who, at the date of grant, owns Stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Affiliate, unless the exercise price per share is at least 110% of the Fair Market Value per share of Stock at the date of grant, and the Option expires no later than five years after the date of grant. Should the expiry date of a stock option fall within a period during which the relevant Participant is prohibited from exercising a Nonqualified Option due to trading restrictions imposed by the Company pursuant to any policy of the Company respecting restrictions on trading that is in effect at that time (a "**blackout period**") or within nine Business Days following the expiration of a blackout period, such expiry date of the Nonqualified Option shall be automatically extended without any further act or formality to that date which is the tenth Business Day after the end of the blackout period (but not beyond the first to occur of the original term of the option or the $10^{th}$ anniversary of the original grant date of the option), such tenth Business Day to be considered the expiry date for such Nonqualified Option for all purposes under the Plan. The ten Business Day period referred to in this paragraph may not be extended by the Board.

(iii) Termination of Service. Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock options are not vested and exercisable, a Participant's stock options shall be forfeited upon his or her Termination of Service.

(iv) Additional Terms and Conditions. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock options, provided they are not inconsistent with the Plan.

(d) **Limitation on Reload Options**. The Administrator shall not grant stock options under this Plan that contain a reload or replenishment feature pursuant to which a new stock option would be granted automatically upon receipt of delivery of any Shares to Acreage in payment of the exercise price or any tax withholding obligation under any other stock option.

(e) **Stock Appreciation Rights**.

(i) Grants. The Administrator may from time to time grant to Eligible Individuals Awards of stock appreciation rights. A stock appreciation right entitles the Participant to receive, subject to the provisions of the Plan and the Award Agreement, a payment having an aggregate value equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one Subordinate Voting Share or Floating Shares, as applicable, over (B) the base price per share specified in the Award Agreement, times (ii) the number of shares specified by the stock appreciation right, or portion thereof, which is exercised. The base price per share specified in the Award Agreement shall not be less than the Fair Market Value on the date of grant, or with respect to stock appreciation rights that are granted in substitution of similar types of awards of a company acquired by Acreage or a Subsidiary or with which Acreage or a Subsidiary combines (whether in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, or otherwise) such base price as is necessary to preserve the intrinsic value of such awards.

(ii) Exercise. Stock appreciation rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; provided, however, that stock appreciation rights granted under the Plan may not have a term in excess of ten years' duration unless required otherwise by applicable law. The applicable Award Agreement shall specify whether payment by Acreage of the amount receivable upon any exercise of a stock appreciation right is to be made in cash, Subordinate Voting Shares, Floating Shares or a combination thereof, or shall reserve to the Administrator or the Participant the right to make that determination prior to or upon the exercise of the stock appreciation right. If upon the exercise of a stock appreciation right a Participant is to receive a portion of such payment in Subordinate Voting Shares, the number of shares shall be determined by dividing such portion by the Subordinate Voting Share Fair Market Value of a Subordinate Voting Share on the exercise date. If upon the exercise of a stock appreciation right a Participant is to receive a portion of such payment in Floating Shares, the number of shares shall be determined by dividing such portion by the Floating Share Fair Market Value of a Floating Share on the exercise date. No fractional shares shall be used for such payment and the Administrator shall determine whether cash shall be given in lieu of such fractional shares or whether such fractional shares shall be eliminated.

(iii) Termination of Service. Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock appreciation rights are not vested and exercisable, a Participant's stock appreciation rights shall be forfeited upon his or her Termination of Service.

(iv) Additional Terms and Conditions. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock appreciation rights, provided they are not inconsistent with the Plan.

(f) **Repricing**. Notwithstanding anything herein to the contrary, the terms of stock options and stock appreciation rights granted under the Plan may be amended, after the date of grant, to reduce the exercise price of such stock options or stock appreciation rights, or outstanding stock options or stock appreciation rights be canceled in exchange for (i) cash, (ii) stock options or stock appreciation rights with an exercise price or base price that is less than the exercise price or base price of the original outstanding stock options or stock appreciation rights, or (iii) other Awards, provided that any such actions are in compliance with the applicable rules and requirements, if any, of the stock exchange upon which the Shares are listed and have been approved by the Board.

(g) **Stock Awards**.

(i) Grants. The Administrator may from time to time grant to Eligible Individuals Awards of unrestricted Subordinate Voting Shares, Floating Shares or Restricted Stock (collectively, "**Stock Awards**") on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as the Administrator shall determine, subject to the limitations set forth in Section 7(b). Stock Awards shall be evidenced in such manner as the Administrator may deem appropriate, including via book-entry registration.

(ii) Vesting. Restricted Stock shall be subject to such vesting, restrictions on transferability and other restrictions, if any, and/or risk of forfeiture as the Administrator may impose at the date of grant or thereafter. The Restriction Period to which such vesting, restrictions and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of Performance Criteria, in such installments, or otherwise, as the Administrator may determine. Subject to the provisions of the Plan, the applicable Award Agreement and applicable law, during the Restriction Period, the Participant shall not be permitted to vote sell, assign, transfer, pledge or otherwise encumber shares of Restricted Stock.

(iii) Rights of a Shareholder; Dividends. Except to the extent restricted under the Award Agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a registered holder of Subordinate Voting Shares or Floating Shares, as applicable, including, without limitation, the right to vote Restricted Stock upon the expiry of the Restriction Period. Subject to shareholder approval, cash dividends declared payable on Subordinate Voting Shares and/or Floating Shares shall be paid, with respect to outstanding Restricted Stock, as determined by the Administrator, and shall be paid in cash or as unrestricted Subordinate Voting Shares or Floating Shares, as applicable, having a Fair Market Value equal to the amount of such dividends or may be reinvested in additional shares of Restricted Stock as determined by the Administrator; provided, however, that dividends declared payable on Restricted Stock that is granted as a Performance Award shall be held by Acreage and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such shares of Restricted Stock. Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Subordinate Voting Shares, Floating Shares or other property has been distributed. As soon as is practicable following the date on which restrictions on any shares of Restricted Stock lapse, Acreage shall deliver to the Participant the certificates for such shares or shall cause the shares to be registered in the Participant's name in book-entry form, in either case with the restrictions removed, provided that the Participant shall have complied with all conditions for delivery of such shares contained in the Award Agreement or otherwise reasonably required by Acreage.

(iv) Termination of Service. Except as provided in the applicable Award Agreement, upon Termination of Service during the applicable Restriction Period, Restricted Stock and any accrued but unpaid dividends that are at that time subject to restrictions shall be forfeited; provided that, subject to the limitations set forth in Section 7(b), the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of Restricted Stock.

(v) Additional Terms and Conditions. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Restricted Stock, provided they are not inconsistent with the Plan.

(h) **Share Units**.

(i) Grants. The Administrator may from time to time grant to Eligible Individuals Awards of unrestricted stock Units or RSUs on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as the Administrator shall determine, subject to the limitations set forth in Section 7(b). RSUs represent a contractual obligation by Acreage to deliver a number of Subordinate Voting Shares or Floating Shares, an amount in cash equal to the Fair Market Value of the specified number of Shares subject to the Award, or a combination of Subordinate Voting Shares or Floating Shares, and cash, in accordance with the terms and conditions set forth in the Plan and any applicable Award Agreement.

(ii) Vesting and Payment. RSUs shall be subject to such vesting, risk of forfeiture and/or payment provisions as the Administrator may impose at the date of grant. The Restriction Period to which such vesting and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of Performance Criteria, in such installments, or otherwise, as the Administrator may determine. Subordinate Voting Shares, Floating Shares, cash or a combination of Shares and cash, payable in settlement of RSUs shall be delivered to the Participant as soon as administratively practicable, but no later than 30 days, after the date on which payment is due under the terms of the Award Agreement provided that the Participant shall have complied with all conditions for delivery of such shares or payment contained in the Award Agreement or otherwise reasonably required by Acreage, or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.

(iii) No Rights of a Shareholder; Dividend Equivalents. Until Subordinate Voting Shares or Floating Shares are issued to the Participant in settlement of stock Units, the Participant shall not have any rights of a shareholder of Acreage with respect to the stock Units or the shares issuable thereunder. The Administrator may grant to the Participant the right to receive Dividend Equivalents on stock Units, on a current, reinvested and/or restricted basis, subject to such terms as the Administrator may determine provided, however, that Dividend Equivalents payable on stock Units that are granted as a Performance Award shall, rather than be paid on a current basis, be accrued and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such stock Units.

(iv) Termination of Service. Upon Termination of Service during the applicable deferral period or portion thereof to which forfeiture conditions apply, or upon failure to satisfy any other conditions precedent to the delivery of Subordinate Voting Shares, Floating Shares or cash to which such RSUs relate, all RSUs and any accrued but unpaid Dividend Equivalents with respect to such RSUs that are then subject to deferral or restriction shall be forfeited; provided that, subject to the limitations set forth in Section 7(b), the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to RSUs will be waived in whole or in part in the event of termination resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of RSUs.

(v) Additional Terms and Conditions. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock Units, provided they are not inconsistent with the Plan.

(i) **Performance Shares and Performance Units**.

(i) Grants. The Administrator may from time to time grant to Eligible Individuals Awards in the form of Performance Shares and Performance Units. Performance Shares, as that term is used in this Plan, shall refer to Subordinate Voting Shares, Floating Shares or Units that are expressed in terms of Subordinate Voting Shares or Floating Shares, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period. Performance Units, as that term is used in this Plan, shall refer to dollar-denominated Units valued by reference to designated criteria established by the Administrator, other than Subordinate Voting Shares and Floating Shares, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period. The applicable Award Agreement shall specify whether Performance Shares and Performance Units will be settled or paid in cash, Subordinate Voting Shares, Floating Shares or a combination thereof, or shall reserve to the Administrator or the Participant the right to make that determination prior to or at the payment or settlement date.

(ii) Performance Criteria. The Administrator shall, prior to or at the time of grant, condition the grant, vesting or payment of, or lapse of restrictions on, an Award of Performance Shares or Performance Units upon (A) the attainment of Performance Criteria during a Performance Period or (B) the attainment of Performance Criteria and the continued service of the Participant. The length of the Performance Period, the Performance Criteria to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Criteria have been attained shall be conclusively determined by the Administrator in the exercise of its absolute discretion. Performance Criteria may include minimum, maximum and target levels of performance, with the size of the Award or payout of Performance Shares or Performance Units or the vesting or lapse of restrictions with respect thereto based on the level attained. An Award of Performance Shares or Performance Units shall be settled as and when the Award vests or at a later time specified in the Award Agreement or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.

(iii) Additional Terms and Conditions. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Performance Shares or Performance Units, provided they are not inconsistent with the Plan.

(j) **Other Stock-Based Awards**. The Administrator may from time to time grant to Eligible Individuals Awards in the form of Other Stock-Based Awards. Other Stock-Based Awards in the form of Dividend Equivalents may be (A) awarded on a free-standing basis or in connection with another Award other than a stock option or stock appreciation right, (B) paid currently or credited to an account for the Participant, including the reinvestment of such credited amounts in Subordinate Voting Shares equivalents or Floating Shares equivalents, to be paid on a deferred basis, and (C) settled in Subordinate Voting Shares or Floating Shares, or cash as determined by the Administrator; provided, however, that Dividend Equivalents payable on Other Stock-Based Awards that are granted as a Performance Award shall, rather than be paid on a current basis, be accrued and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such Other Stock-Based Awards. Any such settlements, and any such crediting of Dividend Equivalents, may be subject to such conditions, restrictions and contingencies as the Administrator shall establish.

(k) **Awards to Participants Outside the United States**. The Administrator may grant Awards to Eligible Individuals who are foreign nationals, who are located outside the United States or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause Acreage or a Subsidiary to be subject to) tax, legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable in order that any such Award shall conform to laws, regulations, and customs of the country or jurisdiction in which the Participant is then resident or primarily employed or to foster and promote achievement of the purposes of the Plan.

(l) **Limitation on Dividend Reinvestment and Dividend Equivalents**. Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of Subordinate Voting Shares or Floating Shares with respect to dividends to Participants holding Awards of stock Units, shall only be permissible if sufficient shares are available under the Share Pool for such reinvestment or payment (taking into account then outstanding Awards). In the event that sufficient shares are not available under the Share Pool for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of stock Units equal in number to the Subordinate Voting Shares or Floating Shares, as applicable, that would have been obtained by such payment or reinvestment, the terms of which stock Units shall provide for settlement in cash and for Dividend Equivalent reinvestment in further stock Units on the terms contemplated by this Section 7(m).

8. **WITHHOLDING OF TAXES**.

Participants and holders of Awards shall pay to Acreage or its Affiliate, or make arrangements satisfactory to the Administrator for payment of, any Tax Withholding Obligation in respect of Awards granted under the Plan no later than the date of the event creating the tax or social insurance contribution liability. The obligations of Acreage under the Plan shall be conditional on such payment or arrangements. Unless otherwise determined by the Administrator, and subject always to applicable law, Tax Withholding Obligations may be settled in whole or in part with Subordinate Voting Shares and/or Floating Shares, including unrestricted outstanding shares surrendered to Acreage and unrestricted shares that are part of the Award that gives rise to the Tax Withholding Obligation, having a Fair Market Value on the date of surrender or withholding equal to the statutory minimum amount (or such greater amount permitted under FASB Accounting Standards Codification Topic 718, *Compensation—Stock Compensation*, for equity-classified awards) required to be withheld for tax or social insurance contribution purposes, all in accordance with such procedures as the Administrator establishes. Acreage or its Affiliate may deduct, to the extent permitted by law, any such Tax Withholding Obligations from any payment of any kind otherwise due to the Participant or holder of an Award.

9. **TRANSFERABILITY OF AWARDS**.

(a) **Requirement for Administrator Permission**. Except as otherwise determined by the Administrator, and in any event in the case of an Incentive Stock Option or a tandem stock appreciation right granted with respect to an Incentive Stock Option, no Award granted under the Plan shall be transferable by a Participant otherwise than by will or the laws of descent and distribution. The Administrator shall not permit any transfer of an Award for value except to the Company or in connection with a Change in Control. An Award may be exercised during the lifetime of the Participant, only by the Participant or, during the period the Participant is under a legal disability, by the Participant's guardian or legal representative, unless otherwise determined by the Administrator. Awards granted under the Plan shall not be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except as otherwise determined by the Administrator; provided, however, that the restrictions in this sentence shall not apply to the Subordinate Voting Shares or Floating Shares received in connection with an Award after the date that the restrictions on transferability of such shares set forth in the applicable Award Agreement have lapsed. Nothing in this paragraph shall be interpreted or construed as overriding the terms of any Acreage stock ownership or retention policy, now or hereafter existing, that may apply to the Participant or Subordinate Voting Shares or Floating Shares received under an Award.

(b) **Administrator Discretion to Permit Transfers Other Than For Value**. Except as otherwise restricted by applicable law, the Administrator may, but need not, permit an Award, other than an Incentive Stock Option or a tandem stock appreciation right granted with respect to an Incentive Stock Option, to be transferred to a Participant's Family Member (as defined below) as a gift or pursuant to a domestic relations order in settlement of marital property rights. The Administrator shall not permit any transfer of an Award for value except to the Company or in connection with a Change in Control. For purposes of this Section 9, "Family Member" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent (50%) of the voting interests. The following transactions are not prohibited transfers for value: (i) a transfer under a domestic relations order in settlement of marital property rights; and (ii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity.

10. **ADJUSTMENTS FOR CORPORATE TRANSACTIONS AND OTHER EVENTS**.

(a) **Mandatory Adjustments**. In the event of a merger, consolidation, stock rights offering, statutory share exchange or similar event affecting Acreage (each, a "**Corporate Event**") or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, or recapitalization or similar event affecting the capital structure of Acreage (each, a "**Share Change**") that occurs at any time after adoption of this Plan by the Board (including any such Corporate Event or Share Change that occurs after such adoption and coincident with or prior to the Effective Date), the Administrator shall, with the approval of the Exchange or the shareholders of the Company (if required), make equitable and appropriate substitutions or proportionate adjustments to (i) the aggregate number and kind of Shares or other securities on which Awards under the Plan may be granted to Eligible Individuals, (ii) the maximum number of Shares or other securities with respect to which Awards may be granted during any one calendar year to any individual, (iii) the maximum number of Shares or other securities that may be issued with respect to Incentive Stock Options granted under the Plan, (iv) the number of Shares or other securities covered by each outstanding Award and the exercise price, base price or other price per share, if any, and other relevant terms of each outstanding Award, and (v) all other numerical limitations relating to Awards, whether contained in this Plan or in Award Agreements; provided, however, that any fractional shares resulting from any such adjustment shall be eliminated; and, provided further, that in no event shall the exercise price per Share of a stock option or stock appreciation right, or subscription price per Share or any other Award, be reduced to an amount that is lower than the par value of such Share.

(b) **Discretionary Adjustments**. In the case of a Corporate Event, the Administrator may, with the approval of the Exchange or the shareholders of the Company (if required), make such other adjustments to outstanding Awards as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding Awards in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Administrator in its sole discretion (it being understood that in the case of a Corporate Event with respect to which shareholders of Acreage receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of a stock option or stock appreciation right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Event over the exercise price or base price of such stock option or stock appreciation right shall conclusively be deemed valid and that any stock option or stock appreciation right may be cancelled for no consideration upon a Corporate Event if its exercise price or base price equals or exceeds the value of the consideration being paid for each Share pursuant to such Corporate Event), (ii) the substitution of securities or other property (including, without limitation, cash or other securities of Acreage and securities of entities other than Acreage) for the Shares subject to outstanding Awards, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof ("**Substitute Awards**").

(c) **Adjustments to Performance Criteria**. The Administrator may, in its discretion, adjust the Performance Criteria applicable to any Awards to reflect any unusual or infrequently occurring event or transaction, impact of charges for restructurings, discontinued operations and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in Acreage's consolidated financial statements, notes to the consolidated financial statements, management's discussion and analysis or other Acreage filings with the Canadian provincial securities administrators or the Securities and Exchange Commission. If the Administrator determines that a change in the business, operations, corporate structure or capital structure of Acreage or the applicable subsidiary, business segment or other operational unit of Acreage or any such entity or segment, or the manner in which any of the foregoing conducts its business, or other events or circumstances, render the Performance Criteria to be unsuitable, the Administrator may modify such Performance Criteria or the related minimum acceptable level of achievement, in whole or in part, as the Administrator deems appropriate and equitable.

(d) **Statutory Requirements Affecting Adjustments**. Notwithstanding the foregoing: (A) any adjustments made pursuant to Section 10 to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (B) any adjustments made pursuant to Section 10 to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (1) continue not to be subject to Section 409A of the Code or (2) comply with the requirements of Section 409A of the Code; (C) in any event, the Administrator shall not have the authority to make any adjustments pursuant to Section 10 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the date of grant to be subject thereto; and (D) any adjustments made pursuant to Section 10 to Awards that are Incentive Stock Options shall be made in compliance with the requirements of Section 424 (a) of the Code.

(e) **Dissolution or Liquidation**. Unless the Administrator determines otherwise, all Awards outstanding under the Plan shall terminate upon the dissolution or liquidation of Acreage.

11. **CHANGE IN CONTROL PROVISIONS.**

(a) **Termination of Awards**. Notwithstanding the provisions of Section 11(b), in the event that any transaction resulting in a Change in Control occurs, outstanding Awards will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Awards by, or for the issuance therefor of Substitute Awards of, the surviving or successor entity or a parent thereof. Solely with respect to Awards that will terminate as a result of the immediately preceding sentence and except as otherwise provided in the applicable Award Agreement:

(i) the outstanding Awards of stock options and stock appreciation rights that will terminate upon the effective time of the Change in Control shall, immediately before the effective time of the Change in Control, become fully exercisable and the holders of such Awards will be permitted, immediately before the Change in Control, to exercise the Awards;

(ii) the outstanding shares of Restricted Stock the vesting or restrictions on which are then solely time-based and not subject to achievement of Performance Criteria shall, immediately before the effective time of the Change in Control, become fully vested, free of all transfer and lapse restrictions and free of all risks of forfeiture;

(iii) the outstanding shares of Restricted Stock the vesting or restrictions on which are then subject to and pending achievement of Performance Criteria shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting or lapsing of restrictions in a greater amount upon the occurrence of a Change in Control, become vested, free of transfer and lapse restrictions and risks of forfeiture in such amounts as if the applicable Performance Criteria for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement;

(iv) the outstanding RSUs, Performance Shares and Performance Units the vesting, earning or settlement of which is then solely time-based and not subject to or pending achievement of Performance Criteria shall, immediately before the effective time of the Change in Control, become fully earned and vested and shall be settled in Subordinate Voting Shares or Floating Shares, as applicable, or cash (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code; and

(v) the outstanding RSUs, Performance Shares and Performance Units the vesting, earning or settlement of which is then subject to and pending achievement of Performance Criteria shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting, earning or settlement in a greater amount upon the occurrence of a Change in Control, become vested and earned in such amounts as if the applicable Performance Criteria for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement and shall be settled in Subordinate Voting Shares or Floating Shares, as applicable, or cash (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code. Implementation of the provisions of this Section 11(a) shall be conditioned upon consummation of the Change in Control.

(b) **Continuation, Assumption or Substitution of Awards**. The administrator may specify, on or after the date of grant, in an award agreement or amendment thereto, the consequences of a Participant's Termination of Service that occurs coincident with or following the occurrence of a Change in Control, if a Change in Control occurs under which provision is made in connection with the transaction for the continuation or assumption of outstanding Awards by, or for the issuance therefor of Substitute Awards of, the surviving or successor entity or a parent thereof.

(c) **Other Permitted Actions**. In the event that any transaction resulting in a Change in Control occurs, the Administrator may take any of the actions set forth in Section 10 with respect to any or all Awards granted under the Plan.

(d) **Section 409A Savings Clause**. Notwithstanding the foregoing, if any Award is considered to be a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, this Section 11 shall apply to such Award only to the extent that its application would not result in the imposition of any tax or interest or the inclusion of any amount in income under Section 409A of the Code.

12. **SUBSTITUTION OF AWARDS IN MERGERS AND ACQUISITIONS**.

Awards may be granted under the Plan from time to time in substitution for assumed awards held by employees, officers, consultants or directors of entities who become employees, officers, consultants or directors of Acreage or a Subsidiary as the result of a merger or consolidation of the entity for which they perform services with Acreage or a Subsidiary, or the acquisition by Acreage of the assets or stock of the such entity. The terms and conditions of any Awards so granted may vary from the terms and conditions set forth herein to the extent that the Administrator deems appropriate at the time of grant to conform the Awards to the provisions of the assumed awards for which they are substituted and to preserve their intrinsic value as of the date of the merger, consolidation or acquisition transaction. To the extent permitted by applicable law and marketplace or listing rules of the primary securities market or exchange on which the Subordinate Voting Shares and/or the Floating Shares are listed or admitted for trading, any available shares under a shareholder-approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards granted pursuant to this Section 12 and, upon such grant, shall not reduce the Share Pool.

13. **COMPLIANCE WITH SECURITIES LAWS; LISTING AND REGISTRATION**.

(a) The obligation of Acreage to sell or deliver Shares with respect to any Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal, state or foreign (non-United States) securities laws, or foreign (non-United States) securities laws and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Administrator. If at any time the Administrator determines that the delivery of Shares under the Plan is or may be unlawful under the laws of any applicable jurisdiction, or federal, state or foreign (non-United States) securities laws, the right to exercise an Award or receive Shares pursuant to an Award shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Shares under the Plan would or may violate the rules of any exchange on which Acreage's securities are then listed for trading, the right to exercise an Award or receive Shares pursuant to an Award shall be suspended until the Administrator determines that such delivery would not violate such rules. If the Administrator determines that the exercise or nonforfeitability of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any stock exchange upon which any of Acreage's equity securities are listed, then the Administrator may postpone any such exercise, nonforfeitability or delivery, as applicable, but Acreage shall use all reasonable efforts to cause such exercise, nonforfeitability or delivery to comply with all such provisions at the earliest practicable date. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained.

(b) Each Award is subject to the requirement that, if at any time the Administrator determines, in its absolute discretion, that the listing, registration or qualification of any Shares issuable pursuant to the Plan is required by any securities exchange or under any state, federal or foreign (non-United States) law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of any Shares, no such Award shall be granted or payment made or Shares issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Administrator.

(c) In the event that the disposition of any Shares acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended (the "**Securities Act**"), and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required by the Securities Act or regulations thereunder, and the Administrator may require a person receiving any Shares pursuant to the Plan, as a condition precedent to receipt of such Shares, to represent to Acreage in writing that the Shares acquired by such person is acquired for investment only and not with a view to distribution and that such person will not dispose of the Shares so acquired in violation of federal, state or foreign securities laws and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company to issue the Shares in compliance with applicable federal, state or foreign securities laws. If applicable, all certificates representing such Shares shall bear applicable legends as required by federal, state or foreign securities laws or stock exchange regulation.

14. **SECTION 409A COMPLIANCE**.

It is the intention of Acreage that any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code shall comply in all respects with the requirements of Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code, and the terms of each such Award shall be construed, administered and deemed amended, if applicable, in a manner consistent with this intention. Notwithstanding the foregoing, neither Acreage nor any of its Affiliates nor any of its or their directors, officers, employees, agents or other service providers will be liable for any taxes, penalties or interest imposed on any Participant or other person with respect to any amounts paid or payable (whether in cash, Shares or other property) under any Award, including any taxes, penalties or interest imposed under or as a result of Section 409A of the Code. Any payments described in an Award that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. For purposes of any Award, each amount to be paid or benefit to be provided to a Participant that constitutes deferred compensation subject to Section 409A of the Code shall be construed as a separate identified payment for purposes of Section 409A of the Code. For purposes of Section 409A of the Code, the payment of Dividend Equivalents under any Award shall be construed as earnings and the time and form of payment of such Dividend Equivalents shall be treated separately from the time and form of payment of the underlying Award. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, any payments (whether in cash, Shares or other property) to be made with respect to the Award that become payable on account of the Participant's separation from service, within the meaning of Section 409A of the Code, while the Participant is a "specified employee" (as determined in accordance with the uniform policy adopted by the Administrator with respect to all of the arrangements subject to Section 409A of the Code maintained by Acreage and its Affiliates) and which would otherwise be paid within six months after the Participant's separation from service shall be accumulated (without interest) and paid on the first day of the seventh month following the Participant's separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death. Notwithstanding anything in the Plan or an Award Agreement to the contrary, in no event shall the Administrator exercise its discretion to accelerate the payment or settlement of an Award where such payment or settlement constitutes deferred compensation within the meaning of Code section 409A unless, and solely to the extent that, such accelerated payment or settlement is permissible under Treasury Regulation section 1.409A-3(j)(4).

15. **PLAN DURATION; AMENDMENT AND DISCONTINUANCE**.

(a) **Plan Duration**. The Plan shall remain in effect, subject to the right of the Board or the Compensation Committee to amend or terminate the Plan at any time, until the (a) earliest date as of which all Awards granted under the Plan have been satisfied in full or terminated and no Shares approved for issuance under the Plan remain available to be granted under new Awards or (b) the tenth anniversary of the Effective Date. No Awards shall be granted under the Plan after such termination date. Subject to other applicable provisions of the Plan, all Awards made under the Plan on or before the tenth anniversary of the Effective Date, or such earlier termination of the Plan, shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

(b) **Amendment and Discontinuance of the Plan**. The Board or the Compensation Committee may, without shareholder approval, amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of a Participant with respect to a previously granted Award without such Participant's consent, except such an amendment made to comply with applicable law or rule of any securities exchange or market on which the Subordinate Voting Shares and/or Floating Shares are listed or admitted for trading or to prevent adverse tax or accounting consequences to Acreage or the Participant. Notwithstanding the foregoing, no such amendment shall be made without the approval of Acreage's shareholders to the extent such amendment would (A) materially increase the benefits accruing to Participants under the Plan, (B) materially increase the number of Subordinate Voting Shares and/or Floating Shares which may be issued under the Plan or to a Participant, (C) materially expand the eligibility for participation in the Plan, (D) eliminate or modify the prohibition set forth in Section 7(f) on repricing of stock options and stock appreciation rights, (E) lengthen the maximum term or lower the minimum exercise price or base price permitted for stock options and stock appreciation rights, or (F) modify the prohibition on the issuance of reload or replenishment options. Except as otherwise determined by the Board or Compensation Committee, termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

(c) **Amendment of Awards**. Subject to Section 7(f), the Administrator may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall materially impair the rights of any Participant with respect to an Award without the Participant's consent, except such an amendment made to cause the Plan or Award to comply with applicable law, applicable rule of any securities exchange on which the Subordinate Voting Shares and/or Floating Shares are listed or admitted for trading, or to prevent adverse tax or accounting consequences for the Participant or the Company or any of its Affiliates. For purposes of the foregoing sentence, an amendment to an Award that results in a change in the tax consequences of the Award to the Participant shall not be considered to be a material impairment of the rights of the Participant and shall not require the Participant's consent.

16. **GENERAL PROVISIONS**.

(a) **Non-Guarantee of Employment or Service**. Nothing in the Plan or in any Award Agreement thereunder shall confer any right on an individual to continue in the service of Acreage or any Affiliate or shall interfere in any way with any right of Acreage or any Affiliate may have to terminate such service at any time with or without cause or notice and whether or not such termination results in (i) the failure of any Award to vest or become payable; (ii) the forfeiture of any unvested or vested portion of any Award; and/or (iii) any other adverse effect on the individual's interests under any Award or the Plan. No person, even though deemed an Eligible Individual, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. To the extent that an Eligible Individual who is an employee of a Subsidiary receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that Acreage is the Participant's employer or that the Participant has an employment relationship with Acreage.

(b) **No Trust or Fund Created**. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Acreage and a Participant or any other person. To the extent that any Participant or other person acquires a right to receive payments from Acreage pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Acreage.

(c) **Status of Awards**. Awards shall be special incentive payments to the Participant and shall not be taken into account in computing the amount of salary or compensation of the Participant for purposes of determining any pension, retirement, death, severance or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance, severance or other employee benefit plan of Acreage or any Affiliate now or hereafter in effect under which the availability or amount of benefits is related to the level of compensation or (b) any agreement between (i) Acreage or any Affiliate and (ii) the Participant, except as such plan or agreement shall otherwise expressly provide.

(d) **Subsidiary Employees**. In the case of a grant of an Award to an Eligible Individual who provides services to any Subsidiary, Acreage may, if the Administrator so directs, issue or transfer the Shares, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Administrator may specify, upon the condition or understanding that the Subsidiary will transfer the Shares to the Eligible Individual in accordance with the terms of the Award specified by the Administrator pursuant to the provisions of the Plan. All Shares underlying Awards that are forfeited or canceled after such issue or transfer of shares to the Subsidiary shall revert to Acreage.

(e) **Governing Law and Interpretation**. The validity, construction and effect of the Plan, of Award Agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Administrator relating to the Plan or such Award Agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with the laws of British Columbia and the laws of Canada applicable therein without regard to its conflict of laws principles. The captions of the Plan are not part of the provisions hereof and shall have no force or effect. Except where the context otherwise requires: (i) the singular includes the plural and vice versa; (ii) a reference to one gender includes other genders; (iii) a reference to a person includes a natural person, partnership, corporation, association, governmental or local authority or agency or other entity; and (iv) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(f) **Use of English Language**. The Plan, each Award Agreement, and all other documents, notices and legal proceedings entered into, given or instituted pursuant to an Award shall be written in English, unless otherwise determined by the Administrator. If a Participant receives an Award Agreement, a copy of the Plan or any other documents related to an Award translated into a language other than English, and if the meaning of the translated version is different from the English version, the English version shall control.

(g) **Recovery of Amounts Paid**. Except as otherwise provided by the Administrator, Awards granted under the Plan shall be subject to any and all policies, guidelines, codes of conduct, or other agreement or arrangement adopted by the Board or Compensation Committee with respect to the recoupment, recovery or clawback of compensation (collectively, the "**Recoupment Policy**") and/or to any provisions set forth in the applicable Award Agreement under which Acreage may recover from current and former Participants any amounts paid or Shares issued under an Award and any proceeds therefrom under such circumstances as the Administrator determines appropriate. The Administrator may apply the Recoupment Policy to Awards granted before the policy is adopted to the extent required by applicable law or rule of any securities exchange or market on which Subordinate Voting Shares and/or Floating Shares, as applicable, are listed or admitted for trading, as determined by the Administrator in its sole discretion.

**EXHIBIT 10.2**

**OPTION AWARD AGREEMENT**

**ACREAGE HOLDINGS, INC.**

This Award Agreement is entered into between Acreage Holdings, Inc. (the "**Corporation**") and the Participant named below, pursuant to the Corporation's Second Amended and Restated Omnibus Incentive Plan effective September 23, 2020 (the "**Plan**"), a copy of which is attached hereto as Schedule "A". All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Plan.

1. This Award Agreement evidences that on [♦] (the "**Grant Date**"), [**NAME**] (the "**Participant**") was granted [♦] Floating Options (the "**Award**"), in accordance with the terms of this Award Agreement and subject to the provisions of the Plan.

2. The Award will vest as follows:

| Number & Type of Award | Exercise Price (USD) | Expiry Date | Vesting On |
|---|---|---|---|
| [♦] Floating Options | [♦] | [♦] | [♦] |

all on the terms and subject to the conditions set out in the Plan.

3. By signing this agreement, the Participant:

   (a) acknowledges that he or she has read and understands the Plan, agrees with the terms and conditions thereof, which shall be deemed to be incorporated into and form part of this Award Agreement (subject to any specific variations contained in this Award Agreement);

   (b) acknowledges that he or she is responsible for paying any applicable taxes and withholding taxes arising from the exercise of any Award, as further described in Article 8 of the Plan;

   (c) agrees that an Award does not carry any voting rights until such time as the Award is exercised, settled or exchanged, as applicable, for voting securities of the Corporation;

   (d) acknowledges that the value of the Award granted herein is in US$ denomination, and such value is not guaranteed;

   (e) recognizes that the value of an Award upon vesting, settlement and/or exercise, as applicable, is subject to stock market fluctuations;

   (f) recognizes that the Plan can be administered by a designee of the Compensation and Corporate Governance Committee (the "**Committee**") of the board of directors of the Corporation (the "**Board**") by virtue of Section 4(c) of the Plan and any communication from or to the designee shall be deemed to be from or to the Corporation;

   (g) acknowledges that he or she has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and has taken the opportunity to obtain such independent legal advice or has elected not to do so, and fully understands all provisions hereof and the Plan; and

(h) agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Committee, if any, upon any questions arising under and matters concerning the Plan or this Award Agreement.

Notwithstanding any other arrangements between the Corporation and the Participant, in the event of the Participant's death, or in the event that the Participant's employment is terminated with or without cause, the Participant resigns from his or her employment or office with the Corporation or the Participant ceases to be a director of the Corporation, he or she shall immediately forfeit all unvested Award.

IN WITNESS WHEREOF the Corporation and the Participant have executed this Award Agreement as of _____, 2021.

**ACREAGE HOLDINGS, INC.**

By: _____
Name:
Title:

_____
Name of Participant

_____
Signature of Participant

**Note to Plan Participants**

This Award Agreement must be signed where indicated and returned to the Corporation within 15 days of receipt. Failure to acknowledge acceptance of this grant will result in the cancellation of your Award.

**Schedule “A”**

**Omnibus Incentive Plan**

**(attached)**

**EXHIBIT 10.3**

**RESTRICTED STOCK UNIT AWARD AGREEMENT**

**ACREAGE HOLDINGS, INC.**

This Award Agreement is entered into between Acreage Holdings, Inc. (the "**Corporation**") and the Participant named below, pursuant to the Corporation's Second Amended and Restated Omnibus Incentive Plan effective September 23, 2020 (the "**Plan**"), a copy of which is attached hereto as Schedule "A". All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Plan.

1. This Award Agreement evidences that on January 1, 2021 (the "**Grant Date**"), **[NAME]** (the "**Participant**") was granted [FIXED] Fixed RSUs and [FLOAT] Floating RSUs (together the "**Awards**"), in accordance with the terms of this Award Agreement and subject to the provisions of the Plan.

2. The Awards will vest as follows:

| Number & Type of Awards | Vesting On |
|---|---|
| [FIXED] Fixed RSUs | [♦] |
| [FLOAT] Floating RSUs | [♦] |

all on the terms and subject to the conditions set out in the Plan.

3. By signing this agreement, the Participant:

   (a) acknowledges that he or she has read and understands the Plan, agrees with the terms and conditions thereof, which shall be deemed to be incorporated into and form part of this Award Agreement (subject to any specific variations contained in this Award Agreement);

   (b) acknowledges that he or she is responsible for paying any applicable taxes and withholding taxes arising from the exercise of any Award, as further described in Article 8 of the Plan;

   (c) agrees that an Award does not carry any voting rights until such time as the Award is exercised, settled or exchanged, as applicable, for voting securities of the Corporation;

   (d) acknowledges that the value of the Awards granted herein is in US$ denomination, and such value is not guaranteed;

   (e) recognizes that the value of an Award upon vesting, settlement and/or exercise, as applicable, is subject to stock market fluctuations;

   (f) recognizes that the Plan can be administered by a designee of the Compensation and Corporate Governance Committee (the "**Committee**") of the board of directors of the Corporation (the "**Board**") by virtue of Section 4(c) of the Plan and any communication from or to the designee shall be deemed to be from or to the Corporation;

(g) acknowledges that he or she has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and has taken the opportunity to obtain such independent legal advice or has elected not to do so, and fully understands all provisions hereof and the Plan; and

(h) agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Committee, if any, upon any questions arising under and matters concerning the Plan or this Award Agreement.

Notwithstanding any other arrangements between the Corporation and the Participant, in the event of the Participant's death, or in the event that the Participant's employment is terminated with or without cause, the Participant resigns from his or her employment or office with the Corporation or the Participant ceases to be a director of the Corporation, he or she shall immediately forfeit all unvested Awards.

IN WITNESS WHEREOF the Corporation and the Participant have executed this Award Agreement as of _____, 2021.

**ACREAGE HOLDINGS, INC.**

By: _____
Name:
Title:

_____
Name of Participant

_____
Signature of Participant

**Note to Plan Participants**

This Award Agreement must be signed where indicated and returned to the Corporation within 15 days of receipt. Failure to acknowledge acceptance of this grant will result in the cancellation of your Awards.

**Schedule "A"**

**Omnibus Incentive Plan**

**(attached)**

**Exhibit 10.7**

**THIRD AMENDMENT TO**
**THIRD AMENDED AND RESTATED**
**LIMITED LIABILITY COMPANY AGREEMENT**
**OF HIGH STREET CAPITAL PARTNERS, LLC**

THIS THIRD AMENDMENT (this "Amendment") TO THIRD AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF HIGH STREET CAPITAL PARTNERS, LLC (the "Company") is made and entered into as of this 23rd day of September, 2020, by and between the Manager and Acreage Holdings America, Inc. (the "Majority Member").

**RECITALS**

WHEREAS, the members of the Company (the "Members") originally entered into that certain Third Amended and Restated Limited Liability Company Agreement dated as of November 14, 2018, as amended by that certain First Amendment to Third Amended and Restated Limited Liability Company Agreement dated as of May 10, 2019 and that certain Second Amendment to Third Amended and Restated Limited Liability Company Agreement dated as of June 27, 2019 (collectively the "LLC Agreement");

WHEREAS, Acreage Holdings, Inc., a corporation existing under the laws of the Province of British Columbia and the sole owner of the Manager and the Majority Member ("Acreage"), and Canopy Growth Corporation, a corporation existing under the laws of Canada ("Canopy"), are parties to that certain Arrangement Agreement dated as of April 18, 2019, as amended on May 15, 2019 (the "Existing Arrangement Agreement") as further amended by that certain Second Amendment to Arrangement Agreement dated as of September 23, 2020 (the "Second Amendment")

WHEREAS, pursuant to the terms of the Second Amendment, the Manager and the Majority Member are required to cause the amendment of the LLC Agreement to, among other things, reflect changes to provide for the conversion of Common Units to Fixed Shares and Floating Shares and to effect such other changes required by or in connection with the Amended Arrangement (as such term is defined in the Second Amendment), including, the Amended Plan of Arrangement (as such term is defined in the Second Amendment);

WHEREAS, pursuant to Section 16.03 of the LLC Agreement, the LLC Agreement may be amended by the consent of the Manager and Members holding a majority of the Common Units outstanding;

WHEREAS, the Majority Member holds approximately 80% of the outstanding Common Units of the Company;

WHEREAS, in accordance with Section 16.03 of the LLC Agreement the Majority Member and the Manager desire to amend the LLC Agreement as set forth herein; and

WHEREAS, except as specifically set forth in Section 3 of this Amendment, all other terms and conditions of the LLC Agreement remain in full force and effect.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Recitals. The above recitals are hereby incorporated into the substantive provisions of this Amendment by reference hereto.

2. Definition. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the LLC Agreement.

3. Amendments to LLC Agreement.

(a) The following definitions shall be added to Article I of the LLC

Agreement:

"***Common Unit Fixed Share Redemption Price***" means the volume weighted average price for a Fixed Share on the principal securities exchange on which the Fixed Shares are traded or quoted, as reported by Bloomberg, L.P., or its successor, for each of the five (5) consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Redemption Date, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Fixed Shares. If the Fixed Shares no longer trade on a securities exchange or automated or electronic quotation system, then the Manager shall determine the Common Unit Fixed Share Redemption Price in good faith.

"***Common Unit Floating Share Redemption Price***" means the volume weighted average price for a Floating Share on the principal securities exchange on which the Floating Shares are traded or quoted, as reported by Bloomberg, L.P., or its successor, for each of the five (5) consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Redemption Date, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Floating Shares. If the Floating Shares no longer trade on a securities exchange or automated or electronic quotation system, then the Manager shall determine the Common Unit Floating Share Redemption Price in good faith.

"***Fixed Share Settlement***" means the number of Fixed Shares equal to the number of Redeemed Units multiplied by 0.7.

"***Fixed Shares***" means the Class E subordinate voting shares of Pubco to be created pursuant to the Amended Plan of Arrangement, each entitling the holder thereof to one vote per share at shareholder meetings of Pubco, and any securities into which they may be converted.

"***Floating Share Settlement***" means the number of Floating Shares equal to the number of Redeemed Units multiplied by 0.3.

"***Floating Shares***" means the Class D subordinate voting shares of Pubco to be created pursuant to the Amended Plan of Arrangement, each entitling the holder to one vote per share at shareholder meetings of Pubco, and any securities into which they may be converted

"***Pubco Equity Securities***" means collectively, the Fixed Shares and Floating Shares.

(b) The current definitions included in Article I of the LLC Agreement for the below terms shall be deleted in their entirety and replaced with the following definitions:

"***Redeemed Units Equivalent***" means (a) the product of the Fixed Share Settlement and the Common Unit Fixed Share Redemption Price, plus (b) the product of the Floating Share Settlement and the Common Unit Floating Share Redemption Price.

"***Share Settlement***" means the aggregate number of Fixed Shares and Floating Shares issued as a result of the Fixed Share Settlement and the Floating Share Settlement.

(c) The following definitions included in Article I of the LLC Agreement for the below terms shall be deleted in their entirety: Common Unit Redemption Price, Pubco Subordinate Voting Shares.

(d) All references in the LLC Agreement to "Pubco Subordinate Voting Shares" shall be deleted and replaced with "Pubco Equity Securities."

(e) Effective Immediately prior to the Acquisition Effective Time (as defined in the Existing Arrangement Agreement), the Fourth Amended and Restated Limited Liability Company Agreement of the Company, the form of which is attached hereto as Exhibit A, shall automatically amend and restate the LLC Agreement in its entirety, without any further action required by the Manager, the Majority Member or the Members.

4. Effect of this Amendment. Except as expressly amended by this Amendment, the LLC Agreement shall continue in full force and effect in accordance with the provisions thereof. All references in the LLC Agreement to "this Agreement" or words of similar import shall refer to the LLC Agreement as amended by this Amendment.

5. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to principles of conflicts of law.

6. Binding Effect. This Amendment shall inure to the benefit of and shall be legally binding upon the parties hereto and their respective successors, assigns, representatives and heirs.

7. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon but all of which shall constitute one and the same instrument. This Amendment may be executed and delivered by facsimile, .pdf or other form of electronic transmission, and any signature page delivered by facsimile, .pdf or other form of electronic transmission shall be effective for all purposes.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first above written.

ACREAGE HOLDINGS AMERICA, INC.

By: 

Name: Kevin Murphy
Title: President

**MAJORITY MEMBER:**

ACREAGE HOLDINGS AMERICA, INC.

By: 

Name: Kevin Murphy
Title: President

**EXHIBIT A**

**FOURTH AMENDED AND RESTATED**
**LIMITED LIABILITY COMPANY AGREEMENT**

[See attached.]

**FOURTH AMENDED AND RESTATED**

**LIMITED LIABILITY COMPANY AGREEMENT**

**OF**

**High Street Capital Partners, LLC, d/b/a Acreage Holdings a Delaware limited liability company**

Dated as of [_____]

THE SECURITIES REPRESENTED BY THIS LIMITED LIABILITY COMPANY AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER SUCH ACT AND LAWS OR EXEMPTION THEREFROM, AND COMPLIANCE WITH THE OTHER RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN.

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**FOURTH AMENDED AND RESTATED**
**LIMITED LIABILITY COMPANY AGREEMENT**
**OF**
**HIGH STREET CAPITAL PARTNERS, LLC, D/B/A ACREAGE HOLDINGS**

This FOURTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "***Agreement***"), dated as of [_____] (the "***Effective Time***"), is entered into by and among High Street Capital Partners, LLC, d/b/a Acreage Holdings, a Delaware limited liability company (the "***Company***"), and its Members (as defined herein).

WHEREAS, the Company was formed by the filing of the Certificate (as defined herein) with the Secretary of State of the State of Delaware pursuant to the Act (as defined herein) on April 29, 2014;

WHEREAS, the Company and its then Members entered into an original limited liability company agreement dated as of December 10, 2015, which was amended as of July 22, 2016;

WHEREAS, the Company and its then Members entered into an amended and restated limited liability company agreement dated as of March 24, 2017;

WHEREAS, the Company, the Managing Member and a Supermajority in Interest of the Members entered into that certain Second Amended and Restated Limited Liability Company Agreement dated as of April 27, 2018;

WHEREAS, the Company, the Manager and the Members entered into that certain Third Amended and Restated Limited Liability Company Agreement dated as of November 14, 2018, which was amended as of May 10, 2019, June 27, 2019 and September 23, 2020 (the "***Prior Operating Agreement***"); and

WHEREAS, pursuant to that certain arrangement agreement by and between Canopy Growth Corporation, a corporation existing under the laws of Canada ("***Pubco***"), and Acreage Holdings, Inc., a corporation existing under the laws of the Province of British Columbia ("***Acreage***"), dated as of April 18, 2019, as amended on May 15, 2019 and September 23, 2020 (the "***Arrangement Agreement***"), the Company, the Manager and the Members desire to amend and restate the Prior Operating Agreement in its entirety as set forth in this Agreement, the provisions of which shall become effective immediately prior to the Effective Time (as defined herein).

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Manager and the Members, intending to be legally bound, hereby agree as follows:

## ARTICLE I.
## DEFINITIONS

The following definitions shall be applied to the terms used in this Agreement for all purposes, unless otherwise clearly indicated to the contrary.

"***Acreage***" has the meaning set forth in the preamble to this Agreement.

"***Acreage Shares***" means the total number of common shares of Acreage, as authorized in the constating documents of Acreage.

"***Act***" means the Delaware Limited Liability Company Act, as amended from time to time, or any corresponding provision or provisions of any succeeding or successor law of the State of Delaware; *provided*, *however*, that any amendment to the Act, or any succeeding or successor law, is applicable to the Company only if the Company has elected to be governed by the Act as so amended or by such succeeding or successor law, as the case may be. The term "Act" shall refer to the Act as so amended or to such succeeding or successor law only after the appropriate election by the Company, if made, has become effective.

"***Additional Member***" has the meaning set forth in Section 12.02.

"***Adjusted Capital Account Deficit***" means with respect to the Capital Account of any Member as of the end of any Taxable Year, the amount by which the balance in such Capital Account is less than zero. For this purpose, such Member's Capital Account balance shall be:

(a) reduced for any items described in Treasury Regulation Section 1.704- 1(b)(2)(ii)(d)(4), (5), and (6); and

(b) increased for any amount such Member is obligated to contribute or is treated as being obligated to contribute to the Company pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (relating to partner liabilities to a partnership) or 1.704-2(g)(1) and 1.704-2(i) (relating to minimum gain).

"***Admission Date***" has the meaning set forth in Section 10.06.

"***Affiliate***" (and, with a correlative meaning, "***Affiliated***") means, with respect to a specified Person, each other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified. As used in this definition, "control" (including with correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities or by contract or other agreement).

"***Agreement***" has the meaning set forth in the preamble to this Agreement.

" ***Amended Plan of Arrangement***" means the amended and restated plan of arrangement attached as Schedule A to the Amending Agreement.

"***Amending Agreement***" means that certain Second Amendment to the Arrangement Agreement dated as of September 23, 2020 between Acreage and Pubco.

"***Appraisers***" has the meaning set forth in Section 15.02.

"***Arrangement Agreement***" has the meaning set forth in the preamble to this Agreement.

"***Assignee***" means a Person to whom a Company Interest has been transferred but who has not become a Member pursuant to ARTICLE XII.

"***Assumed Tax Liability***" means, with respect to a Member, an amount equal to the Distribution Tax Rate multiplied by the actual taxable income of the Company, as determined for federal (and to the extent applicable state and local) income tax purposes, allocated to such Member pursuant to Section 5.05 for the applicable tax period to which the Assumed Tax Liability relates as reasonably determined for U.S. federal income tax purposes by the Manager; *provided* that such Assumed Tax Liability shall be reduced to take into account (i) adjustments to the tax basis of the Company's property pursuant to Code Sections 732, 734, 743 or similar provisions Code, (ii) 50% of all Deductible Losses arising in a taxable period (or portion thereof) ending before January 1, 2020, and 100% of all Deductible Losses arising in a taxable period (or portion thereof) beginning on or after January 1, 2020, in each case, previously allocated by the Company to any Class B Unitholder in respect of any interest in the Company (including, without limitation, Common Units) in excess of taxable income previously allocated by the Company to such Class B Unitholder in respect of any interest held in the Company (including, without limitation, Common Units) for all taxable periods (or portions thereof), and (iii) any other factor that would reduce the actual tax liabilities of such holder of a Class B Unit that are not otherwise described in this definition of "Assumed Tax Liability". If a Member is a member of a consolidated group for U.S. federal income tax purposes, then the Assumed Tax Liability with respect to such Member shall be determined in accordance with such Member's consolidated tax group.

"***Base Rate***" means, on any date, a variable rate per annum equal to the rate of interest most recently published by The Wall Street Journal as the "prime rate" at large U.S. money center banks.

"***Black- Out Period***" means any "black-out" or similar period under Acreage's or Pubco's policies covering trading in Acreage's or Pubco's securities to which the applicable Redeeming Member is subject, which period restricts the ability of such Redeeming Member to immediately resell the Acreage Shares or Pubco Shares to be delivered to such Redeeming Member in connection with a Share Settlement.

"***Book Value***" means, with respect to any Company property, the Company's adjusted basis for U.S. federal income tax purposes, adjusted from time to time to reflect the adjustments required or permitted by Treasury Regulation Section 1.704-1(b)(2)(iv)(d)-(g).

"***Breaching Member***" has the meaning set forth in Section 13.02(d).

" ***Business Day***" means any day other than a Saturday or a Sunday or a day on which the principal securities exchange on which the Pubco Shares are traded or quoted is closed or banks located in Toronto, Ontario, Canada or New York, New York generally are authorized or required by Law to close.

"***Capital Account***" means the capital account maintained for a Member in accordance with Section 5.01.

"***Capital Contribution***" means, with respect to any Member, the amount of any cash, cash equivalents, promissory obligations or the Fair Market Value of other property that such Member contributes (or is deemed to contribute) to the Company pursuant to ARTICLE III hereof.

"***Certificate***" means the Certificate of Formation of the Company filed with the Secretary of State of the State of Delaware in accordance with the Act, as such Certificate may be amended from time to time in accordance with the Act.

"***Cash Settlement***" means immediately available funds in U.S. dollars in an amount equal to the Redeemed Units Equivalent.

"***Class A Units***" has the meaning set forth in Section 3.02.

"***Class A Unitholder***" means a Member who is the registered holder of Class A Units.

"***Class B Exchange Ratio***" has the meaning of the term "Exchange Ratio" as set forth in the Amended Plan of Arrangement.

"***Class B Fixed Cash Settlement***" means immediately available funds in U.S. dollars in an amount equal to the Class B Fixed Redeemed Units Equivalent.

"***Class B Fixed Redeemed Units Equivalent***" means the product of (a) the Class B Fixed Share Settlement and (b) the Class B Unit Redemption Price.

"***Class B Fixed Share Settlement***" means a number of Pubco Shares equal to (x) the number of Redeemed Units multiplied by 0.7, multiplied by (y) the Class B Exchange Ratio. If the Pubco Shares are no longer traded on a securities exchange or automated or electronic quotation system, then the Manager shall determine the Class B Fixed Share Settlement in good faith.

"***Class B Fixed Units***" means the Class B Units which are convertible into Pubco Shares pursuant to the provisions of this Agreement.

"***Class B Floating Cash Settlement***" means immediately available funds in U.S. dollars in an amount equal to the Class B Floating Redeemed Units Equivalent.

"***Class B Floating Ratio***" has the meaning of the term "Floating Ratio" as set forth in the Amended Plan of Arrangement.

"***Class B Floating Redeemed Units Equivalent***" means the product of (a) the Class B Floating Share Settlement and (b) the Class B Floating Share Redemption Price.

"***Class B Floating Share Redemption Price***" means the volume weighted average price for a Class B Floating Share on the principal securities exchange on which the Class B Floating Shares are traded or quoted, as reported by Bloomberg, L.P., or its successor, for each of the thirty (30) consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Redemption Date, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Class B Floating Shares. If the Class B Floating Shares no longer trade on a securities exchange or automated or electronic quotation system, then the Manager shall determine the Class B Floating Share Redemption Price in good faith.

"***Class B Floating Share Settlement***" means a number of Acreage Shares equal to the number of Redeemed Units multiplied by 0.3. If the Acreage Shares are no longer traded on a securities exchange or automated or electronic quotation system, then the Manager shall determine the Class B Floating Share Settlement in good faith.

"***Class B Floating Shares***" means the Class D subordinate voting shares of Acreage created pursuant to the Amended Plan of Arrangement, each entitling the holder to one vote per share at shareholder meetings of Acreage, and any capital securities into which they may be converted.

"***Class B Floating Units***" means the Class B Units which are convertible into the Class B Floating Shares.

"***Class B FMV***" means the volume weighted average price for a Pubco Share on the principal securities exchange on which the Pubco Shares are traded or quoted, as reported by Bloomberg, L.P., or its successor, for each of the five (5) consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Effective Time, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Pubco Shares. If the Pubco Shares no longer trade on a securities exchange or automated or electronic quotation system, then the Manager shall determine the Class B FMV in good faith.

"***Class B Option Consideration***" has the meaning set forth in Section 3.02(b).

"***Class B Preferred Return Base Amount***" means the Class B FMV relating to a Class B Unitholder's Company Interest in the Company immediately prior to the Effective Time; provided, however, that for these purposes, the Class B FMV shall assume that the Class B Unitholders immediately before the Effective Time converted all of their Units in the Company pursuant to the terms of this Agreement (and to the extent that any such Class B Unitholders were previously Class C- 1 Unitholders, that such Class C-1 Unitholders converted first to Common Units pursuant to the Prior Operating Agreement and then immediately converted to Pubco Shares and, if applicable, Acreage Shares).

"***Class B Preferred Return Amount***" means a preferred return equal to the Secured Overnight Financing Rate as published on the date of the Effective Time multiplied by the Class B Preferred Return Base Amount.

"***Class B Share Option***" has the meaning set forth in Section 11.06.

"***Class B Unit Redemption Price***" means the volume weighted average price for a Pubco Share on the principal securities exchange on which the Pubco Shares are traded or quoted, as reported by Bloomberg, L.P., or its successor, for each of the five (5) consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Redemption Date, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Pubco Shares. If the Pubco Shares no longer trade on a securities exchange or automated or electronic quotation system, then the Manager shall determine the Class B Unit Redemption Price in good faith.

"***Class B Units***" means, collectively, the Class B Fixed Units and the Class B Floating Units.

"***Class B Unitholder***" means a Member who is the registered holder of Class B Units.

"***Class C-1 Units***" means the Class C-1 Membership Units as defined in the Prior Operating Agreement, which for the avoidance of doubt shall cease to exist at the Effective Time.

"***Class C-1 Unitholder***" means a Member who was the registered holder of Class C-1 Units under the Prior Operating Agreement.

"***Code***" means the United States Internal Revenue Code of 1986, as amended.

"***Common Unit***" means a Unit representing a fractional part of the Company Interests of the Members having the rights and obligations specified with respect to the Common Units in the Prior Operating Agreement (other than Class C-1 Units), which for the avoidance of doubt shall cease to exist at the Effective Time.

"***Company***" has the meaning set forth in the preamble to this Agreement.

"***Company Interest***" means the interest of a Member in Profits, Losses and Distributions.

"***Confidential Information***" has the meaning set forth in Section 16.02.

"***Contribution Notice***" has the meaning set forth in Section 11.01(b).

"***CSE***" means the Canadian Securities Exchange, including any governmental body or agency succeeding to the functions thereof.

"***Deductible Losses***" means taxable losses of the Company that are generally deductible by a taxpayer subject to U.S. federal income taxation, but without regard to such taxpayer's particular circumstances.

"***Direct Exchange***" has the meaning set forth in Section 11.03(a).

"***Discount***" has the meaning set forth in Section 6.06.

"***Distributable Cash***" shall mean, as of any relevant date on which a determination is being made by the Manager regarding a potential Distribution pursuant to Section 4.01(a), the amount of cash and cash equivalents held by the Company, less such cash reserves as the Manager determines are necessary to pay on a timely basis Company costs and expenses, including operating costs and expenses, taxes, debt service, capital expenditures and other obligations of the Company, taking into account the anticipated revenues of the Company.

"***Distribution***" (and, with a correlative meaning, "***Distribute***") means each distribution made by the Company to a Member with respect to such Member's Units, whether in cash, property or securities of the Company and whether by liquidating distribution or otherwise; *provided, however*, that none of the following shall be a Distribution: (a) any recapitalization that does not result in the distribution of cash or property to Members or any exchange of securities of the Company, and any subdivision (by Unit split or otherwise) or any combination (by reverse Unit split or otherwise) of any outstanding Units or (b) any other payment made by the Company to a Member that is not properly treated as a "distribution" for purposes of Sections 731, 732, or 733 or other applicable provisions of the Code.

"***Distribution Tax Rate***" shall mean the actual combined effective federal, state and local tax rate applicable to individuals resident in San Francisco, California, in each case taking into account, without limitation, (a) the character of income allocated on the Class B Units and (b) deductibility of state and local taxes, to the extent actually deductible (including taking into account the impact of the "alternative minimum tax").

"***Effective Time***" has the meaning set forth in the preamble to this Agreement.

"***Equity Plan***" means any option, stock, unit, stock unit, appreciation right, phantom equity or other incentive equity or equity-based compensation plan or program, in each case, now or hereafter adopted by Pubco.

"***Equity Securities***" means (a) Units or other equity interests in the Company or any Subsidiary of the Company (including other classes or groups thereof having such relative rights, powers and duties as may from time to time be established by the Manager pursuant to the provisions of this Agreement, including rights, powers and/or duties senior to existing classes and groups of Units and other equity interests in the Company or any Subsidiary of the Company), (b) obligations, evidences of indebtedness or other securities or interests convertible or exchangeable into Units or other equity interests in the Company or any Subsidiary of the Company, and (c) warrants, options or other rights to purchase or otherwise acquire Units or other equity interests in the Company or any Subsidiary of the Company.

"***Event of Withdrawal***" means the expulsion, bankruptcy or dissolution of a Member or the occurrence of any other event that terminates the continued membership of a Member in the Company. "Event of Withdrawal" shall not include an event that (a) terminates the existence of a Member for income tax purposes (including (i) a change in entity classification of a Member under Treasury Regulations Section 301.7701-3, (ii) a sale of assets by, or liquidation of, a Member pursuant to an election under Code Sections 336 or 338, or (iii) merger, severance, or allocation within a trust or among sub- trusts of a trust that is a Member) but that (b) does not terminate the existence of such Member under applicable state law (or, in the case of a trust that is a Member, does not terminate the trusteeship of the fiduciaries under such trust with respect to all the Company Interests of such trust that is a Member).

"***Exchange Act***" means the Securities and Exchange Act of 1934, as may be amended from time to time.

"***Exchange Election Notice***" has the meaning set forth in Section 11.03(b).

"***Fair Market Value***" means, with respect to any asset, its fair market value determined according to Article XV.

"***Fiscal Period***" means any interim accounting period within a Taxable Year established by the Company and which is permitted or required by Section 706 of the Code.

"***Fiscal Year***" means the Company's annual accounting period established pursuant to Section 8.02.

"***Governmental Entity***" means (a) the United States of America, (b) any other sovereign nation, (c) any state, province, district, territory or other political subdivision of (a) or (b) of this definition, including any county, municipal or other local subdivision of the foregoing, or (d) any entity exercising executive, legislative, judicial, regulatory or administrative functions of government on behalf of (a), (b) or (c) of this definition.

"***Gross Asset Value***" means, with respect to any asset of the Company, such asset's adjusted basis for federal income tax purposes except as follows:

(a) the initial Gross Asset Value of (i) the assets contributed by each Member to the Company prior to the date hereof is the gross fair market value (as defined in Treasury Regulation section 1.704-1(b)(2)(iv)(h)) of such contributed assets as indicated in the books and records of the Company as of the date hereof; and (ii) any asset hereafter contributed by a Member, other than money, is the gross fair market value (as defined in Treasury Regulation section 1.704-1(b)(2)(iv)(h)) thereof as agreed to by the Manager and the contributing party;

(b) if the Manager reasonably determines that an adjustment is necessary or appropriate to reflect the relative economic interests of the Members, the Gross Asset Values of the Company assets shall be adjusted to equal their respective gross fair market values, as reasonably determined by the Manager, as of the following times:

(i) a Capital Contribution (other than a *de minimis* Capital Contribution) to the Company by a new or existing Member as consideration for Units;

(ii) the distribution by the Company to a Member of more than a *de minimis* amount of Company property as consideration for the redemption of Units;

(iii) the liquidation of the Company within the meaning of Treasury Regulation section 1.704-1(b)(2)(ii)(g);

(iv) the issuance of any interests in the Company as consideration for the provision of services to or for the benefit of the Company; and

(v) the issuance by the Company of a non-compensatory option (other than an option for a *de minimis* membership interest);

(c) the Gross Asset Values of the Company assets distributed to any Member shall be the gross fair market value (as defined in Treasury Regulations section 1.704-1(b)(2)(iv)(h)) of such assets (taking Code Section 7701(g) into account) as reasonably determined by the Manager as of the date of distribution; and

(d) the Gross Asset Values of the Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Sections 734(b) or 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation section 1.704-1(b)(2)(iv)(m); *provided, however*, that Gross Asset Values shall not be adjusted pursuant to this paragraph (d) to the extent that the Manager reasonably determines that an adjustment pursuant to paragraph (b) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this paragraph (d).

At all times, the Gross Asset Values shall be adjusted by any depreciation taken into account with respect to the Company's assets for purposes of computing Net Profit and Net Loss. Any adjustment to the Gross Asset Value of Company property shall require an adjustment in the Company's Capital Accounts, which shall be allocated in accordance with the provisions of this Agreement.

"***IFRS***" means International Financial Reporting Standards, as issued by the International Accounting Standards Board.

"***Indemnified Person***" has the meaning set forth in Section 7.04(a).

"***Indicted/Investigated Member***" has the meaning set forth in Section 13.02(b).

"***Investment Company Act***" means the U.S. Investment Company Act of 1940, as amended from time to time.

"***Joinder***" means a joinder to this Agreement, in form and substance substantially similar to Exhibit A to this Agreement.

"***Law***" means all laws, statutes, ordinances, rules and regulations of the United States, any foreign country and each state, commonwealth, city, county, municipality, regulatory body, agency or other political subdivision thereof.

"***Losses***" means items of Company loss or deduction determined according to Section 5.01(b).

"***Manager***" has the meaning set forth in Section 6.01(a).

"***Member***" means, as of any date of determination, (a) each Person named on the Schedule of Members and (b) any Person admitted to the Company as a Substituted Member or Additional Member in accordance with ARTICLE XII, but in each case only so long as such Person is shown on the Company's books and records as the owner of one or more Units.

"***Minimum Gain***" means "partnership minimum gain" determined pursuant to Treasury Regulation Section 1.704-2(d).

"***Misrepresenting Member***" has the meaning set forth in Section 13.02(d).

"***Net Loss***" means, with respect to a Fiscal Year, the excess if any, of Losses for such Fiscal Year over Profits for such Fiscal Year (excluding Profits and Losses specially allocated pursuant to Section 5.03 and Section 5.04).

"***Net Profit***" means, with respect to a Fiscal Year, the excess if any, of Profits for such Fiscal Year over Losses for such Fiscal Year (excluding Profits and Losses specially allocated pursuant to Section 5.03 and Section 5.04).

"***Officer***" has the meaning set forth in Section 6.01(b).

"***Other Agreements***" has the meaning set forth in Section 10.04.

"***Partnership Representative***" has the meaning set forth in Section 9.03.

"***Percentage Interest***" means the fraction, expressed as a percentage, the numerator of which is the sum of such Member's Class A Units and Class B Units, and the denominator of which is the sum of the total number of Class A Units and Class B Units issued and outstanding at such time.

"***Permitted Transfer***" has the meaning set forth in Section 10.02.

"***Person***" means an individual or any corporation, partnership, limited liability company, trust, unincorporated organization, association, joint venture or any other organization or entity, whether or not a legal entity.

"***Prior Operating Agreement***" has the meaning set forth in the preamble to this Agreement.

"***Pro rata***," "***pro rata portion***," "***according to their interests***," "***ratably***," "***proportionately***," "***proportional***," "***in proportion to***," "***based on the number of Units held***," "***based upon the percentage of Units held***," "***based upon the number of Units outstanding***," and other terms with similar meanings, when used in the context of a number of Units of the Company relative to other Units, means as amongst an individual class of Units, pro rata based upon the number of such Units within such class of Units.

"***Profits***" means items of Company income and gain determined according to Section 5.01(b).

"***Pubco***" has the meaning set forth in the preamble to this Agreement, together with its successors and assigns.

"***Pubco Fixed Share Option***" has the meaning set forth in Section 11.06. "***Pubco Floating Share Option***" has the meaning set forth in Section 11.01(b)(i).

"***Pubco Shares***" means the common shares of Pubco, as authorized in the constating documents of Pubco.

"***Quarterly Redemption Date***" means, for each quarter beginning with the first full quarter following the Effective Time, the latest to occur of either: (a) the second ($2^{nd}$) Business Day after the date on which Pubco makes a public news release of its quarterly earnings for the prior quarter, (b) the first ($1^{st}$) day of each quarter on which directors and executive officers of Pubco are permitted to trade under the applicable policies of Pubco related to trading by directors and executive officers, or (c) such other date as Pubco shall determine in its sole discretion. Pursuant to the Support Agreements, Pubco will deliver notice of the Quarterly Exchange Date to each Member (other than USCo and USCo2) at least seventy-five (75) days prior to each Quarterly Redemption Date.

"***Recapitalization***" means a recapitalization of the Company, as described in Section 3.03(a) hereof.

"***Redeemed Units***" has the meaning set forth in Section 11.01(a)(ii).

"***Redeemed Units Equivalent***" means the sum of (x) the Class B Fixed Share Settlement multiplied by the Class B Unit Redemption Price, plus (y) the Class B Floating Share Settlement multiplied by the price per Class B Floating Share that Pubco paid in connection with its exercise of the Pubco Floating Share Option.

"***Redeeming Member***" has the meaning set forth in Section 11.01(a)(ii).

"***Redemption***" has the meaning set forth in Section 11.01(a)(ii).

"***Redemption Date***" has the meaning set forth in Section 11.01(a)(ii).

"***Redemption Notice***" has the meaning set forth in Section 11.01(a)(ii).

"***Redemption Right***" has the meaning set forth in Section 11.01(a)(ii).

"***Regulatory Adverse Member***" has the meaning set forth in Section 13.02(d).

"***Regulatory Allocations***" has the meaning set forth in Section 5.03(f).

"***Required Withdrawal***" has the meaning set forth in Section 13.02(e).

" ***Restricted Taxable Year***" shall mean any Taxable Year during which the Manager determines the Company does not satisfy the private placement safe harbor of Treasury Regulations Section 1.7704-1(h). Unless the Manager otherwise notifies the Members prior to the commencement of a Taxable Year, each Taxable Year of the Company shall be a Restricted Taxable Year. For the avoidance of doubt, the provisions herein referencing, or otherwise becoming effective during, a Restricted Taxable Year shall be for purposes of avoiding the classification of the Company for U.S. federal income tax purposes as a "publicly traded partnership" within the meaning of Section 7704(b) of the Code.

"***Schedule of Members***" has the meaning set forth in Section 3.01(b).

"***Secured Overnight Financing Rate***" means the Secured Overnight Financing Rate (SOFR) published each Business Day by the Federal Reserve Bank of New York.

"***Securities Act***" means the U.S. Securities Act of 1933, as amended, and applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the Securities Act shall be deemed to include any corresponding provisions of future Law.

"***Share Settlement***" means a number of Pubco Shares equal to (x) the Class B Fixed Share Settlement, plus (y) the Class B Floating Share Settlement multiplied by the Class B Floating Ratio. If the Pubco Shares are no longer traded on a securities exchange or automated or electronic quotation system, then the Manager shall determine the Share Settlement in good faith.

"***Sponsor Person***" has the meaning set forth in Section 7.04(d).

"***Subject Member***" has the meaning set forth in Section 13.02(a).

"***Subsidiary***" means, with respect to any Person, any corporation, limited liability company, partnership, association or business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, Managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (b) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of the voting interests thereof are at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, references to a "Subsidiary" of the Company shall be given effect only at such times that the Company has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"***Substituted Member***" means a Person that is admitted as a Member to the Company pursuant to Section 12.01.

"***Support Agreements***" means collectively, (i) that certain support agreement by and between Acreage, USCo and the Company dated as of November 14, 2018, as amended from time to time, and (ii) that certain support agreement by and between Acreage and USCo2 dated as of November 14, 2018, as amended from time to time.

"***Tax Distribution Date***" has the meaning set forth in Section 4.01(b)(i).

"***Tax Distributions***" has the meaning set forth in Section 4.01(b)(i).

"***Tax Receivable Agreement***" means that certain Tax Receivable Agreement, dated as November 14, 2018, which was amended as of June 27, 2019, by and among USCo, the Company, and those certain Members which are party thereto (including pursuant to consent or joinder thereto).

"***Taxable Year***" means the Company's accounting period for U.S. federal income tax purposes determined pursuant to Section 9.02.

" ***Trading Day***" means a day on which the principal securities exchange on which either the Acreage Shares or Pubco Shares, as applicable, are traded or quoted is open for the transaction of business (unless such trading shall have been suspended for the entire day).

"***Transfer***" (and, with a correlative meaning, "***Transferring***") means any sale, transfer, assignment, pledge, encumbrance or other disposition of (whether directly or indirectly, whether with or without consideration and whether voluntarily or involuntarily or by operation of Law) (a) any interest (legal or beneficial) in any Equity Securities or (b) any equity or other interest (legal or beneficial) in any Member if substantially all of the assets of such Member consist solely of Units.

"***Treasury Regulations***" means the income tax regulations promulgated under the Code and any corresponding provisions of succeeding regulations.

"***Unit***" means a Company Interest of a Member or a permitted Assignee in the Company representing a fractional part of the Company Interests of all Members and Assignees as may be established by the Manager from time to time in accordance with Section 3.02; *provided, however*, that any class or group of Units issued shall have the relative rights, powers and duties set forth in this Agreement, and the Company Interest represented by such class or group of Units shall be determined in accordance with such relative rights, powers and duties.

"***Unitholder***" means a Member who is the registered holder of either Class A Units or Class B Units and any Member who is the registered holder of any other class of Units, if any.

"***Unvested Corporate Shares***" means Pubco Shares issued pursuant to an Equity Plan that are not Vested Corporate Shares.

"***USCo***" means Acreage Holdings America, Inc., a Nevada corporation.

"***USCo Common Shares***" means voting common shares of USCo.

"***USCo2***" means Acreage Holdings WC, Inc., a Nevada corporation.

"***USCo2 Articles***" means the Second Amended and Restated Articles of Incorporation of USCo2, dated on or about the Effective Time, as the same may be amended or modified from time to time.

"***USCo2 Class A Shares***" means class A voting common shares of USCo2.

"***USCo2 Class B Shares***" means class B non-voting common shares of USCo2.

"***Vested Corporate Shares***" means Pubco Shares issued pursuant to an Equity Plan that are vested pursuant to the terms thereof or any award or similar agreement relating thereto.

## ARTICLE II.
## ORGANIZATIONAL MATTERS

Section 2.01 Formation of Company. The Company was formed on April 29, 2014 pursuant to the provisions of the Act.

Section 2.02 Fourth Amended and Restated Limited Liability Company Agreement. The Members and the Manager hereby execute this Agreement, effective as of the Effective Time, for the purpose of establishing the affairs of the Company and the conduct of its business in accordance with the provisions of the Act. The Members hereby agree that during the term of the Company set forth in Section 2.06, the rights and obligations of the Members with respect to the Company will be determined in accordance with the terms and conditions of this Agreement and the Act. On any matter upon which this Agreement is silent, the Act shall control. No provision of this Agreement shall be in violation of the Act and to the extent any provision of this Agreement is in violation of the Act, such provision shall be void and of no effect to the extent of such violation without affecting the validity of the other provisions of this Agreement; *provided, however*, that where the Act provides that a provision of the Act shall apply "unless otherwise provided in the operating agreement" or words of similar effect, the provisions of this Agreement shall in each instance control.

Section 2.03 Name. The name of the Company shall be "High Street Capital Partners, LLC", d/b/a Acreage Holdings. The Manager in its sole discretion may change the name of the Company at any time and from time to time. Notification of any such change shall be given to all of the Members and, to the extent practicable, to all of the holders of any Equity Securities then outstanding. The Company's business may be conducted under its name and/or any other name or names deemed advisable by the Manager.

Section 2.04 Purpose. The principal purpose of the Company is to operate in the legal cannabis sector, which includes making and holding investments in equity and debt securities of cannabis related businesses, and operating cultivation, processing and dispensing activities with respect to cannabis products. The Company may engage in any lawful business, purpose or activity for which limited liability companies may be formed under the Act, whether incident to the foregoing purpose or otherwise. The Company shall have all the powers necessary or convenient to effect any purpose for which it was formed, including all powers granted by the Act.

Section 2.05 Principal Office; Registered Agent. The principal office of the Company shall be located at 366 Madison Avenue, 11$^{th}$ Fl., New York, New York 10017, or such other place as the Manager may, in its sole and absolute discretion, from time to time designate. The registered agent for service of process on the Company in the State of Delaware, and the address of such agent, shall be The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The Manager may from time to time change the Company's registered agent in the State of Delaware.

Section 2.06 Term. The term of the Company commenced upon the filing of the Certificate in accordance with the Act and shall continue in existence in perpetuity until termination and dissolution of the Company in accordance with this Agreement and the Act.

Section 2.07 No State-Law Partnership. The Members intend that the Company not be a partnership (including a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member by virtue of this Agreement, for any purposes other than as set forth in the last sentence of this Section 2.07, and neither this Agreement nor any other document entered into by the Company or any Member relating to the subject matter hereof shall be construed to suggest otherwise. The Members intend that the Company shall be treated as a partnership for U.S. federal and, if applicable, state or local income tax purposes, and that each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

## ARTICLE III.
## MEMBERS; UNITS; CAPITALIZATION

Section 3.01 Members.

(a) Each Member was previously admitted as a Member of the Company and, except to the extent such Members contribute their Units to USCo following the Effective Time, shall remain a Member of the Company following the Effective Time.

(b) The Company shall maintain a schedule setting forth: (i) the name and address of each Member; (ii) the aggregate number of outstanding Units and the number and class of Units held by each Member; (iii) the aggregate amount of cash Capital Contributions that has been made by the Members with respect to their Units; and (iv) the Fair Market Value of any property other than cash contributed by the Members with respect to their Units (including, if applicable, a description and the amount of any liability assumed by the Company or to which contributed property is subject) (such schedule, the "***Schedule of Members***"). Upon any change in the number or ownership of outstanding Units (whether upon an issuance of Units, a Transfer of Units, a redemption or exchange of Units or otherwise), the Manager is authorized to amend and update the Schedule of Members. The Schedule of Members shall be the definitive record of ownership of each Unit of the Company and all relevant information with respect to each Member. Any reference in this Agreement to the Schedule of Members shall be deemed a reference to the Schedule of Members as amended and as in effect from time to time. The Company shall be entitled to recognize the exclusive right of a Person registered on its records as the owner of Units for all purposes and shall not be bound to recognize any equitable or other claim to or interest in Units on the part of any other Person, whether or not it shall have express or other notice thereof, except as otherwise provided by the Act.

(c) No Member shall be required or, except as approved by the Manager pursuant to Section 6.01 and in accordance with the other provisions of this Agreement, permitted to loan any money or property to the Company or borrow any money or property from the Company.

Section 3.02 Units. Interests in the Company shall be represented by Units, or such other Equity Securities of the Company, in each case as the Manager may establish in its discretion in accordance with the terms and subject to the restrictions hereof. Immediately after the Effective Time, the Units will be comprised of two classes of Units, including Class A Units (the "***Class A Units***") and Class B Units. In the event any Member holds Class C-1 Units immediately prior to the Effective Time, such Class C-1 Units shall be deemed to have automatically converted at such time into Common Units pursuant to the Prior Operating Agreement and such Member shall be issued Class B Units in place of such Common Units immediately after the Effective Time. To the extent required pursuant to Section 3.04(a), and except in connection with the issuance of Units pursuant to an acquisition in accordance with Section 3.10, the Manager may create one or more classes or series of common Units or preferred Units solely to the extent they are in the aggregate substantially equivalent to a class of common shares of Pubco or class or series of preferred shares of Pubco.

(a) *Class A Units*. In addition to the other rights and obligations of Class A Unitholders hereunder, Class A Units shall entitle the holder of such Class A Units to (i) vote in all matters reserved to the Members by this Agreement or the Act, and (ii) to share in all Distributions from the Company, other than with respect to the Class B Units, as set forth herein.

(b) *Class B Units*. Class B Unitholders shall not be entitled to vote in any matters relating to the Company, unless otherwise reserved to the Members by the Act. In addition to the other rights and obligations of Class B Unitholders hereunder, Class B Units shall entitle the holder of such Class B Units to (i) Tax Distributions pursuant to Section 4.01(b), and (ii) a preferred return equal to the Class B Preferred Return Amount. The Class B Preferred Return Amount shall not be required to be paid annually but shall accrue and become payable at the earlier of (x) the fifth ($5^{th}$) anniversary of the Effective Time, or (y) a liquidation of, or a taxable sale of substantially all of the assets of, the Company. Upon the occurrence of an event referenced in clause (y) above, each Class B Unitholder shall also be paid such Class B Unitholder's Class B Preferred Return Base Amount, in addition to all of the outstanding, accrued and unpaid Class B Preferred Return Amount. On the seventh (7th) anniversary of the Effective Time, each Class B Unitholder may, at its option and in accordance with the notice and other procedural provisions set forth in Section 11.01(a) (the "***7 Year Put Option***"), sell all (but not less than all) of its Class B Units to the Company for an amount equal to such Class B Unitholder's Class B Preferred Return Base Amount plus any outstanding and accrued Class B Preferred Return Amount of such Class B Unitholder (the "***Class B Option Consideration***") and, upon the exercise of the 7 Year Put Option by any Class B Unitholder, the Company shall purchase all of such holder's Class B Units for the Class B Option Consideration. Notwithstanding anything herein to the contrary, no Class B Preferred Return Amount shall be due and payable with respect to such Class B Units pursuant this Section 3.02(b) at such time or times specified in this Section 3.02(b) unless such Class B Units remain issued and outstanding at such time or times and no Redemption or Direct Exchange of such Class B Units described in Article XI hereof has occurred.

(c) *Holders of USCo2 Class B Shares*. It is hereby understood and acknowledged by the Company and the Members that the holders of USCo2 Class B Shares are express third-party beneficiaries of the 7 Year Put Option, and as such, each holder of USCo2 Class B Shares, pursuant to the terms of the USCo2 Articles, shall have the right to sell all (but not less than all) of such holder's USCo2 Class B Shares directly to the Company in exchange for such holder's pro rata portion (calculated on the basis of the holders of USCo2 Class A Shares together with holders of USCo2 Class B Shares) of USCo2's total Class B Option Consideration.

Section 3.03 Recapitalization; Capital Contributions.

(a) *Recapitalization*. As of the Effective Time, the issued and outstanding Units of the Company that in each case were issued and outstanding and held by the Members prior to the execution and effectiveness of this Agreement are hereby canceled and the Class A Units and the Class B Units are hereby issued and outstanding as of the Effective Time (with each Member's Class B Units consisting of 70% Class B Fixed Units and 30% Class B Floating Units) (the "***Recapitalization***"). The outstanding Class A Units and Class B Units after giving effect to the Recapitalization, and the respective holders thereof as of the Effective Time, are reflected on the Schedule of Members. For the avoidance of doubt, only USCo shall be issued Class A Units in the Company; each other Member as of the Effective Time shall be issued Class B Units for such Member's Units immediately prior to the Effective Time.

(b) *Member Capital Contributions*. The Members' Capital Contributions shall be reflected on the Schedule of Members. For the avoidance of doubt, the Members shall be admitted as Members with respect to all Units they hold from time to time. The parties hereto acknowledge and agree that Capital Contributions made or to be made to the Company by such Members will result in a "reevaluation of partnership property" and corresponding adjustments to Capital Account balances as described in Treasury Regulations section 1.704-1(b)(2)(iv)(f).

Section 3.04 Issuance of Additional Units in Conformance with Support Agreements. The Manager shall be authorized to cause the Company to undertake all actions necessary or required by the Company under the Support Agreements including without limitation any reclassification, consolidation, split, distribution, or recapitalization, with respect to the Units, to maintain the same ratios between the number of outstanding Pubco Shares, the number of outstanding Acreage Shares, the number of outstanding USCo Common Shares plus the number of outstanding USCo2 shares (consisting of USCo2 Class A Common Shares and USCo2 Class B Common Shares), and the number of Units issued and outstanding immediately prior to any such reclassification, consolidation, split, distribution, or recapitalization of shares at USCo, USCo2, Acreage or Pubco.

Section 3.05 Repurchase or Redemption of Pubco Shares or USCo2 Class B Shares.

(a) If, at any time, any Pubco Shares are repurchased or redeemed (whether by exercise of a put or call, automatically or by means of another arrangement) by Pubco for cash, then each of Acreage, USCo and USCo2 shall, immediately prior to such repurchase or redemption of Pubco Shares, redeem a proportionate number of shares of stock of each of Acreage, USCo and USCo2 held by Pubco or Acreage, as applicable, as the total number of shares of stock of each of Acreage, USCo and USCo2 held by Pubco or Acreage, as applicable, bears to the total number of shares of stock of Acreage, USCo and USCo2 held by Pubco or Acreage, as applicable, at an aggregate redemption price equal to the aggregate purchase or redemption price of the Pubco Shares being repurchased or redeemed by Pubco (plus any expenses related thereto) and upon such other terms as are the same for the Pubco Shares being repurchased or redeemed by Pubco; *provided that*, immediately prior to such redemption by USCo of such shares of stock of USCo and by USCo2 of such shares of stock of USCo2, the Manager shall cause the Company to redeem a proportionate number of Units held by each of USCo and USCo2 as the total number of Units held by each of USCo and USCo2 bears to the total number of Units held by USCo and USCo2, at an aggregate redemption price equal to the aggregate purchase or redemption price of the Pubco Shares being repurchased or redeemed by Pubco (plus any expenses related thereto) and upon such other terms as are the same for the Pubco Shares being repurchased or redeemed by Pubco.

(b) If, at any time, any USCo2 Class B Shares are repurchased or redeemed (whether by exercise of a put or call, automatically or by means of another arrangement) by USCo2 (or its designee) for cash, then the Manager shall cause the Company to redeem a number of Units held by USCo2 at an aggregate redemption price equal to the aggregate purchase or redemption price of the USCo2 Class B Shares being repurchased or redeemed by USCo2 (plus any expenses related thereto) and upon such other terms as are the same for the USCo2 Class B Shares being repurchased or redeemed by USCo2.

(c) Notwithstanding any provision to the contrary in this Agreement, no repurchase or redemption shall be made if such repurchase or redemption would violate any applicable Law.

Section 3.06 Certificates Representing Units; Lost, Stolen or Destroyed Certificates; Registration and Transfer of Units.

(a) Units shall not be certificated unless otherwise determined by the Manager. If the Manager determines that one or more Units shall be certificated, each such certificate shall be signed by or in the name of the Company, by the Chief Executive Officer and any other officer designated by the Manager, representing the number of Units held by such Unitholder. Such certificate shall be in such form (and shall contain such legends) as the Manager may determine. Any or all of such signatures on any certificate representing one or more Units may be a facsimile, engraved or printed, to the extent permitted by applicable Law. The Manager agrees that it shall not elect to treat any Unit as a "security" within the meaning of Article 8 of the Uniform Commercial Code of any applicable jurisdiction unless thereafter all Units then outstanding are represented by one or more certificates.

(b) If Units are certificated, the Manager may direct that a new certificate representing one or more Units be issued in place of any certificate theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon delivery to the Manager of an affidavit of the owner or owners of such certificate, setting forth such allegation. The Manager may require the owner of such lost, stolen or destroyed certificate, or such owner's legal representative, to give the Company a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

(c) Upon surrender to the Company or the transfer agent of the Company, if any, of a certificate for one or more Units, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer, in compliance with the provisions hereof, the Company shall issue a new certificate representing one or more Units to the Person entitled thereto, cancel the old certificate and record the transaction upon its books. Subject to the provisions of this Agreement, the Manager may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, Transfer and registration of Units.

Section 3.07 Negative Capital Accounts. No Member shall be required to pay to any other Member or the Company any deficit or negative balance which may exist from time to time in such Member's Capital Account (including upon and after dissolution of the Company).

Section 3.08 No Withdrawal. No Person shall be entitled to withdraw any part of such Person's Capital Contribution or Capital Account or to receive any Distribution from the Company, except as expressly provided in this Agreement.

Section 3.09 Loans From Members. Loans by Members to the Company shall not be considered Capital Contributions. Subject to the provisions of Section 3.01(c), the amount of any such advances shall be a debt of the Company to such Member and shall be payable or collectible in accordance with the terms and conditions upon which such advances are made.

Section 3.10 Acquisitions. The Manager may cause the Company from time to time to issue Class B Units or other Equity Securities to Persons for the purpose of acquiring additional assets or equity interests in corporations, partnerships, limited liability companies and other entities, on the terms as determined by the Manager in its sole and absolute discretion. The terms of any such acquisition, including price, shall be negotiated and determined by the Manager in its sole and absolute discretion.

Section 3.11 Pubco Equity Incentive Plans. Nothing in this Agreement shall be construed or applied to preclude or restrain Pubco from adopting, modifying or terminating an Equity Plan or from issuing Pubco Shares pursuant to any such Equity Plans. Pubco may implement such Equity Plans and any actions taken under such Equity Plans (such as the grant or exercise of options to acquire Pubco Shares, or the issuance of Unvested Corporate Shares), whether taken with respect to or by an employee or other service provider of Pubco, Acreage, USCo, USCo2, the Company or its Subsidiaries, in a manner determined by Pubco in its sole discretion. The Manager may amend this Agreement as necessary or advisable in its sole discretion in connection with the adoption, implementation, modification or termination of an Equity Plan by Pubco. In the event of such an amendment by the Manager, the Company will provide notice of such amendment to the Members. For the avoidance of doubt, the Company shall be expressly authorized to issue Units (i) in accordance with the terms of any such Equity Plan, or (ii) in an amount equal to the number of Pubco Shares issued pursuant to any such Equity Plan, without any further act, approval or vote of any Member or any other Persons.

## ARTICLE IV.
## DISTRIBUTIONS

Section 4.01 Distributions.

(a) *Distributable Cash; Other Distributions*. To the extent permitted by applicable Law and hereunder, Distributions to Class A Unitholders may be declared by the Manager out of Distributable Cash or other funds or property legally available therefor in such amounts and on such terms (including the payment dates of such Distributions) as the Manager shall determine using such record date as the Manager may designate; such Distributions shall be made to the Class A Unitholders as of the close of business on such record date on a pro rata basis in accordance with each Class A Unitholders Percentage Interest relative to all other Class A Unitholders as of the close of business on such record date; *provided, however*, that the Manager shall have the obligation to make Distributions as set forth in Sections 3.02(b), 4.01(b) and 14.02 (with the Distributions of Section 4.01(b) taking priority to all other Distributions and the Distributions of Sections 3.02(b) and 14.02 taking priority to Distributions to this Section 4.01(a) for any year in which there is a liquidation of the Company or a sale of substantially all of the Company's assets, in such fiscal year, or on the fifth ($5^{th}$) or the seventh ($7^{th}$) anniversary of the Effective Time); and, *provided further,* that, notwithstanding any other provision herein to the contrary, no Distributions shall be made to any Member to the extent such Distribution would render the Company insolvent. For purposes of the foregoing sentence, insolvency means either (i) the inability of the Company to pay its debts as they come due in the usual course of business, or (ii) the total assets of the Company being less than the sum of its total liabilities. Promptly following the designation of a record date and the declaration of a Distribution pursuant to this Section 4.01(a), the Manager shall give notice to each Class A Unitholder of the record date, the amount and the terms of the Distribution and the payment date thereof. In furtherance of the foregoing, it is intended that the Manager shall, to the extent permitted by applicable Law and hereunder, have the right in its sole discretion to make Distributions to the Class A Unitholders pursuant to this Section 4.01(a) in such amounts as shall enable USCo to pay dividends or to meet its obligations, including its obligations pursuant to the Tax Receivable Agreement (to the extent such obligations are not otherwise able to be satisfied as a result of Tax Distributions required to be made pursuant to Section 4.01(b)). Notwithstanding anything herein to the contrary, (i) no Distributions shall be made to the Class A Unitholders if such Distributions would render the Company unable to meet its obligations to the Class B Unitholders under Section 3.02 hereof, and (ii) at the Manager's sole discretion, the Company may make Distributions with respect to the Class B Preferred Return Amount in any Fiscal Year to the Class B Unitholders pro rata to their respective Class B Units.

(b) *Tax Distributions*.

(i) On or about each date that is five (5) Business Days prior to the due date for the U.S. federal income tax return of an individual calendar year taxpayer (without regard to extensions) (a "***Tax Distribution Date***"), the Company shall, to the extent of Distributable Cash as determined by the Manager in its sole discretion, be required to make a Distribution to each Member of cash in an amount equal to the excess of such Member's Assumed Tax Liability, if any, for such immediately preceding Fiscal Year over the Distributions previously made to such Member pursuant to this Section 4.01(b) with respect to such Fiscal Year (the "***Tax Distributions***"). Notwithstanding the foregoing, (i) the Manager may, in its sole discretion exercised in good faith and in lieu of such annual Tax Distributions described in the preceding sentence, make Distributions in cash to each Member on or before such dates on which estimated taxes are required to be paid with respect to a fiscal quarter (the amount of any such Distribution to be calculated by reference to the Assumed Tax Liability of a Member for any such fiscal quarter and reduced by any Distributions previously made to such member during such fiscal quarter); (ii) with respect to the Class B Unitholders the Tax Distributions shall be mandatory in all events unless such Tax Distribution would violate applicable Law, regardless of Distributable Cash, and not subject to the discretion of the Manager or any other person (and to the extent that such Tax Distribution does violate applicable Law, the parties will determine in good faith if there is a commercially reasonable manner to make such Distribution not in violation of applicable Law); and (iii) if on a Tax Distribution Date a person who was previously a Member is no longer a Member (a "***Former Member***"), Tax Distributions shall be made to such Former Member on the Tax Distribution Date to the extent such Former Member is allocated taxable income by the Company with respect to a prior taxable period (or portion thereof) for which such Former Member has not previously received a Tax Distribution.

(ii) To the extent a Member otherwise would be entitled to receive less than its Percentage Interest of the aggregate Tax Distributions to be paid pursuant to this Section 4.01(b) on any given date, the Tax Distributions to such Member shall be increased to ensure that all Distributions made pursuant to this Section 4.01(b) are made pro rata in accordance with such Member's Percentage Interest. If, on a Tax Distribution Date, there are insufficient funds on hand to distribute to the Members the full amount of the Tax Distributions to which such Members are otherwise entitled, Distributions pursuant to this Section 4.01(b) shall be made to the Members only to the extent of available funds in accordance with their Percentage Interests and the Company shall make future Tax Distributions as soon as the Manager determines in its sole discretion that funds have become available sufficient to pay the remaining portion of the Tax Distributions to which such Members are otherwise entitled. For the avoidance of doubt, nothing in this Agreement, including but not limited to this paragraph (ii), shall limit the Class B Unitholder's annual right to its Tax Distributions in every year, irrespective of Distributable Cash or the discretion of the Manager or any other person but only to the extent such Tax Distributions would not violate applicable Law (and to the extent that such Tax Distribution does violate applicable Law, the parties will determine in good faith if there is a commercially reasonable manner to make such Distribution not in violation of applicable Law).

(iii) In the event of any audit by, or similar event with, a taxing authority that affects the calculation of any Member's Assumed Tax Liability for any Taxable Year, or in the event the Company files an amended tax return, each Member's Assumed Tax Liability with respect to such year shall be recalculated by giving effect to such event (for the avoidance of doubt, taking into account interest or penalties). Any shortfall in the amount of Tax Distributions the Members and former Members received for the relevant Taxable Years based on such recalculated Assumed Tax Liability shall, to the extent of Distributable Cash available therefor as determined by the Manager in its sole discretion, promptly be distributed to such Members and the successors of such former Members, except, for the avoidance of doubt, to the extent Distributions were made to such Members and former Members pursuant to Section 4.01(a) and this Section 4.01(b) in the relevant Taxable Years sufficient to cover such shortfall. For the avoidance of doubt, nothing in this Agreement, including but not limited to this paragraph (iii), shall limit the Class B Unitholder's annual right to its Tax Distributions in every year, irrespective of Distributable Cash or the discretion of the Manager or any other person but only to the extent such Tax Distributions would not violate applicable Law (and to the extent that such Tax Distribution does violate applicable Law, the parties will determine in good faith if there is a commercially reasonable manner to make such Distribution not in violation of applicable Law). Notwithstanding the foregoing, Distributions pursuant to this Section 4.01(b), if any, shall be made to a Member (or its predecessor in interest) only to the extent all previous Distributions to such Member pursuant to Section 4.01(a) with respect to the Fiscal Year are less than the Distributions such Member (and its predecessor in interest) otherwise would have been entitled to receive with respect to such Fiscal Year pursuant to this Section 4.01(b).

(iv) This Section 4.01(b) may not be amended in a manner that would result in an adverse effect to any Member or Former Member who is or would be entitled to a distribution pursuant to this Section 4.01(b) without the consent of the majority of such Members and Former Members who are entitled to such distributions (such consent shall not be unreasonably withheld, conditioned, or delayed).

Section 4.02 Restricted Distributions. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make any Distribution to any Member on account of any Company Interest if such Distribution would violate any applicable Law or the terms of any other agreement to which the Company is a party.

## ARTICLE V.
## CAPITAL ACCOUNTS; ALLOCATIONS; TAX MATTERS

Section 5.01 Capital Accounts.

(a) The Company shall maintain a separate Capital Account for each Member according to the rules of Treasury Regulations section 1.704-1(b)(2)(iv). For this purpose, the Company may (in the discretion of the Manager), upon the occurrence of the events specified in Treasury Regulations section 1.704-1(b)(2)(iv)(f), increase or decrease the Capital Accounts in accordance with the rules of such Treasury Regulations and Treasury Regulations section 1.704-1(b)(2)(iv)(g) to reflect a revaluation of Company property.

(b) For purposes of computing the amount of any item of Company income, gain, loss or deduction to be allocated pursuant to this Article V and to be reflected in the Capital Accounts of the Members, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for U.S. federal income tax purposes (including any method of depreciation, cost recovery or amortization used for this purpose); *provided, however*, that:

(i) The computation of all items of income, gain, loss and deduction shall include those items described in Code Section 705(a)(l)(B) or Code Section 705(a)(2)(B) and Treasury Regulations section 1.704-1(b)(2)(iv)(i), without regard to the fact that such items are not includable in gross income or are not deductible for U.S. federal income tax purposes.

(ii) If the Book Value of any Company property is adjusted pursuant to Treasury Regulations section 1.704-1(b)(2)(iv)(f), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such property.

(iii) Items of income, gain, loss or deduction attributable to the disposition of Company property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the Book Value of such property.

(iv) Items of depreciation, amortization and other cost recovery deductions with respect to Company property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the property's Book Value in accordance with Treasury Regulations section 1.704-1(b)(2)(iv)(g).

(v) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Sections 732(d), 734(b) or 743(b) is required, pursuant to Treasury Regulations section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis).

(c) In connection with the Recapitalization, the Capital Accounts of the Unitholders will be revalued pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(f) to Fair Market Value (but for these purposes, utilizing the meaning of Fair Market Value with respect to the definition of Class B Preferred Return Amount). For the avoidance of doubt, it is the intention of the parties that the aggregate opening Capital Accounts of the Class B Unitholders shall equal the aggregate Class B Preferred Return Base Amount. It is further the intention of the parties that the Class B Unitholders shall not recognize any income or gain in connection with the Recapitalization and the terms of this Agreement shall interpreted consistently with such intent, including making allocations of items of gross income or loss to ensure that no net income or gain is recognized in connection with the Recapitalization, whether with respect to the year of the Recapitalization or thereafter.

Section 5.02 Allocations. Except as otherwise provided in Section 5.03 and Section 5.04, Net Profits and Net Losses for any Fiscal Year or Fiscal Period shall be allocated among the Capital Accounts of the Class A Unitholders pro rata in accordance with their respective Percentage Interests; provided, however, that prior to any allocations of Net Profits an amount of Net Profits equal to the Class B Preferred Amount from the current Fiscal Year and all previous Fiscal Years during which the Class B Preferred Return Amount accrued (but only to the extent Net Profits have not previously been allocated on such Class B Units on account of such accrued Class B Preferred Amount) shall be allocated among the Capital Accounts of the Class B Unitholders, pro rata to their respective number of Class B Units, until the amount of Net Profits allocated to the Class B Unitholders allocated pursuant to this proviso equals the aggregate Class B Preferred Return Amount for the current Fiscal Year and all previous Fiscal Years during which Class B Preferred Return Amount accrued; provided, further, that in no event shall Net Losses for any Fiscal Year be allocated to the Class B Unitholder, except as provided for in Section 5.03(d).

Section 5.03 Regulatory Allocations.

(a) Losses attributable to partner nonrecourse debt (as defined in Treasury Regulations section 1.704-2(b)(4)) shall be allocated in the manner required by Treasury Regulations section 1.704-2(i). If there is a net decrease during a Taxable Year in partner nonrecourse debt minimum gain (as defined in Treasury Regulations section 1.704-2(i)(3)), Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) shall be allocated to the Members in the amounts and of such character as determined according to Treasury Regulations section 1.704-2(i)(4).

(b) Nonrecourse deductions (as determined according to Treasury Regulations section 1.704-2(b)(1)) for any Taxable Year shall be allocated pro rata among the Class A Unitholder in accordance with their Percentage Interests. Except as otherwise provided in Section 4.03(a), if there is a net decrease in the Minimum Gain during any Taxable Year, each Member shall be allocated Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) in the amounts and of such character as determined according to Treasury Regulations section 1.704-2(f). This Section 5.03(b) is intended to be a minimum gain chargeback provision that complies with the requirements of Treasury Regulations section 1.704-2(f), and shall be interpreted in a manner consistent therewith.

(c) If any Member that unexpectedly receives an adjustment, allocation or Distribution described in Treasury Regulations section 1.704-1(b)(2)(ii)(d)(4), (5) and (6) has an Adjusted Capital Account Deficit as of the end of any Taxable Year, computed after the application of Sections 5.03(a) and 5.03(b) but before the application of any other provision of this Article V, then Profits for such Taxable Year shall be allocated to such Member in proportion to, and to the extent of, such Adjusted Capital Account Deficit. This Section 5.03(c) is intended to be a qualified income offset provision as described in Treasury Regulations section 1.704-1(b)(2)(ii)(d) and shall be interpreted in a manner consistent therewith.

(d) If the allocation of Net Losses to a Member as provided in Section 5.02 would create or increase an Adjusted Capital Account Deficit, there shall be allocated to such Member only that amount of Losses as will not create or increase an Adjusted Capital Account Deficit. The Net Losses that would, absent the application of the preceding sentence, otherwise be allocated to such Member shall be allocated to the other Class A Unitholders in accordance with their relative Percentage Interests, subject to this Section 5.03(d) and until the Capital Account of each Class A Unitholders is zero, and thereafter, to the Class B Unitholders, pro rata to their number of Class B Units.

(e) Profits and Losses described in Section 5.01(b)(v) shall be allocated in a manner consistent with the manner that the adjustments to the Capital Accounts are required to be made pursuant to Treasury Regulations section 1.704-1(b)(2)(iv)(j), (k) and (m).

(f) The allocations set forth in Section 5.03(a) through and including Section 5.03(e) (the "***Regulatory Allocations***") are intended to comply with certain requirements of Sections 1.704-1(b) and 1.704-2 of the Treasury Regulations. The Regulatory Allocations may not be consistent with the manner in which the Members intend to allocate Profit and Loss of the Company or make Distributions. Accordingly, notwithstanding the other provisions of this ARTICLE V, but subject to the Regulatory Allocations, income, gain, deduction and loss shall be reallocated among the Members so as to eliminate the effect of the Regulatory Allocations and thereby cause the respective Capital Accounts of the Members to be in the amounts (or as close thereto as possible) they would have been if Profits and Losses (and such other items of income, gain, deduction and loss) had been allocated without reference to the Regulatory Allocations. In general, the Members anticipate that this will be accomplished by specially allocating other Profit and Loss (and such other items of income, gain, deduction and loss) among the Members so that the net amount of the Regulatory Allocations and such special allocations to each such Member is zero. In addition, if in any Fiscal Year or Fiscal Period there is a decrease in partnership minimum gain, or in partner nonrecourse debt minimum gain, and application of the minimum gain chargeback requirements set forth in Section 5.03(a) or Section 5.03(b) would cause a distortion in the economic arrangement among the Members, the Members may, if they do not expect that the Company will have sufficient other income to correct such distortion, request the Internal Revenue Service to waive either or both of such minimum gain chargeback requirements. If such request is granted, this Agreement shall be applied in such instance as if it did not contain such minimum gain chargeback requirement.

Section 5.04 Final Allocations. Notwithstanding any provision to the contrary contained in this Agreement except Section 5.02 and Section 5.03, the Manager shall make appropriate adjustments to allocations of Net Profits and Net Losses to (or, if necessary, allocate items of gross income, gain, loss or deduction of the Company among) the Members upon the liquidation of the Company (within the meaning of Treasury Regulations section 1.704-1(b)(2)(ii)(g)), the transfer of substantially all the Units (whether by sale or exchange or merger) or sale of all or substantially all the assets of the Company, such that, to the maximum extent possible, the Capital Accounts of the Members are proportionate to their Percentage Interests. In each case, such adjustments or allocations shall occur, to the maximum extent possible, in the Fiscal Year of the event requiring such adjustments or allocations.

Section 5.05 Tax Allocations.

(a) The income, gains, losses, deductions and credits of the Company will be allocated, for U.S. federal, state and local income tax purposes, among the Members in accordance with the allocation of such income, gains, losses, deductions and credits among the Members for computing their Capital Accounts; *provided* that if any such allocation is not permitted by the Code or other applicable Law, the Company's subsequent income, gains, losses, deductions and credits will be allocated among the Members so as to reflect as nearly as possible the allocation set forth herein in computing their Capital Accounts.

(b) Items of Company taxable income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall be allocated among the Members in accordance with Code Section 704(c) so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its Book Value using any reasonable method as determined in the sole discretion of the Manager taking into account the principles of Treasury Regulations section 1.704-3(b), provided, however, that the Class B Unitholders shall not be allocated any amount of taxable income or gain in excess of the accrued Class B Preferred Return Amount, pursuant to the proviso of Section 5.02.

(c) If the Book Value of any Company asset is adjusted pursuant to Section 5.01(b), subsequent allocations of items of taxable income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c) using any reasonable method as determined in the sole discretion of the Manager taking into account the principles of Treasury Regulations section 1.704-3(b), provided, however, that the Class B Unitholders shall not be allocated any amount of taxable income or gain in excess of the accrued Class B Preferred Return Amount, pursuant to the proviso of Section 5.02.

(d) Allocations of tax credits, tax credit recapture, and any items related thereto shall be allocated to the Class A Unitholders pro rata as determined by the Manager taking into account the principles of Treasury Regulations section 1.704-1(b)(4)(ii).

(e) For purposes of determining a Member's pro rata share of the Company's "excess nonrecourse liabilities" within the meaning of Treasury Regulations section 1.752-3(a)(3), each Member's interest in income and gain shall be in proportion to the Units held by such Member, provided, however, that the "excess nonrecourse liabilities" shall be allocated among the Class A Unitholders, except to the extent that an allocation of "excess nonrecourse liabilities" from a Class B Unitholder (prior to the Recapitalization) to Class A Unitholder (after the Recapitalization) results in the recognition of any income or gain for any Class B Unitholders, the Manager is authorized to allocate the "excess nonrecourse liabilities" using any method permitted under the applicable Treasury Regulations to minimize and eliminate the gain or income recognition by any Class B Unitholder.

(f) Allocations pursuant to this Section 5.04 are solely for purposes of U.S. federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, Distributions or other Company items pursuant to any provision of this Agreement.

Section 5.06 Indemnification and Reimbursement for Payments on Behalf of a Member. To the extent not otherwise addressed in Section 9.04, if the Company is obligated to pay any amount to a Governmental Entity (or otherwise makes a payment to a Governmental Entity) that is specifically attributable to a Member or a Member's status as such (including U.S. federal withholding or other taxes, partnership adjustments (as defined in Code Section 6241(2) including any "imputed underpayments" (as determined in accordance with Code Section 6225(c)(3), (4) and (5)), state personal property taxes and state unincorporated business taxes, but excluding payments such as professional association fees and the like made voluntarily by the Company on behalf of any Member based upon such Member's status as an employee of the Company), then such Person shall indemnify the Company in full for the entire amount paid (including interest, penalties and related expenses). The Manager may offset Distributions to which a Person is otherwise entitled under this Agreement against such Person's obligation to indemnify the Company under this Section 5.06. A Member's obligation to make contributions to the Company under this Section 5.06 shall survive the termination, dissolution, liquidation and winding up of the Company, and for purposes of this Section 5.06, the Company shall be treated as continuing in existence. The Company may pursue and enforce all rights and remedies it may have against each Member under this Section 5.06, including instituting a lawsuit to collect such contribution with interest calculated at a rate per annum equal to the sum of the Base Rate plus 300 basis points (but not in excess of the highest rate per annum permitted by Law). Each Member hereby agrees to furnish to the Company such information and forms as required or reasonably requested in order to comply with any laws and regulations governing withholding of tax or in order to claim any reduced rate of, or exemption from, withholding to which the Member is legally entitled. Notwithstanding anything herein to the contrary (and for avoidance of doubt, not limiting any rights of the Class B Unitholders under this Agreement), to the extent any Class B Unitholder is actually obligated to pay any such additional taxes pursuant to this Section 5.06 (except taxes (including penalties and interest) directly or indirectly attributable to such Class B Unitholder's failure to comply with (i) the provisions of this Agreement and/or (ii) any applicable Law), such Class B Unitholder shall be entitled to a Tax Distribution pursuant to Section 4.01(b) with respect to any income or gain allocated to it pursuant to any audit or other determination.

ARTICLE VI.
MANAGEMENT

Section 6.01 Authority of the Manager.

(a) Except for situations in which the approval of any Member(s) is specifically required by this Agreement, (i) all management powers over the business and affairs of the Company shall be exclusively vested in the Manager of the Company (the "***Manager***") and (ii) the Manager shall conduct, direct and exercise full control over all activities of the Company. USCo shall serve as the Manager of the Company. The Manager shall be the "Manager" of the Company for the purposes of the Act. Except as otherwise expressly provided for herein and subject to the other provisions of this Agreement, the Members hereby consent to the exercise by the Manager of all such powers and rights conferred on the Members by the Act with respect to the management and control of the Company. Any vacancies in the position of Manager shall be filled in accordance with Section 6.04.

(b) The day-to-day business and operations of the Company shall be overseen and implemented by officers of the Company (each, an "***Officer***" and collectively, the "***Officers***"), subject to the limitations imposed by the Manager. An Officer may, but need not, be a Member. Each Officer shall be appointed by the Manager and shall hold office until his or her successor shall be duly designated and shall qualify or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. Any one Person may hold more than one office. Subject to the other provisions in this Agreement (including in Section 6.07 below), the salaries or other compensation, if any, of the Officers of the Company shall be fixed from time to time by the Manager. The authority and responsibility of the Officers shall include, but not be limited to, such duties as the Manager may, from time to time, delegate to them and the carrying out of the Company's business and affairs on a day-to-day basis. The existing Officers of the Company as of the Effective Time shall remain in their respective positions and shall be deemed to have been appointed by the Manager. All Officers shall be, and shall be deemed to be, officers and employees of the Company. An Officer may also perform one or more roles as an officer of the Manager.

(c) The Manager shall have the power and authority to effectuate the sale, lease, transfer, exchange or other disposition of any, all or substantially all of the assets of the Company (including the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Company) or the merger, consolidation, reorganization or other combination of the Company with or into another entity.

Section 6.02 Actions of the Manager. The Manager may act through any Officer or through any other Person or Persons to whom authority and duties have been delegated pursuant to Section 6.07.

Section 6.03 Resignation; No Removal. The Manager may resign at any time by giving written notice to the Members. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Members, and the acceptance of the resignation shall not be necessary to make it effective. The Members have no right under this Agreement to remove or replace the Manager.

Section 6.04 Vacancies. Vacancies in the position of Manager occurring for any reason shall be filled by USCo (or, if USCo has ceased to exist without any successor or assign, then by the holders of a majority in interest of the voting capital stock of USCo immediately prior to such cessation). The Members have no right under this Agreement to fill any vacancy in the position of Manager.

Section 6.05 Transactions between the Company and the Manager. The Manager may cause the Company to contract and deal with the Manager, or any Affiliate of the Manager, *provided* such contracts and dealings are on terms comparable to and competitive with those available to the Company from others dealing with the Company at arm's-length or are approved by the Members.

Section 6.06 Reimbursement for Expenses. The Manager shall not be compensated for its services as Manager of the Company except as expressly provided in this Agreement. The Members acknowledge and agree that the Manager shall be reimbursed by the Company for any reasonable out-of- pocket expenses incurred on behalf of the Company including, without limitation, fees incurred in connection with transfer agent services provided to Acreage, USCo, USCo2 and the Company. In the event that Pubco Shares are sold to underwriters in any subsequent public offering at a price per share that is lower than the price per share for which such Pubco Shares are sold to the public in such subsequent public offering after taking into account underwriters' discounts or commissions and brokers' fees or commissions (such difference, the "***Discount***"), (i) Pubco shall be deemed to have contributed to Acreage in proportion to the number that the Acreage Shares held by Pubco bears to the total number of Acreage Shares held by Pubco, in exchange for newly issued Acreage Shares the full amount for which such Pubco Shares were sold to the public, (ii) the Manager and USCo2, together, shall be deemed to have contributed to the Company in exchange for newly issued Class A Units and Class B Units, respectively, the full amount for which such Pubco Shares were sold to the public, and (iii) the Company shall be deemed to have paid the Discount as an expense. To the extent practicable, expenses incurred by the Manager on behalf of or for the benefit of the Company shall be billed directly to and paid by the Company and, if and to the extent any reimbursements to the Manager or any of its Affiliates by the Company pursuant to this Section 6.06 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Company), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as Distributions for purposes of computing the Members' Capital Accounts.

Section 6.07 Delegation of Authority. The Manager (a) may, from time to time, delegate to one or more Persons such authority and duties as the Manager may deem advisable, and (b) may assign titles (including chief executive officer, president, chief financial officer, chief operating officer, chief strategy officer, vice president, secretary, assistant secretary, treasurer or assistant treasurer) and delegate certain authority and duties to such Persons as the same may be amended, restated or otherwise modified from time to time. Any number of titles may be held by the same individual. The salaries or other compensation, if any, of such agents of the Company shall be fixed from time to time by the Manager, subject to the other provisions in this Agreement.

Section 6.08 Limitation of Liability of Manager.

(a) Except as otherwise provided herein or in an agreement entered into by such Person and the Company, neither the Manager nor any of the Manager's Affiliates shall be liable to the Company or to any Member that is not the Manager for any act or omission performed or omitted by the Manager in its capacity as the sole Manager of the Company pursuant to authority granted to the Manager by this Agreement; *provided, however*, that, except as otherwise provided herein, such limitation of liability shall not apply to the extent the act or omission was attributable to the Manager's fraud, intentional misconduct or knowing violation of Law or for any present or future breaches of any representations, warranties or covenants by the Manager or its Affiliates contained herein or in the other agreements with the Company, in each case as determined by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected. The Manager may exercise any of the powers granted to it by this Agreement and shall perform any of the duties imposed upon it hereunder either directly or by or through its agents, and shall not be responsible for any misconduct or negligence on the part of any such agent (so long as such agent was selected in good faith and with reasonable care). The Manager shall be entitled to rely in good faith on the provisions of this Agreement and on information, opinions, reports or statements (including financial statements and information, opinions, reports or statements as to the value or amount of the assets, liabilities, Profits or Losses of the Company or any facts pertinent to the existence and amount of assets from which Distributions to Members might properly be paid) of the following other Persons or groups: one or more Officers or employees of the Company or the Manager; any attorney, independent accountant, appraiser or other expert or professional employed or engaged by or on behalf of the Company or the Manager; or any other Person who has been selected with reasonable care by or on behalf of the Company, or the Manager, in each case as to matters which the Manager reasonably believes to be within such other Person's competence, and any act of or failure to act by the Manager in good faith reliance on such advice shall in no event subject the Manager to liability to the Company or any Member that is not the Manager.

(b) Whenever this Agreement or any other agreement contemplated herein provides that the Manager shall act in a manner which is, or provide terms which are, "fair and reasonable" to the Company or any Member that is not the Manager, the Manager shall determine such appropriate action or provide such terms considering, in each case, the relative interests of each party to such agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable IFRS.

(c) Whenever in this Agreement or any other agreement contemplated herein, the Manager is permitted or required to take any action or to make a decision in its "sole discretion" or "discretion," with "complete discretion" or under a grant of similar authority or latitude, the Manager shall be entitled to consider such interests and factors as it desires, including its own interests, and shall, to the fullest extent permitted by applicable Law, have no duty or obligation to give any consideration to any interest of or factors affecting the Company or other Members.

(d) Whenever in this Agreement the Manager is permitted or required to take any action or to make a decision in its "good faith" or under another express standard, the Manager shall act under such express standard and, to the extent permitted by applicable Law, shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein, and, notwithstanding anything contained herein to the contrary, so long as the Manager acts in good faith or such other express standard permitted or required hereunder, the resolution, action or terms so made, taken or provided by the Manager shall not constitute a breach of this Agreement or any other agreement contemplated herein or impose liability upon the Manager or any of the Manager's Affiliates.

Section 6.09 Investment Company Act. The Manager shall use its best efforts to ensure that the Company shall not be subject to registration as an investment company pursuant to the Investment Company Act.

Section 6.10 Outside Activities of the Manager. The Manager shall not, directly or indirectly, enter into or conduct any business or operations, other than in connection with (a) the ownership, acquisition and disposition of Common Units, (b) the management of the business and affairs of the Company and its Subsidiaries, (c) financing or refinancing of any type related to the Company, its Subsidiaries or their assets or activities, and (d) such activities as are incidental to the foregoing; *provided, however*, that the Manager may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Company and its Subsidiaries so long as the Manager takes commercially reasonable measures to ensure that the economic benefits and burdens of such assets are otherwise vested in the Company or its Subsidiaries, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Company or any of its Subsidiaries, the Members shall negotiate in good faith to amend this Agreement to reflect such activities and the direct ownership of assets by the Manager. Nothing contained herein shall be deemed to prohibit the Manager from executing any guarantee of indebtedness of the Company or its Subsidiaries.

## ARTICLE VII.
## RIGHTS AND OBLIGATIONS OF MEMBERS

Section 7.01 Limitation of Liability and Duties of Members.

(a) Except as provided in this Agreement or in the Act, no Member (including the Manager) shall be obligated personally for any debt, obligation or liability solely by reason of being a Member. Notwithstanding anything contained herein to the contrary, the failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business and affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Members for liabilities of the Company.

(b) In accordance with the Act and the laws of the State of Delaware, a Member may, under certain circumstances, be required to return amounts previously distributed to such Member. It is the intent of the Members that no Distribution to any Member pursuant to ARTICLE IV shall be deemed a return of money or other property paid or distributed in violation of the Act. To the fullest extent permitted by Law, any Member receiving any such money or property shall not be required to return any such money or property to the Company or any other Person. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Member is obligated to make any such payment, such obligation shall be the obligation of such Member and not of any other Member.

(c) Notwithstanding any other provision of this Agreement (subject to Section 6.08 with respect to the Manager), to the extent that, at law or in equity, any Member (or any Member's Affiliate or any Manager, Manager, general partner, director, officer, employee, agent, fiduciary or trustee of any Member or of any Affiliate of a Member) has duties (including fiduciary duties) to the Company, to the Manager, to another Member, to any Person who acquires an interest in a Company Interest or to any other Person bound by this Agreement, all such duties (including fiduciary duties) are hereby eliminated, to the fullest extent permitted by law, and replaced with the duties or standards expressly set forth herein, if any. The elimination of duties (including fiduciary duties) to the Company, the Manager, each of the Members, each other Person who acquires an interest in a Company Interest and each other Person bound by this Agreement and replacement thereof with the duties or standards expressly set forth herein, if any, are approved by the Company, the Manager, each of the Members, each other Person who acquires an interest in a Company Interest and each other Person bound by this Agreement.

Section 7.02 Lack of Authority. No Member, other than the Manager or a duly appointed Officer, in each case in its capacity as such, has the authority or power to act for or on behalf of the Company, to do any act that would be binding on the Company or to make any expenditure on behalf of the Company. The Members hereby consent to the exercise by the Manager of the powers conferred on them by Law and this Agreement.

Section 7.03 No Right of Partition. No Member, other than the Manager, shall have the right to seek or obtain partition by court decree or operation of Law of any Company property, or the right to own or use particular or individual assets of the Company.

Section 7.04 Indemnification.

(a) Subject to Section 5.06, the Company hereby agrees to indemnify and hold harmless any Person (each an "***Indemnified Person***") to the fullest extent permitted under the Act, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement only to the extent that such amendment, substitution or replacement permits the Company to provide broader indemnification rights than the Company is providing immediately prior to such amendment), against all expenses, liabilities and losses (including attorneys' fees, judgments, fines, excise taxes or penalties) reasonably incurred or suffered by such Person (or one or more of such Person's Affiliates) by reason of the fact that such Person is or was a Member or is or was serving at the request of the Company as the Manager, an Officer, an employee or another agent of the Company or is or was serving at the request of the Company as a Manager, member, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise; *provided, however*, that no Indemnified Person shall be indemnified for actions against the Company, the Manager or Managers, or any other Members or which are not made in good faith and not or in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or proceeding other than by or in the right of the Company, had reasonable cause to believe the conduct was unlawful, or for any present or future breaches of any representations, warranties or covenants by such Indemnified Person or its Affiliates contained herein or in the other agreements with the Company. Expenses, including attorneys' fees, incurred by any such Indemnified Person in defending a proceeding shall be paid by the Company as they are incurred and in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that such Indemnified Person is not entitled to be indemnified by the Company.

(b) The right to indemnification and the advancement of expenses conferred in this Section 7.04 shall not be exclusive of any other right which any Person may have or hereafter acquire under any statute, agreement, bylaw, action by the Manager or otherwise.

(c) The Company shall maintain directors' and officers' liability insurance, or make other financial arrangements, at its expense, to protect any Indemnified Person (and the investment funds, if any, they represent) against any expense, liability or loss described in Section 7.04(a) whether or not the Company would have the power to indemnify such Indemnified Person against such expense, liability or loss under the provisions of this Section 7.04. The Company shall use its commercially reasonable efforts to purchase directors' and officers' liability insurance (including employment practices coverage) with a carrier and in an amount determined necessary or desirable as determined in good faith by the Manager.

(d) Notwithstanding anything contained herein to the contrary (including in this Section 7.04), the Company agrees that any indemnification and advancement of expenses available to any current or former Indemnified Person from any investment fund that is an Affiliate of the Company who served as a director of the Company or as a Member of the Company by virtue of such Person's service as a member, director, partner or employee of any such fund prior to or following the Effective Time (any such Person, a "***Sponsor Person***") shall be secondary to the indemnification and advancement of expenses to be provided by the Company pursuant to this Section 7.04 which shall be provided out of and to the extent of Company assets only and no Member (unless such Member otherwise agrees in writing or is found in a final decision by a court of competent jurisdiction to have personal liability on account thereof) shall have personal liability on account thereof or shall be required to make additional Capital Contributions to help satisfy such indemnity of the Company and the Company (i) shall be the primary indemnitor of first resort for such Sponsor Person pursuant to this Section 7.04 and (ii) shall be fully responsible for the advancement of all expenses and the payment of all damages or liabilities with respect to such Sponsor Person which are addressed by this Section 7.04.

(e) If this Section 7.04 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Indemnified Person pursuant to this Section 7.04 to the fullest extent permitted by any applicable portion of this Section 7.04 that shall not have been invalidated and to the fullest extent permitted by applicable Law.

Section 7.05 Members Right to Act. For matters that require the approval of the Members, the Members shall act through meetings and written consents as described in paragraphs (a) and (b) below:

(a) Except as otherwise expressly provided by this Agreement or the Act, acts by the Members holding a majority of the Class A Units, voting together as a single class, shall be the acts of the Members. Any Member entitled to vote at a meeting of Members or to express consent or dissent to Company action in writing without a meeting may authorize another person or persons to act for it by proxy. An electronic mail or similar transmission by the Member, or a photographic, photostatic, facsimile or similar reproduction of a writing executed by the Member shall (if stated thereon) be treated as a proxy executed in writing for purposes of this Section 7.05(a). No proxy shall be voted or acted upon after eleven months from the date thereof, unless the proxy provides for a longer period. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and that the proxy is coupled with an interest. Should a proxy designate two or more Persons to act as proxies, unless that instrument shall provide to the contrary, a majority of such Persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or, if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, the Company shall not be required to recognize such proxy with respect to such issue if such proxy does not specify how the votes that are the subject of such proxy are to be voted with respect to such issue.

(b) The actions by the Members permitted hereunder may be taken at a meeting called by the Manager or by the Members holding a majority of the Units entitled to vote on such matter on at least 48 hours' prior written notice to the other Members entitled to vote, which notice shall state the purpose or purposes for which such meeting is being called. The actions taken by the Members entitled to vote or consent at any meeting (as opposed to by written consent), however called and noticed, shall be as valid as though taken at a meeting duly held after regular call and notice if (but not until), either before, at or after the meeting, the Members entitled to vote or consent as to whom it was improperly held signs a written waiver of notice or a consent to the holding of such meeting or an approval of the minutes thereof. The actions by the Members entitled to vote or consent may be taken by vote of the Members entitled to vote or consent at a meeting or by written consent, so long as such consent is signed by Members having not less than the minimum number of Units that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted. Prompt notice of the action so taken, which shall state the purpose or purposes for which such consent is required and may be delivered via email, without a meeting shall be given to those Members entitled to vote or consent who have not consented in writing; *provided, however*, that the failure to give any such notice shall not affect the validity of the action taken by such written consent. Any action taken pursuant to such written consent of the Members shall have the same force and effect as if taken by the Members at a meeting thereof.

ARTICLE VIII.
BOOKS, RECORDS, ACCOUNTING AND REPORTS, AFFIRMATIVE COVENANTS

Section 8.01 Records and Accounting. The Company shall keep, or cause to be kept, appropriate books and records with respect to the Company's business, including all books and records necessary to provide any information, lists and copies of documents required to be provided pursuant to Section 8.03 or pursuant to applicable Law and IFRS. All matters concerning (a) the determination of the relative amount of allocations and Distributions among the Members pursuant to Articles III and IV and (b) accounting procedures and determinations, and other determinations not specifically and expressly provided for by the terms of this Agreement, shall be determined by the Manager, whose determination shall be final and conclusive as to all of the Members absent manifest clerical error.

Section 8.02 Fiscal Year. The "***Fiscal Year***" of the Company shall begin on the first ($1^{st}$) day of January and end on the last day of December each year or such other date as may be established by the Manager.

Section 8.03 Reports. The Company shall deliver or cause to be delivered, within one hundred eighty (180) days after the end of each Fiscal Year or as soon as practicable thereafter, to each Person who was a Member at any time during such Fiscal Year, all information reasonably necessary for the preparation of such Person's United States federal and applicable state income tax returns.

ARTICLE IX.
TAX MATTERS

Section 9.01 Preparation of Tax Returns. The Manager shall arrange for the preparation and timely filing of all tax returns required to be filed by the Company. No later than the later of (i) one hundred eighty (180) days following the end of the prior Fiscal Year or as soon as practicable thereafter, and (ii) thirty (30) Business Days after the issuance of the final financial statement report for a Fiscal Year by the Company's auditors, or as soon as practical thereafter, the Company shall send to each Person who was a Member at any time during such Fiscal Year, a statement showing such Member's final state tax apportionment information and allocations to the Members of taxable income, gains, losses, deductions and credits for such Fiscal Year and a completed IRS Schedule K- 1. Each Member shall notify the other Members and the Manager upon receipt of any notice of tax examination of the Company by federal, state or local authorities. Subject to the terms and conditions of this Agreement, in its capacity as Partnership Representative, USCo shall have the authority to prepare the tax returns of the Company using such permissible methods and elections as it determines in its reasonable discretion, including the use of any permissible method under Section 706 of the Code for purposes of determining the varying Company Interests of its Members, provided, however, at the written request of any Class B Unitholder, the Company shall use the interim closing of the books method with respect to such Class B Unitholder's allocation of taxable income, gain, loss or deduction with respect to its transferred Class B Units, but only to the extent the use of such method would not have a material and disproportionately adverse impact on any other Member or otherwise cause the Company to incur material, unreimbursed costs relative to another available method.

Section 9.02 Tax Elections. Unless otherwise determined by the Manager in its sole discretion, the Taxable Year shall be the Fiscal Year set forth in Section 8.02. The Company and any eligible Subsidiary shall make an election pursuant to Section 754 of the Code, and shall not thereafter revoke such election. Each Member will upon request supply any information reasonably necessary to give proper effect to any such elections. Neither the Company, nor any Member, nor the Manager may take any action that would cause the Company (or successor in interest to the Company) to be taxed as other than a "partnership" for federal (and if applicable state and local) income tax purposes, including but not limited to by filing an IRS Form 8832, Entity Classification Election.

Section 9.03 Tax Controversies. Pursuant to the Revised Partnership Audit Provisions, USCo shall be designated and may, on behalf of the Company, at any time, and without further notice to or consent from any Member, act as the "partnership representative" of the Company (within the meaning given to such term in Section 6223 of the Code) (the " ***Partnership Representative***") for purposes of the Code. The Partnership Representative shall designate an individual satisfying the requirements of Proposed Treasury Regulations Section 301.6223-1(b)(2) and Proposed Treasury Regulations Section 301.6223-1(b)(4), as each may be amended or re-designated upon finalization, to serve as the sole individual through which it will act in its capacity as the Partnership Representative. The Partnership Representative shall have the right and obligation to take all actions authorized and required, respectively, by the Code for the Partnership Representative and is authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services reasonably incurred in connection therewith. Each Member agrees to cooperate with the Company and to do or refrain from doing any or all things reasonably requested by the Company with respect to the conduct of such proceedings. The Partnership Representative shall keep all Members fully advised on a current basis of any contacts by or discussions with the tax authorities. Nothing herein shall diminish, limit or restrict the rights of any Member under the Revised Partnership Audit Provisions.

Section 9.04 Withholding.

(a) To the extent the Company is required by applicable Laws or any tax treaty to withhold or to otherwise make tax payments on behalf of or with respect to any Member or affiliate of such Member, the Company shall withhold and make such tax payments as so required. To the extent that any Distributions that would otherwise be made to such Member at or about the time when the Company will make such tax payment equal or exceed the amount of such tax payments, the amount of such tax payments shall constitute an advance by the Company to such Member and shall be repaid to the Company by reducing the amount of the current Distributions that would otherwise have been made to such Member. To the extent that such tax payments exceed the Distributions that would otherwise be made to such Member at or about the time when the Company will make the tax payments, such Member shall make a Capital Contribution equal to the difference between the amount of the tax payment and the amount of such Member's Distribution at such time and the difference shall be deemed a "cash call" with respect to such Member. If such Member fails to pay such "cash call" within the later of five (5) days prior to the date that such tax payment by the Company will be made or fifteen (15) days from notice from the Company that a tax payment will be made on behalf of such Member, in order to permit the Company to make the relevant tax payment, any other Member may elect to make a Capital Contribution equal to the "cash call" that the owing Member failed to make or to reduce the Distributions that would otherwise be made to such other Member at or about the time when the Company will make the tax payment in a similar amount.

(b) If such other Member, by reason of such a payment (or deemed payment) on behalf of an owing Member made pursuant to Section 9.04(a), is required by applicable Laws or any tax treaty to withhold or to make tax payments on behalf of or with respect to the owing Member, any such tax payments by such other Member shall be treated for purposes of this Agreement only as if such tax payments had been Capital Contributions and had been tax payments made by the Company pursuant to Section 9.04(a).

(c) In the event any Member transfers or otherwise disposes of an interest in the Company and otherwise fails to deliver an IRS Form W-9 or another validly executed and timely provided certificate as provided in Code Section 1446(f) or Treasury Regulations to be promulgated thereunder, such Person shall either: (i) deliver to the Company, not less than three (3) Business Days prior to the effective time of any transfer or other disposition, cash constituting 10% of the total consideration price to be received by such Person pursuant to such transfer or other disposition; or (ii) deliver to the Company, not less than three (3) Business Days prior to the effective time of any transfer or other disposition, adequate security with a fair market value equal to, or exceeding, 10% of the total consideration price to be received by such Person pursuant to such transfer or other disposition, which cash or security may be used by the Company to satisfy any withholding taxes applicable to such transfer or other disposition in accordance with applicable Law.

ARTICLE X.
RESTRICTIONS ON TRANSFER OF UNITS

Section 10.01 Transfers by Members. No holder of Units may Transfer any interest in any Units, except Transfers (a) pursuant to and in accordance with Section 10.02 or (b) approved in writing by the Manager. Notwithstanding the foregoing, "Transfer" shall not include an event that terminates the existence of a Member for income tax purposes (including a change in entity classification of a Member under Treasury Regulations Section 301.7701-3, termination of a partnership pursuant to Code Section 708(b)(1), a sale of assets by, or liquidation of, a Member pursuant to an election under Code Sections 336 or 338, or merger, severance, or allocation within a trust or among sub-trusts of a trust that is a Member), but that does not terminate the existence of such Member under applicable state law (or, in the case of a trust that is a Member, does not terminate the trusteeship of the fiduciaries under such trust with respect to all the Company Interests of such trust that is a Member).

Section 10.02 Permitted Transfers. The restrictions contained in Section 10.01 shall not apply to any Transfer (each, a "***Permitted Transfer***") pursuant to (i)(A) a Redemption or Exchange in accordance with Article XI hereof or (B) a Transfer by a Member to Pubco or any of its Subsidiaries including Acreage, USCo and USCo2; (ii) a Transfer by any Member to such Member's spouse, any lineal ascendants or descendants or trusts or other entities in which such Member or Member's spouse, lineal ascendants or descendants hold (and continue to hold while such trusts or other entities hold Units) 50% or more of such entity's beneficial interests; (iii) the laws of descent and distribution and (iv) a Transfer to a partner, shareholder, unitholder, member or Affiliated investment fund of such Member; *provided, however*, that (A) the restrictions contained in this Agreement will continue to apply to Units after any Permitted Transfer of such Units, and (B) in the case of the foregoing clauses (ii), (iii) and (iv), the transferees of the Units so Transferred shall agree in writing to be bound by the provisions of this Agreement and, the transferor will deliver a written notice to the Company, which notice will disclose in reasonable detail the identity of the proposed transferee. All Permitted Transfers are subject to the additional limitations set forth in Section 10.07(b).

Section 10.03 Restricted Units Legend. The Units have not been registered under the Securities Act and, therefore, in addition to the other restrictions on Transfer contained in this Agreement, cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is then available. To the extent such Units have been certificated, each certificate evidencing Units and each certificate issued in exchange for or upon the Transfer of any Units (if such securities remain Units as defined herein after such Transfer) shall be stamped or otherwise imprinted with a legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SPECIFIED IN THE FOURTH AMENDED AND RESTATED OPERATING AGREEMENT OF HIGH STREET CAPITAL PARTNERS, LLC, D/B/A ACREAGE HOLDINGS, AS MAY BE AMENDED AND MODIFIED FROM TIME TO TIME, AND HIGH STREET CAPITAL PARTNERS, LLC, D/B/A ACREAGE HOLDINGS RESERVES THE RIGHT TO REFUSE THE TRANSFER OF SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO ANY TRANSFER. A COPY OF SUCH CONDITIONS SHALL BE FURNISHED BY HIGH STREET CAPITAL PARTNERS, LLC, D/B/A ACREAGE HOLDINGS TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE."

The Company shall imprint such legend on certificates (if any) evidencing Units. The legend set forth above shall be removed from the certificates (if any) evidencing any units which cease to be Units in accordance with the definition thereof.

Section 10.04 Transfer. Prior to Transferring any Units, the Transferring holder of Units shall cause the prospective transferee to be bound by this Agreement as provided in Section 10.02 and any other agreements executed by the holders of Units and relating to such Units in the aggregate (collectively, the "***Other Agreements***"), and shall cause the prospective transferee to execute and deliver to the Company and the other holders of Units counterparts of this Agreement and any applicable Other Agreements. Any Transfer or attempted Transfer of any Units in violation of any provision of this Agreement (including any prohibited indirect Transfers) shall be void, and in the event of any such Transfer or attempted Transfer, the Company shall not record such Transfer on its books or treat any purported transferee of such Units as the owner of such securities for any purpose.

Section 10.05 Assignee's Rights.

(a) The Transfer of a Company Interest in accordance with this Agreement shall be effective as of the date of its assignment (assuming compliance with all of the conditions to such Transfer set forth herein), and such Transfer shall be shown on the books and records of the Company. Profits, Losses and other Company items shall be allocated between the transferor and the Assignee according to Code Section 706, using any permissible method as determined in the reasonable discretion of the Manager. Distributions made before the effective date of such Transfer shall be paid to the transferor, and Distributions made after such date shall be paid to the Assignee.

(b) Unless and until an Assignee becomes a Member pursuant to ARTICLE XII, the Assignee shall not be entitled to any of the rights granted to a Member hereunder or under applicable Law, other than the rights granted specifically to Assignees pursuant to this Agreement; *provided, however*, that, without relieving the transferring Member from any such limitations or obligations as more fully described in Section 10.06, such Assignee shall be bound by any limitations and obligations of a Member contained herein that a Member would be bound on account of the Assignee's Company Interest (including the obligation to make Capital Contributions on account of such Company Interest).

Section 10.06 Assignor's Rights and Obligations. Any Member who shall Transfer any Company Interest in a manner in accordance with this Agreement shall cease to be a Member with respect to such Units or other interest and shall no longer have any rights or privileges, or, except as set forth in this Section 10.06, duties, liabilities or obligations, of a Member with respect to such Units or other interest (it being understood, however, that the applicable provisions of Sections 6.08 and 7.04 shall continue to inure to such Person's benefit), except that unless and until the Assignee (if not already a Member) is admitted as a Substituted Member in accordance with the provisions of ARTICLE XII (the "***Admission Date***"), such assigning Member shall retain all of the duties, liabilities and obligations of a Member with respect to such Units or other interest, and the Manager may, in its sole discretion, reinstate all or any portion of the rights and privileges of such Member with respect to such Units or other interest for any period of time prior to the Admission Date. Nothing contained herein shall relieve any Member who Transfers any Units or other interest in the Company from any liability of such Member to the Company with respect to such Company Interest that may exist on the Admission Date or that is otherwise specified in the Act and incorporated into this Agreement or for any liability to the Company or any other Person for any materially false statement made by such Member (in its capacity as such) or for any present or future breaches of any representations, warranties or covenants by such Member (in its capacity as such) contained herein or in the other agreements with the Company.

Section 10.07 Overriding Provisions.

(a) Any Transfer in violation of this Article X shall be null and void *ab initio*, and the provisions of Sections 10.05 and 10.06 shall not apply to any such Transfers. For the avoidance of doubt, any Person to whom a Transfer is made or attempted in violation of this Article X shall not become a Member, shall not be entitled to vote on any matters coming before the Members and shall not have any other rights in or with respect to any rights of a Member of the Company. The approval of any Transfer in any one or more instances shall not limit or waive the requirement for such approval in any other or future instance. The Manager shall promptly amend the Schedule of Members to reflect any Permitted Transfer pursuant to this Article X.

(b) Notwithstanding anything contained herein to the contrary (including, for the avoidance of doubt, the provisions of Section 10.01 and Article XI and Article XII), in no event shall any Member Transfer any Units to the extent such Transfer could, in the reasonable determination of the Manager:

(i) result in a violation of the Securities Act, or any other applicable federal, state or foreign Laws;

(ii) cause an assignment under the Investment Company Act;

(iii) be a violation of or a default (or an event that, with notice or the lapse of time or both, would constitute a default) under, or result in an acceleration of any indebtedness under, any promissory note, mortgage, loan agreement, indenture or similar instrument or agreement to which the Company or the Manager is a party; *provided* that the payee or creditor to whom the Company or the Manager owes such obligation is not an Affiliate of the Company or the Manager;

(iv) cause the Company to lose its status as a partnership for federal income tax purposes or, without limiting the generality of the foregoing, such Transfer was effected on or through an "established securities market" or a "secondary market or the substantial equivalent thereof," as such terms are used in Section 1.7704-1 of the Treasury Regulations;

(v) be a Transfer to a Person who is not legally competent or who has not achieved his or her majority under applicable Law (excluding trusts for the benefit of minors);

(vi) cause the Company or any Member or the Manager to be treated as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended;

(vii) cause the Company (as determined by the Manager in its sole discretion) to be treated as a "publicly traded partnership" or to be taxed as a corporation pursuant to Section 7704 of the Code or successor provision of the Code; or

(viii) result in the Company having more than one hundred (100) "partners", within the meaning of Treasury Regulations Section 1.7704-1(h)(1) (determined pursuant to the rules of Treasury Regulations Section 1.7704-1(h)(3)) in any Taxable Year that is not a Restricted Taxable Year.

## ARTICLE XI.
## REDEMPTION AND EXCHANGE RIGHTS; COMPANY OR USCO OPTION

Section 11.01 Redemption Right of a Member.

(a) *Redemption Notice*.

(i) Subject to the provisions set forth in this Section 11.01, each Class B Unitholder (other than USCo2) shall be entitled (the "***Redemption Right***") to cause the Company to redeem its Class B Units at any time after the Effective Time, unless such Class B Unitholder has entered into a contractual lock-up agreement in connection with the Arrangement Agreement or otherwise and relating to the shares of Acreage or Pubco that may be applicable to such Class B Unitholder, and then beginning on the date such lock-up agreement has been waived or terminated as it applies to such Class B Unitholder (the "***Redemption***"). A Class B Unitholder desiring to exercise its Redemption Right (the "***Redeeming Member***") shall exercise such right by giving written notice (the "***Redemption Notice***") to the Company with a copy to the Manager, to Acreage and to Pubco. The Redemption Notice shall specify (i) the number of Class B Units (the "***Redeemed Units***") that the Redeeming Member intends to have the Company redeem; *provided* that the proportion of Redeemed Units subject to a Redemption by a Redeeming Member must be 70% Class B Fixed Units and 30% Class B Floating Units; and (ii) a date (unless and to the extent that the Manager in its sole discretion agrees in writing to waive such time periods) on which exercise of the Redemption Right shall be completed, which complies with the requirements set forth in Section 11.01(a)(ii) (the "***Redemption Date***"); *provided* that (x) if the Redemption Date occurs in a Restricted Taxable Year, the Redemption Date must be a date that satisfies the conditions of Section 11.01(a)(ii), and (y) the Company, the Manager and the Redeeming Member may change the number of Redeemed Units and/or the Redemption Date specified in such Redemption Notice to another number and/or date by mutual agreement signed in writing by each of them. Unless the Redeeming Member has revoked or delayed a Redemption as provided in Section 11.01(c), on the Redemption Date (to be effective immediately prior to the close of business on the Redemption Date) (A) the Redeeming Member shall transfer and surrender the Redeemed Units to the Company, free and clear of all liens and encumbrances, and (B) the Company shall transfer to the Redeeming Member the consideration to which the Redeeming Member is entitled under Section 11.01(b), *provided that*, if such Units are certificated, the Company shall issue to the Redeeming Member a certificate for a number of Class B Units equal to the difference (if any) between the number of Class B Units evidenced by the certificate surrendered by the Redeeming Member pursuant to clause (B) of this Section 11.01(a)(ii) and the Redeemed Units.

(ii) Any Redemption Date that occurs in a Restricted Taxable Year must be a Quarterly Redemption Date not less than sixty (60) days after delivery of the applicable Redemption Notice. Any Redemption Date that occurs in a year that is not a Restricted Taxable Year must be not less than seven (7) Business Days nor more than ten (10) Business Days after delivery of the applicable Redemption Notice.

(b) In exercising its Redemption Right, a Redeeming Member shall be entitled to receive the following:

(i) In the event that Pubco has exercised its right to acquire the Class B Floating Shares in connection with the Arrangement Agreement (the "***Pubco Floating Share Option***"), the Share Settlement or the Cash Settlement; *provided* that the Manager shall have the option as provided in Section 11.02 and subject to Section 11.01(d) to select whether the redemption payment is made by means of a Share Settlement or a Cash Settlement.

(ii) In the event that Pubco has not exercised the Pubco Floating Share Option, the Class B Floating Share Settlement or the Class B Floating Cash Settlement for the Class B Floating Units and the Class B Fixed Share Settlement or the Class B Fixed Cash Settlement for the Class B Fixed Units; *provided* that the Manager shall have the option as provided in Section 11.02 and subject to Section 11.01(d) to select whether the redemption payment relating to the (i) Class B Floating Units is made by means of a Class B Floating Share Settlement or a Class B Floating Cash Settlement, and (ii) Class B Fixed Units is made by means of a Class B Fixed Share Settlement or a Class B Floating Cash Settlement.

(iii) Within three (3) Business Days of delivery of the Redemption Notice, the Manager shall give written notice (the "***Contribution Notice***") to the Company (with a copy to the Redeeming Member) of its intended settlement method; *provided* that if the Manager does not timely deliver a Contribution Notice, the Manager shall be deemed to have elected the Share Settlement method or the Class B Floating Share Settlement method with respect to the Class B Floating Units and the Class B Fixed Share Settlement method with respect to the Class B Fixed Units, as applicable.

(c) In the event the Manager elects a Share Settlement, a Class B Fixed Share Settlement, or a Class B Floating Share Settlement, as applicable, in connection with a Redemption, a Redeeming Member shall be entitled to receive the Share Settlement, the Class B Fixed Share Settlement, or the Class B Floating Share Settlement, as applicable. A Redeeming Member shall be entitled to revoke its Redemption Notice or delay the consummation of a Redemption if any of the following conditions exists: (i) any registration statement pursuant to which the resale of the Pubco Shares or Acreage Shares, as applicable, to be registered for such Redeeming Member at or immediately following the consummation of the Redemption shall have ceased to be effective pursuant to any action or inaction by the CSE or any other Governmental Entity having jurisdiction over the Pubco Shares or Acreage Shares, as applicable, or no such resale registration statement has yet become effective; (ii) if the Redemption is conditional on the resulting Pubco Shares or Acreage Shares, as applicable, being qualified for distribution under a prospectus on terms which Pubco or Acreage, as applicable, has agreed to and Pubco or Acreage, as applicable, shall have failed to cause such a prospectus to be filed and receipted by the applicable securities regulatory authorities in accordance with the conditions to the Redemption; (iii) Pubco or Acreage, as applicable, shall have exercised its right to defer, delay or suspend the filing or effectiveness of a registration statement and such deferral, delay or suspension shall affect the ability of such Redeeming Member to have its Pubco Shares or Acreage Shares, as applicable, registered at or immediately following the consummation of the Redemption; (iv) Pubco or Acreage, as applicable, shall have disclosed to such Redeeming Member any material non-public information concerning Pubco or Acreage, as applicable, the receipt of which could reasonably be determined to result in such Redeeming Member being prohibited or restricted from selling Pubco Shares or Acreage Shares, as applicable, at or immediately following the Redemption without disclosure of such information (and Pubco or Acreage, as applicable, does not permit disclosure); (v) any stop order or cease trade order relating to the Pubco Shares or Acreage Shares, as applicable, shall have been issued by the CSE or any other applicable exchange or an applicable securities regulatory authority; (vi) there shall have occurred a material disruption in the securities markets generally or in the market or markets in which the Pubco Shares or Acreage Shares, as applicable, are then traded; (vii) there shall be in effect an injunction, a restraining order or a decree of any nature of any Governmental Entity that restrains or prohibits the Redemption; or (viii) the Redemption Date would occur three (3) Business Days or less prior to, or during, a Black-Out Period; *provided further*, that in no event shall the Redeeming Member seeking to revoke its Redemption Notice or delay the consummation of such Redemption and relying on any of the matters contemplated in clauses (i) through (viii) above have controlled or intentionally materially influenced any facts, circumstances, or Persons in connection therewith (except in the good faith performance of his or her duties as an officer or director of Pubco or Acreage, as applicable) in order to provide such Redeeming Member with a basis for such delay or revocation. If a Redeeming Member delays the consummation of a Redemption pursuant to this Section 11.01(c), the Redemption Date shall occur on the fifth ($5^{th}$) Business Day following the date on which the conditions giving rise to such delay cease to exist (or such earlier day as the Manager, Pubco or Acreage, as applicable, the Company and such Redeeming Member may agree in writing)

(d) The number of Pubco Shares, Acreage Shares, or the Redeemed Units Equivalent, Class B Fixed Redeemed Units Equivalent or Class B Floating Redeemed Units Equivalent that a Redeeming Member is entitled to receive under Section 11.01(b)(i) (through a Share Settlement or Cash Settlement, as applicable) or Section 11.01(b)(ii) (through a Class B Floating Share Settlement or Class B Floating Cash Settlement, or Class B Fixed Share Settlement or Class B Fixed Cash Settlements as applicable) shall not be adjusted on account of any Distributions previously made with respect to the Redeemed Units or dividends previously paid with respect to Pubco Shares or Acreage Shares, as applicable; *provided, however*, that if a Redeeming Member causes the Company to redeem Redeemed Units and the Redemption Date occurs subsequent to the record date for any Distribution with respect to the Redeemed Units but prior to payment of such Distribution, the Redeeming Member shall be entitled to receive such Distribution with respect to the Redeemed Units on the date that it is made notwithstanding that the Redeeming Member transferred and surrendered the Redeemed Units to the Company prior to such date.

(e) In the event of a reclassification or other similar transaction as a result of which either the Pubco Shares or the Acreage Shares are converted into another security, then in exercising its Redemption Right a Redeeming Member shall be entitled to receive the amount of such security that the Redeeming Member would have received if such Redemption Right had been exercised and the Redemption Date had occurred immediately prior to the record date (or effective date in the event that there is no associated record date) of such reclassification or other similar transaction.

(f) Notwithstanding anything to the contrary contained herein, each of the Company, the Manager and Pubco or Acreage, as applicable, shall not be obligated to effectuate a Redemption if such Redemption (in the sole discretion of the Manager) could cause the Company to be treated as a "publicly traded partnership" or to be taxed as a corporation pursuant Section 7704 of the Code or successor provisions of the Code.

Section 11.02 Election of USCo and Redemption of Redeemed Units. In connection with the exercise of a Redeeming Member's Redemption Right under Section 11.01(a), USCo shall contribute to the Company the consideration the Redeeming Member is entitled to receive under Section 11.01(b). USCo, at its option, shall determine whether to contribute, pursuant to Section 11.01(b), the Share Settlement or the Cash Settlement, the Class B Floating Share Settlement or the Class B Floating Cash Settlement, or the Class B Fixed Share Settlement or the Class B Fixed Cash Settlement, as applicable. Unless the Redeeming Member has revoked or delayed a Redemption as provided in Section 11.01(c), on the Redemption Date (to be effective immediately prior to the close of business on the Redemption Date) (i) USCo shall make its Capital Contribution to the Company (in the form of the Share Settlement or the Cash Settlement, the Class B Floating Share Settlement or the Class B Floating Cash Settlement, or the Class B Fixed Share Settlement or the Class B Fixed Cash Settlement, as applicable) required under this Section 11.02, and (ii) the Company shall issue to USCo a number of Class A Units equal to the number of Redeemed Units surrendered by the Redeeming Member. Notwithstanding any other provisions of this Agreement to the contrary, in the event that USCo elects (i) a Cash Settlement or a Class B Fixed Cash Settlement, USCo shall only be obligated to contribute to the Company an amount in respect of such Cash Settlement or Class B Fixed Cash Settlement, as applicable, equal to the net proceeds from the sale by Pubco of a number of Pubco Shares equal to the number of Redeemed Units to be redeemed with such Cash Settlement or Class B Fixed Cash Settlement *provided* that USCo's Capital Account shall be increased by an amount equal to any Discount relating to such sale of shares of Pubco Shares in accordance with Section 6.06, or (ii) a Class B Floating Cash Settlement, USCo shall only be obligated to contribute to the Company an amount in respect of such Class B Floating Cash Settlement equal to the net proceeds from the sale by Acreage of a number of Acreage Shares equal to the number of Redeemed Units to be redeemed with such Class B Floating Cash Settlement *provided* that USCo's Capital Account shall be increased by an amount equal to any Discount relating to such sale of shares of Acreage Shares in accordance with Section 6.06. The timely revocation of a Redemption as provided in Section 11.01(c) shall terminate all of the Company's and USCo's rights and obligations under this Section 11.02 arising from the Redemption Notice.

Section 11.03 Exchange Right of USCo.

(a) Notwithstanding anything to the contrary in this Article XI, USCo may, in its sole and absolute discretion, elect to effect on the Redemption Date the exchange of (i) Redeemed Units for the Share Settlement or Cash Settlement, as the case may be through a direct exchange of such Redeemed Units and such consideration between the Redeeming Member and USCo, or (ii) Redeemed Units for the Class B Fixed Share Settlement or the Class B Fixed Cash Settlement or the Class B Floating Share Settlement or the Class B Floating Cash Settlement, as the case may be, through a direct exchange of such Redeemed Units and such consideration between the Redeeming Member and USCo (each of (i) and (ii), a "***Direct Exchange***"). Upon such Direct Exchange pursuant to this Section 11.03, USCo shall acquire the Redeemed Units and shall be treated for all purposes of this Agreement as the owner of such Redeemed Units.

(b) USCo may, at any time prior to a Redemption Date, deliver written notice (an "***Exchange Election Notice***") to the Company and the Redeeming Member setting forth its election to exercise its right to consummate a Direct Exchange; *provided* that such election does not prejudice the ability of the parties to consummate a Redemption or Direct Exchange on the Redemption Date. An Exchange Election Notice may be revoked by USCo at any time; *provided* that any such revocation does not prejudice the ability of the parties to consummate a Redemption or Direct Exchange on the Redemption Date. The right to consummate a Direct Exchange in all events shall be exercisable for all the Redeemed Units that would have otherwise been subject to a Redemption. Except as otherwise provided by this Section 11.03, a Direct Exchange shall be consummated pursuant to the same timeframe and in the same manner as the relevant Redemption would have been consummated if USCo had not delivered an Exchange Election Notice.

(c) Notwithstanding the foregoing, USCo may, in its sole and absolute discretion, assign to Acreage its rights and obligations under this Section 11.03 to consummate a Direct Exchange with the Redeeming Member.

Section 11.04 Effect of Exercise of Redemption or Exchange Right. This Agreement shall continue notwithstanding the consummation of a Redemption or Direct Exchange and all governance or other rights set forth herein shall be exercised by the remaining Members and the Redeeming Member (to the extent of such Redeeming Member's remaining interest in the Company). No Redemption or Direct Exchange shall relieve such Redeeming Member of any prior breach of this Agreement.

Section 11.05 Tax Treatment. Unless otherwise required by applicable Law, the parties hereto acknowledge and agree a Redemption or a Direct Exchange, as the case may be, shall be treated as a direct exchange between USCo, or Acreage, and the Redeeming Member for U.S. federal and applicable state and local income tax purposes.

Section 11.06 Company or USCo Option. On the third (3rd) anniversary of the Effective Time, if Pubco exercises the Pubco Floating Share Option, then Pubco shall have an option to acquire all but not less than all of the outstanding Class B Units (other than those held by USCo2) for the Share Settlement (the "***Class B Share Option***"), which shall be exercisable by written notice to each of the Class B Unitholders. In the event that Pubco does not exercise the Pubco Floating Share Option, then Pubco shall not have the Class B Share Option but shall only have the option to acquire all but not less than all of the outstanding Class B Fixed Units (other than those held by USCo2) for the Class B Fixed Share Settlement (the "***Pubco Fixed Share Option***"). If Pubco exercises the Pubco Fixed Share Option then (i) Pubco shall complete the exchange of the Class B Fixed Units for the Class B Fixed Share Settlement as if each Class B Unitholder had exercised its Redemption Right pursuant to Section 11.01, and (ii) the Company or USCo, as applicable, shall complete the exchange of the Class B Floating Units for the Class B Floating Share Settlement as if each Class B Unitholder had exercised its Redemption Right pursuant to Section 11.01.

## ARTICLE XII.
## ADMISSION OF MEMBERS

Section 12.01 Substituted Members. Subject to the provisions of ARTICLE X hereof, in connection with the Permitted Transfer of a Company Interest hereunder, the transferee shall become a substituted Member ("***Substituted Member***") on the effective date of such Permitted Transfer, which effective date shall not be earlier than the date of compliance with the conditions to such Transfer, and such admission shall be shown on the books and records of the Company.

Section 12.02 Additional Members. Subject to the provisions of ARTICLE X hereof, any Person that is not an Original Member may be admitted to the Company as an additional Member (any such Person, an "***Additional Member***") only upon furnishing to the Manager (a) counterparts of this Agreement and any applicable Other Agreements and (b) such other documents or instruments as may be reasonably necessary or appropriate to effect such Person's admission as a Member (including entering into such documents as the Manager may deem appropriate in its reasonable discretion). Such admission shall become effective on the date on which the Manager determines in its reasonable discretion that such conditions have been satisfied and when any such admission is shown on the books and records of the Company.

## ARTICLE XIII.
## WITHDRAWAL AND RESIGNATION; MEMBERS' REPRESENTATIONS; TERMINATION OF RIGHTS

Section 13.01 Withdrawal and Resignation of Members. No Member shall have the power or right to withdraw or otherwise resign as a Member from the Company prior to the dissolution and winding up of the Company pursuant to ARTICLE XIV. Any Member, however, that attempts to withdraw or otherwise resign as a Member from the Company without the prior written consent of the Manager upon or following the dissolution and winding up of the Company pursuant to ARTICLE XIV, but prior to such Member receiving the full amount of Distributions from the Company to which such Member is entitled pursuant to ARTICLE XIV, shall be liable to the Company for all damages (including all lost profits and special, indirect and consequential damages) directly or indirectly caused by the withdrawal or resignation of such Member. Upon a Transfer of all of a Member's Units in a Transfer permitted by this Agreement, subject to the provisions of Section 10.06, such Member shall cease to be a Member.

Section 13.02 Required Withdrawals.

(a) Any Member ("***Subject Member***") may, in the sole discretion of the Manager, be required to fully withdraw from the Company and sell all of such Subject Member's Units to the Company if: (i) the Subject Member or an Affiliate of such Member has been convicted of a misdemeanor involving fraud, deceit or embezzlement or any felony by a court of competent jurisdiction, with respect to which conviction any further right of the Subject Member or Affiliate of such Member to appeal shall have been exhausted or expired, or (ii) the Subject Member or an Affiliate of such Member has been convicted by a court of competent jurisdiction of violating securities laws or commodities trading laws, with respect to which conviction any further right of the Subject Member or Affiliate of such Member to appeal shall have been exhausted or expired, or (iii) the Securities and Exchange Commission, Financial Industry Regulatory Authority Inc., Commodities Futures Trading Commission, National Futures Association or any other regulatory or administrative agency which oversees or regulates investment activities determines that the Subject Member or an Affiliate of such Member has violated a rule or regulation of such commission, association or agency, with respect to which conviction any further right of the Subject Member or Affiliate of such Member to appeal shall have been exhausted or expired.

(b) Without limiting Section 13.02(a), in the event that any Member ("***Indicted/Investigated Member***") or an Affiliate of such Member has been indicted for any of the offenses or violations listed in clauses (i) or (ii) of Section 13.02(a), or is subject to an investigation by a regulatory agency of the type listed in clause (iii) of Section 13.02(a) regarding violation of a rule or regulation: (x) such Indicted/Investigated Member will be required to withdraw from the Company and sell all of such Member's Units to the Company, if so requested to withdraw by the determination of the Manager in its sole discretion, or (y) the Manager may propose such other sanction or arrangement, to be agreed upon by the Indicted/Investigated Member or Affiliate of such Member, regarding the relationship between the Company and the Indicted/Investigated Member or Affiliate of such Member.

(c) Members' Representations.

(i) Each Member represents, warrants and covenants that (which representation, warranty and covenant shall be in addition to and not in lieu of any other representation, warranty and covenant given by such Member to the Company in any other agreement between such Member and the Company):

1. such Member has all requisite power and authority to enter into this Agreement and perform such Member's obligations hereunder;

2. (A) this Agreement has been duly and validly executed and delivered by such Member and is enforceable against it, in accordance with its terms, and (B) the performance of such Member's obligations hereunder shall not conflict or result in the violation of, any agreement, lease, instrument, license, permit or other authorization applicable to such Member;

3. such Member acknowledges that its Units are subject to transfer restrictions and consents that stop transfer instructions in respect of the Units may be issued to any transfer agent, transfer clerk or other agent at any time acting for the Company;

4. such Member acknowledges that purchase of the Units may involve tax consequences. The Member confirms that he or she is not relying on any statements or representations of the Company or any of its agents or legal counsel with respect to the tax and other economic considerations of an investment in the Interests and acknowledges that the Member must retain his or her own professional advisors to evaluate the federal, state and local tax and other economic considerations of an investment in the Interests. The Member also acknowledges that he or she is solely responsible for any of his or her own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement;

5. such Member acknowledges that the Company will review the representations, warranties and covenants contained in this Agreement without making any independent investigation, and that the representations, warranties and agreements made by the Member shall survive the execution and delivery of this Agreement and the purchase of the Units;

6. such Member hereby represents that, except as expressly set forth in this Agreement, no representations or warranties have been made to the Member by the Company or any agent, employee or Affiliate of the Company, and in entering into this transaction, the Peron is not relying on any information other than that which is the result of independent diligence; and

7. such Member acknowledges the risks associated with his, her, or its investment in the Company, especially as it pertains to the risks related to the cannabis and marijuana industry including, but not limited to: increased competition, illegality under federal law, new and evolving industry, changing laws, etc.

(ii) All of the foregoing representations and warranties and the foregoing indemnity shall survive the withdrawal of any Person and the termination of this Agreement.

(d) If (i) any of the representations given in (A) Section 13.02(c) or (B) any other agreement with the Company, by a Member ("***Misrepresenting Member***") or an Affiliate of such Member is materially false or ceases to be true in a respect which is, in the reasonable opinion of the Manager, materially adverse to the Company or the other Members, (ii) a Member ("***Breaching Member***") or an Affiliate of such Member has breached its agreements or obligations hereunder or thereunder and the consequences of such breach are, in the reasonable opinion of the Manager, materially adverse to the Company or the other Members, or (iii) the continued participation of any Member ("***Regulatory Adverse Member***") or an Affiliate of such Member in or with the Company or any Subsidiary or Affiliate of the Company would, in the Manager's reasonable opinion, cause undue risk of adverse tax, regulatory or other consequences to the Company or any Affiliate of the Company or would be materially detrimental to the business, operations or commercial reputation of the Company or any Subsidiary or Affiliate of the Company, the Manager may, upon written notice to the Misrepresenting Member, Breaching Member or Regulatory Adverse Member, as applicable, require such Misrepresenting Member, Breaching Member or Regulatory Adverse Member to fully withdraw from the Company and sell all of such Member's Units to the Company (irrespective of whether the subject misrepresentation, breach or regulatory consequence involves such Member or an Affiliate of such Member).

(e) A Member who is required to withdraw from the Company pursuant to this Section 13.02 (a "***Required Withdrawal***") shall be entitled to receive, in exchange for all of such Member's outstanding Units, the fair market value of such Units, as determined by the Manager, in its sole discretion. The foregoing purchase price shall be paid, at the sole option of the Manager, in either (i) one lump sum cash payment or (ii) by the delivery of the Company to such Member of an unsecured promissory note, in form prescribed by the Company, providing for the payment of such purchase price in three equal annual installments, together with accrued and unpaid interest at the Applicable Federal Rate, with the first of such installments beginning on the closing of such repurchase by the Company (except that the Company may, in the sole discretion of the Manager, prepay such installments at any time without premium or penalty), which closing shall be at a time and place as selected by the Manager and communicated to such Member.

(f) A Member subject to a Required Withdrawal shall execute all documents in connection with his, her or its withdrawal from the Company as the Manager shall reasonably require.

## ARTICLE XIV.
## DISSOLUTION AND LIQUIDATION

Section 14.01 Dissolution. The Company shall not be dissolved by the admission of Additional Members or Substituted Members or the attempted withdrawal or resignation of a Member. The Company shall dissolve, and its affairs shall be wound up, upon:

(a) the decision of the Manager together with the holders of a majority of the then-outstanding Common Units entitled to vote to dissolve the Company;

(b) a dissolution of the Company under the Act; or

(c) the entry of a decree of judicial dissolution of the Company under the Act.

Except as otherwise set forth in this ARTICLE XIV, the Company is intended to have perpetual existence. An Event of Withdrawal shall not cause a dissolution of the Company and the Company shall continue in existence subject to the terms and conditions of this Agreement.

Section 14.02 Liquidation and Termination. On dissolution of the Company, the Manager shall act as liquidator or may appoint one or more Persons as liquidator. The liquidators shall proceed diligently to wind up the affairs of the Company and make final Distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the liquidators shall continue to operate the Company properties with all of the power and authority of the Manager. The steps to be accomplished by the liquidators are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the liquidators shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the liquidators shall cause the notice described in the Act to be mailed to each known creditor of and claimant against the Company in the manner described thereunder;

(c) the liquidators shall pay, satisfy or discharge from Company funds, or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash fund for contingent liabilities in such amount and for such term as the liquidators may reasonably determine): first, all expenses incurred in liquidation; and second, all of the debts, liabilities and obligations of the Company;

(d) all remaining assets of the Company shall be distributed to the Members (i) first to the Class B Unitholders, in an amount equal to their respective Class B Preferred Return Base Amount plus all outstanding an accrued Class B Preferred Return Amount, pro rata based on their Class B Units, and then (ii) the balance to the Class A Unitholders in accordance with their respective Percentage Interests at the end of the Taxable Year during which the liquidation of the Company occurs (or, if later, by ninety (90) days after the date of the liquidation). The distribution of cash and/or property to the Members in accordance with the provisions of this Section 14.02 and Section 14.03 below constitutes a complete return to the Members of their Capital Contributions and a complete distribution to the Members of their interest in the Company and all the Company's property. To the extent that a Member returns funds to the Company, such returning Member has no claim against any other Member for those funds; and

Section 14.03 Deferment; Distribution in Kind. Notwithstanding the provisions of Section 14.02, but subject to the order of priorities set forth therein, if upon dissolution of the Company the liquidators determine that an immediate sale of part or all of the Company's assets would be impractical or would cause undue loss (or would otherwise not be beneficial) to the Members, the liquidators may, in their sole discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy Company liabilities (other than loans to the Company by Members) and reserves. Subject to the order of priorities set forth in Section 14.02, the liquidators may, in their sole discretion, distribute to the Members, in lieu of cash, either (a) all or any portion of such remaining Company assets in-kind in accordance with the provisions of Section 14.02(d), (b) as tenants in common and in accordance with the provisions of Section 14.02(d), undivided interests in all or any portion of such Company assets or (c) a combination of the foregoing. Any such Distributions in kind shall be subject to (y) such conditions relating to the disposition and management of such assets as the liquidators deem reasonable and equitable and (z) the terms and conditions of any agreements governing such assets (or the operation thereof or the holders thereof) at such time. Any Company assets distributed in kind will first be written up or down to their Fair Market Value, thus creating Profit or Loss (if any), which shall be allocated in accordance with ARTICLE V. The liquidators shall determine the Fair Market Value of any property distributed in accordance with the valuation procedures set forth in ARTICLE XV.

Section 14.04 Cancellation of Certificate. On completion of the distribution of Company assets as provided herein, the Company is terminated (and the Company shall not be terminated prior to such time), and the Manager (or such other Person or Persons as the Act may require or permit) shall file a certificate of cancellation with the Secretary of State of Delaware, cancel any other filings made pursuant to this Agreement that are or should be canceled and take such other actions as may be necessary to terminate the Company. The Company shall be deemed to continue in existence for all purposes of this Agreement until it is terminated pursuant to this Section 14.04.

Section 14.05 Reasonable Time for Winding Up. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to Sections 14.02 and 14.03 in order to minimize any losses otherwise attendant upon such winding up.

Section 14.06 Return of Capital. The liquidators shall not be personally liable for the return of Capital Contributions or any portion thereof to the Members (it being understood that any such return shall be made solely from Company assets).

## ARTICLE XV.
## VALUATION

Section 15.01 Determination. "***Fair Market Value***" of a specific Company asset will mean the amount which the Company would receive in an all-cash sale of such asset in an arms-length transaction with a willing unaffiliated third party, with neither party having any compulsion to buy or sell, consummated on the day immediately preceding the date on which the event occurred which necessitated the determination of the Fair Market Value (and after giving effect to any transfer taxes payable in connection with such sale), as such amount is determined by the Manager (or, if pursuant to Section 14.02, the liquidators) in its good faith judgment using all factors, information and data it deems to be pertinent.

Section 15.02 Dispute Resolution. If any Member or Members dispute the accuracy of any determination of Fair Market Value in accordance with Section 15.01, and the Manager and such Member(s) are unable to agree on the determination of the Fair Market Value of any asset of the Company, the Manager and such Member(s) shall each select a nationally recognized investment banking firm experienced in valuing securities of closely- held companies such as the Company in the Company's industry (the "***Appraisers***"), who shall each determine the Fair Market Value of the asset or the Company (as applicable) in accordance with the provisions of Section 15.01. The Appraisers shall be instructed to give written notice of their determination of the Fair Market Value of the asset or the Company (as applicable) within thirty (30) days of their appointment as Appraisers. If Fair Market Value as determined by an Appraiser is higher than Fair Market Value as determined by the other Appraiser by 10% or more, and the Manager and such Member(s) do not otherwise agree on a Fair Market Value, the original Appraisers shall designate a third Appraiser meeting the same criteria used to select the original two. If Fair Market Value as determined by an Appraiser is within 10% of the Fair Market Value as determined by the other Appraiser (but not identical), and the Manager and such Member(s) do not otherwise agree on a Fair Market Value, the Manager shall select the Fair Market Value of one of the Appraisers. The fees and expenses of the Appraisers shall be borne by the Company; *provided, however*, that if the Fair Market Value as determined through the appraisal method in this Section 15.02, is within 10% of the Fair Market Value originally determined by the Company under Section 15.01, the Member(s) electing to exercise their rights under this Section 15.02 shall bear all of the fees and expenses of the Appraisers.

## ARTICLE XVI.
## GENERAL PROVISIONS

Section 16.01 Power of Attorney.

(a) Each Member who is an individual hereby constitutes and appoints the Manager (or the liquidator, if applicable) with full power of substitution, as his or her true and lawful agent and attorney-in-fact, with full power and authority in his, her or its name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) this Agreement, all certificates and other instruments and all amendments thereof which the Manager deems appropriate or necessary to form, qualify, or continue the qualification of, the Company as a limited liability company in the State of Delaware and in all other jurisdictions in which the Company may conduct business or own property; (B) all instruments which the Manager deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (C) all conveyances and other instruments or documents which the Manager deems appropriate or necessary to reflect the dissolution and liquidation of the Company pursuant to the terms of this Agreement, including a certificate of cancellation; and (D) all instruments relating to the admission, withdrawal or substitution of any Member pursuant to ARTICLE XII or ARTICLE XIII; and

(ii) sign, execute, swear to and acknowledge all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the reasonable judgment of the Manager, to evidence, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Members hereunder or is consistent with the terms of this Agreement, in the reasonable judgment of the Manager, necessary or appropriate to effectuate the terms of this Agreement.

(b) The foregoing power of attorney is irrevocable and coupled with an interest, and shall survive the death, disability, incapacity, dissolution, bankruptcy, insolvency or termination of any Member who is an individual and the transfer of all or any portion of his, her or its Company Interest and shall extend to such Member's heirs, successors, assigns and personal representatives.

Section 16.02 Confidentiality. The Manager and each of the Members agree to hold the Company's Confidential Information in confidence and may not use such information except (i) in furtherance of the business of the Company, (ii) as reasonably necessary for compliance with applicable law, including compliance with disclosure requirements under the Securities Act and the Exchange Act, and securities laws of other jurisdictions, or (iii) as otherwise authorized separately in writing by the Manager. "***Confidential Information***" as used herein includes, but is not limited to, ideas, financial product structuring, business strategies, innovations and materials, all aspects of the Company's business plan, proposed operation and products, corporate structure, financial and organizational information, analyses, proposed partners, software code and system and product designs, employees and their identities, equity ownership, the methods and means by which the Company plans to conduct its business, all trade secrets, trademarks, tradenames and all intellectual property associated with the Company's business. With respect to the Manager and each Member, Confidential Information does not include information or material that: (a) is rightfully in the possession of the Manager or each Member at the time of disclosure by the Company; (b) before or after it has been disclosed to the Manager or each Member by the Company, becomes part of public knowledge, not as a result of any action or inaction of the Manager or such Member, respectively, in violation of this Agreement; (c) is approved for release by written authorization of the Chief Executive Officer, or officer of equivalent position, of the Company, of USCo, of USCo2 or of Acreage; (d) is disclosed to the Manager or such Member or their representatives by a third party not, to the knowledge of the Manager or such Member, respectively, in violation of any obligation of confidentiality owed to the Company with respect to such information; or (e) is or becomes independently developed by the Manager or such Member or their respective representatives without use or reference to the Confidential Information.

Section 16.03 Amendments. This Agreement may not be amended or modified without the prior written consent of (a) Pubco, and (b) the Manager and Kevin Murphy for so long as Kevin Murphy is a Member, and in the event Kevin Murphy is no longer a Member, without the prior written consent of the Manager and the Members holding a majority of the Class B Units (other than USCo2). Notwithstanding the foregoing, no amendment or modification to any of the terms and conditions of this Agreement which terms and conditions expressly require the approval or action of certain Persons may be made without obtaining the consent of the requisite number or specified percentage of such Persons who are entitled to approve or take action on such matter.

Section 16.04 Title to Company Assets. Company assets shall be deemed to be owned by the Company as an entity, and no Member, individually or collectively, shall have any ownership interest in such Company assets or any portion thereof. The Company shall hold title to all of its property in the name of the Company and not in the name of any Member. All Company assets shall be recorded as the property of the Company on its books and records, irrespective of the name in which legal title to such Company assets is held. The Company's credit and assets shall be used solely for the benefit of the Company, and no asset of the Company shall be transferred or encumbered for, or in payment of, any individual obligation of any Member.

Section 16.05 Addresses and Notices. Any notice provided for in this Agreement will be in writing and will be either personally delivered, or received by electronic mail or certified mail, return receipt requested, sent by reputable overnight courier service (charges prepaid) to the Company or sent by email at the address set forth below and to any other recipient and to any Member at such address as indicated by the Company's records, or at such address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally, three (3) days after deposit in the U.S. mail and one (1) day after deposit with a reputable overnight courier service or transmission via e-mail (*provided* confirmation of transmission is received). The Company's address is:

to the Company:

High Street Capital Partners, LLC, d/b/a Acreage Holdings
366 Madison Avenue, 11th Floor
New York, New York 10017
Attn: James A. Doherty
Email: j.doherty@acreageholdings.com

with a copy (which copy shall not constitute notice) to:

Cozen O'Connor
1650 Market Street, Suite 2800
Philadelphia, Pennsylvania 19103
Attn: Joseph C. Bedwick
Email: jbedwick@cozen.com

and

DLA Piper (Canada) LLP
Suite 6000, 100 King St. W
Toronto, Ontario M5X 1E2
Attn: Robert Fonn
E-mail: robert.fonn@dlapiper.com

Section 16.06 Binding Effect; Intended Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns. For the avoidance of doubt, Pubco is an express third-party beneficiary to this Agreement, is entitled to the rights and benefits hereunder and may enforce the provisions hereof as if it were a party hereto.

Section 16.07 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company or any of its Affiliates, and no creditor who makes a loan to the Company or any of its Affiliates may have or acquire at any time as a result of making the loan any direct or indirect interest in Company Profits, Losses, Distributions, capital or property, other than as a secured creditor.

Section 16.08 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement or condition.

Section 16.09 Counterparts. This Agreement may be executed in separate counterparts, each of which will be an original and all of which together shall constitute one and the same agreement binding on all the parties hereto.

Section 16.10 Applicable Law. All matters relating to the interpretation, construction, validity and enforcement of this Agreement and all questions arising out of or concerning either the organization of, or the investment in, the Company, or this Agreement, or the rights, duties, and responsibilities of the Company or any Member, including claims alleging fraud, misrepresentation, or similar torts, will be governed by the internal laws of the state of Delaware, without giving effect to any choice of law provisions. Any conflict or apparent conflict between this Agreement and the Act will be resolved in favor of this Agreement, except as otherwise specifically required by the Act. Any dispute relating hereto shall be heard in the state or federal courts of the State of Delaware, and the parties agree to jurisdiction and venue therein.

Section 16.11 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 16.12 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain from taking such actions as may be reasonably necessary or appropriate to achieve the purposes of this Agreement.

Section 16.13 Delivery by Electronic Transmission. This Agreement and any signed agreement or instrument entered into in connection with this Agreement or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of an electronic transmission, including by a facsimile machine or via email, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re- execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of electronic transmission by a facsimile machine or via email to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through such electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

Section 16.14 Right of Offset. Whenever the Company is to pay any sum (other than pursuant to Article IV) to any Member, any amounts that such Member owes to the Company which are not the subject of a good faith dispute may be deducted from that sum before payment. For the avoidance of doubt, the distribution of Units to USCo or USCo2 shall not be subject to this Section 16.14.

Section 16.15 Entire Agreement. This Agreement, those documents expressly referred to herein (including the Support Agreements and the Tax Receivable Agreement), any indemnity agreements entered into in connection with the Prior Operating Agreement with the Manager at that time and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. For the avoidance of doubt, the Prior Operating Agreement is superseded by this Agreement as of the Effective Time and shall be of no further force and effect thereafter.

Section 16.16 Remedies. Each Member shall have all rights and remedies set forth in this Agreement and all rights and remedies which such Person has been granted at any time under any other agreement or contract and all of the rights which such Person has under any Law. Any Person having any rights under any provision of this Agreement or any other agreements contemplated hereby shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by Law.

Section 16.17 Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of this Agreement. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. The use of the word "including" in this Agreement shall be by way of example rather than by limitation and shall mean, "including, without limitation". Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Without limiting the generality of the immediately preceding sentence, no amendment or other modification to any agreement, document or instrument that requires the consent of any Person pursuant to the terms of this Agreement or any other agreement will be given effect hereunder unless such Person has consented in writing to such amendment or modification. Wherever required by the context, references to a Fiscal Year shall refer to a portion thereof. The use of the words "or," "either" and "any" shall not be exclusive. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Wherever a conflict exists between this Agreement and any other agreement, this Agreement shall control but solely to the extent of such conflict.

Section 16.18 Enactment. As evidenced by their execution of the Third Amendment to Third Amended and Restated Limited Liability Company Agreement of High Street Capital Partners, LLC, dated as of September 23, 2020, the Manager and Members holding a majority of the Common Units outstanding, on behalf of each Member, have adopted and approved this Agreement to be effective as of the Effective Time.

[*Remainder of page intentionally left blank*]

**Exhibit A**

**FORM OF JOINDER AGREEMENT**

This JOINDER AGREEMENT, dated as of _____, 20__ (this "Joinder"), is delivered pursuant to that certain Fourth Amended and Restated Limited Liability Company Agreement, dated as of _____, 20 __ (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "LLC Agreement") by and among High Street Capital Partners, LLC, d/b/a Acreage Holdings, a Delaware limited liability company (the "Company"), Acreage Holdings America, Inc., a Nevada corporation and the manager of the Company (the "Manager"), and each of the Members from time to time party thereto. Capitalized terms used but not otherwise defined herein have the respective meanings set forth in the LLC Agreement.

1. Joinder to the LLC Agreement. Upon the execution of this Joinder by the undersigned and delivery hereof to the Manager, the undersigned hereby is and hereafter will be a Member under the LLC Agreement and a party thereto, with all the rights, privileges and responsibilities of a Member thereunder. The undersigned hereby agrees that it shall comply with and be fully bound by the terms of the LLC Agreement as if it had been a signatory thereto as of the date thereof.

2. Incorporation by Reference. All terms and conditions of the LLC Agreement are hereby incorporated by reference in this Joinder as if set forth herein in full.

3. Address. All notices under the LLC Agreement to the undersigned shall be directed to:

[Name]
[Address]
[City, State, Zip Code]
Attn:
Facsimile:
E-mail:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Joinder as of the day and year first above written.

**[NAME OF NEW MEMBER]**

By: _____
Name:
Title:

Acknowledged and agreed
as of the date first set forth above:

**HIGH STREET CAPITAL PARTNERS, LLC, D/B/A ACREAGE HOLDINGS**

By: Acreage Holdings America, Inc., its Manager

By: _____
Name:
Title:

**Exhibit 10.22**

**SEPARATION AGREEMENT, GENERAL RELEASE, AND WAIVER OF RIGHTS**

This SEPARATION AGREEMENT, GENERAL RELEASE, AND WAIVER OF RIGHTS ("**Agreement**") is entered into between Tyson Macdonald residing at 4 Springbriar Lane, Baltimore, Maryland 21208 (**"Employee"**), and High Street Capital Partners Service Company, LLC, and any of its parents, subsidiaries, affiliates, divisions or successors, including but not limited to High Street Capital Partners, LLC and Acreage Holdings, Inc., as well as their present, former and future officers, directors, members, shareholders, employees and agents, in both their individual and representative capacities (collectively, the **"Company"**). The Employee and the Company may be referred to collectively as "**Parties**."

1. **Termination of Employment**. Employee's employment with the Company will terminate and end for all purposes on March 9, 2020 (the **"Separation Date"**). As of the Separation Date, Employee will no longer receive any salary, monies or benefits of any kind either from the Company, or from anyone else because of Employee's employment with the Company before the Separation Date, except as expressly provided in this Agreement.

2. **Final Paycheck and Special Consideration**.

A. Employee will receive a final direct deposit with the bank account on file with Justworks on February 28, 2020 for pay up to and including the Separation Date, which Employee agrees is all that will be due and owing to Employee on and as of the Separation Date, except as expressly provided in this Agreement. Employee understands and agrees that the final paycheck is made in complete satisfaction of any and all claims for accrued wages, salary, bonus, profit sharing, commissions, overtime premiums, vacation pay, holiday pay and any other pay and leave of any kind to which Employee is or may be entitled.

B. In connection with the termination of Employee's employment and in return for Employee's waiver of rights against the Company and Employee signing this Agreement and it becoming effective (without being revoked pursuant to this Agreement), together with other representations and covenants in this Agreement, the Company agrees as follows, which Employee expressly agrees is adequate and sufficient consideration:

(i) Special Separation Payment. The Company shall pay Employee a special separation payment in the gross amount of $300,000 (**"Special Separation Payment")**, less all applicable deductions, which shall be payable in twenty-six equal installments on each of the Company's regular bi-weekly pay days, beginning with the first pay day after the Effective Date of this Agreement. Employee understands and agrees that this Special Separation Payment is monetary consideration to which Employee would not otherwise be entitled if Employee did not sign this Agreement and it did not become effective.

(ii) COBRA Premium. Provided that Employee timely elects COBRA, the Company shall pay Employee's portion of the cost of the COBRA premium in the gross amount of $28,814.76 (**"COBRA Premium Payment")**, less all applicable deductions, which shall be payable in twenty-six equal installments on each of the Company's regular by-weekly pay days, beginning with the first pay day after the Effective Date of this Agreement. Employee further understands and agrees that this COBRA Premium Payment is monetary consideration to which Employee would not otherwise be entitled if Employee did not sign this Agreement and it did not become effective.

(iii) Fringe Benefits Income Tax True-Up Payment. The Company agrees to remit income tax payments on Employee's behalf to the IRS and the relevant state taxing authorities associated with Employee's New York, New York corporate apartment rent, utilities, and his verified expenses related to travel between Maryland and New York, up to and including the Separation Date. This payment will be made on Employee's behalf by no later than July 15, 2020, and Employee shall receive a statement from the Company reflecting such income tax payments remitted on his behalf.

(iv) Waiver of Non-Compete. The Company agrees to consider, on a case-by-case basis, waivers of Employee's non-competition obligations as set forth in his "Lock-Up and Incentive Agreement" dated June 27, 2019, such waivers to be granted in the Company's sole discretion.

3. **Employee's General Release and Waiver of Rights to Further Recovery**. (A) As a condition of the Company's willingness to enter into this Agreement, and in consideration for the agreements contained in this Agreement, Employee, with the intention of binding himself and each of his heirs, beneficiaries, trustees, administrators, executors, and assigns and legal representatives (collectively, the **"Releasors"**), hereby releases, waives and forever discharges (whether on an individual basis or as a member of a class/collective) the Company from, and hereby acknowledges full accord and satisfaction of, any and all claims, demands, causes of action, and liabilities of any kind whatsoever (upon any legal or equitable theory, whether contractual, common law or statutory, under federal, state or local law or otherwise), whether known or unknown, asserted or unasserted, by reason of any act, omission, transaction, agreement, occurrence or any other matter whatsoever that the Releasors ever had, now have or hereafter may have against the Company from the beginning of the world up to and including the date that Employee signs this Agreement.

Employee understands and agrees that the right to further recovery based upon claims which Employee is waiving include but are not limited to claims arising under federal, state or local laws prohibiting employment discrimination and claims growing out of any legal restrictions on the Company's right to terminate its employees. Without limiting the generality of this or the foregoing paragraph, the Releasors hereby expressly release and forever discharge the Company from:

(i) any and all claims relating to or arising from Employee's prior employment with the Company, the terms and conditions of his employment with the Company, and the cessation of his employment with the Company;

(ii) any and all claims under any federal, state or local statute or ordinance, public policy or the common law, including, without limitation, any and all claims under the Fair Labor Standards Act, New York State Labor Law, the New York Compilation of Codes, Rules and Regulations, Title VII of the Civil Rights Act of 1964, the Civil Rights Acts of 1866, 1871 and 1991, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Sarbanes-Oxley Act, the Family & Medical Leave Act, the Consolidated Omnibus Budget Reconciliation Act, the Americans with Disabilities Act, 42 U.S.C. § 1981, the New York State and New York City Human Rights Laws, the New York City Living Wage Law, the New York Corrections Law, the federal False Claims Act, the New York False Claims Act; and any similar state and local law, and the New York and federal Constitutions, and as such laws have been or may be amended;

(iii) any and all claims for employee benefits, including, without limitation, any and all claims under the Employee Retirement Income Security Act of 1974, as amended;

(iv) any and all claims for slander, libel, defamation, negligent or intentional infliction of emotional distress, personal injury, prima facie tort, loss of consortium, invasion of privacy, negligence, breach of contract, compensatory or punitive damages, or any other claim for damages or injury of any kind whatsoever; and

(v) any and all claims for monetary recovery, including, without limitation, attorneys' fees, experts' fees, medical fees or expenses, costs and disbursements and the like.

(B) **Agreement Not To Sue Or Bring Certain Claims**. Employee acknowledges and agrees that he is also giving up any right to sue or bring any claims released in Paragraph 3(A) against or involving the Company, or to become or remain a member of any collective group or class of persons seeking to bring any such claim(s) against the Company. This Agreement may be used by the Company as a full and complete defense to any such claim(s), or to dismiss or enjoin any such proceeding involving any such claim(s) instituted or maintained by Employee.

(C) **Claims That May Be Brought Notwithstanding Agreement.** No provision of this Agreement should be read to prevent Employee from: (1) enforcing the terms of this Agreement; and (2) filing claims arising for the first time after he executes this Agreement. In addition, nothing in this Agreement shall limit Employee's right, where applicable, to file or participate in any non-legally waivable claim or investigative proceeding with any federal, state, or local governmental agency, including filing a charge with the United States Equal Employment Opportunity Commission, New York State Division of Human Rights, New York City Commission on Human Rights, National Labor Relations Board, or Securities and Exchange Commission. However, to the extent permitted by law, Employee agrees that if such an administrative claim is made, Employee shall not be entitled to recover, accept, or retain any individual monetary relief or other individual remedies with respect to any matter covered by this Agreement.

4. **Company's General Release of Claims**. The Company releases and forever discharges Employee and his agents and legal representatives, from all claims, liabilities, obligations, and/or causes of action of every kind, nature, and character, known or unknown, suspected and unsuspected, disclosed and undisclosed that the Company may now have, or has ever had, against Employee, up to and including the execution date of this Amendment. This Release does not include and will not preclude any claims or causes of action related to claims, actions, or rights arising under or to enforce the terms of this Agreement.

5. **Non-Disclosure/Confidentiality**.

A. This Agreement. Employee shall not disclose the negotiations, subject matter, or terms of this Agreement (collectively, **"Confidential Information"**). Notwithstanding the previous sentence, Employee may disclose Confidential Information: (i) To Employee's own legal, financial, tax advisor(s) and treating medical professionals; (ii) To Employee's own immediate family, provided that Employee's immediate family agree to be bound by this confidentiality provision and that Employee shall be responsible for any failure to abide by this confidentiality provision; (iii) To taxing authorities or in response to a lawfully-issued subpoena, notice, or court order, provided that Employee provide written notice to the Company within two business days of receiving any such subpoena, notice, or order; or (iv) As necessary to enforce the terms of this Agreement.

B. Non-Disclosure Agreement. Employee acknowledges and agrees that he is a party to a certain "Non-Disclosure Agreement" that he signed and entered into as of January 3, 2017 (**"NDA"**). Employee expressly acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, all terms and conditions in the NDA shall remain in full force and effect, and that Employee shall continue to abide by all such terms and conditions.

6. **Return of Documents and Property/Exit Interview**. Employee represents and warrants that, as of the Separation Date, he has returned all items, materials and documents created or used by Employee during and in the course of his employment with Company. The Parties acknowledge that such items, materials and documents to be returned include, but are not necessarily limited to, all electronic devices, thumb drives, cell phones, computers, passwords, account logons, and contact information; all pending documents, binders, and files; keys; and other Company documents.

7. **Non-Disparagement**. Employee shall not directly or indirectly make any disparaging remarks, whether oral, written or on social media, and whether such remarks cause actual harm or not, about the Company. It is understood, however, that this Paragraph 6 shall not limit or restrict Employee from responding in good faith in response to a lawfully-issued subpoena, notice, or court order, provided that Employee provide written notice to the Company within two business days of receiving any such subpoena, notice, or order.

8. **Employee Representations and Covenants.** As further and specific consideration for the Company's covenants in this Agreement, Employee expressly represents and covenants:

(i) That the Company does not owe Employee any wages or other compensation, payments, or monies of any kind or nature, other than as expressly provided in this Agreement, that Employee has been fully and accurately compensated for all hours worked and services provided during his employment with the Company, and that he does not claim that the Company violated or denied any wage and hour rights under the federal Fair Labor Standards Act, or any similar state or local law.

(ii) That Employee has not initiated, filed, submitted, or made any claim, complaint, or charge with any court, agency, board, department, or other body or office with respect to his prior employment with the Company, the cessation of his employment with the Company, or any policies, practices or alleged acts or omissions involving the Company.

(iii) That under the federal Family and Medical Leave Act, as amended, or any similar state or local law (collectively **"FMLA"**), Employee has received all leave required or requested, and currently does not, and in the past did not, have any claim for denial of such leave, and does not claim that the Company violated or denied rights under the FMLA or retaliated against him in any way for exercising any rights under the FMLA.

(iv) That, with the exception of any pending claims for Workers' Compensation benefits that have been submitted in writing to the Company prior to the Separation Date, Employee has not suffered any job-related injury for which he might be entitled to compensation or relief, such as an injury for which he might receive a Workers' Compensation award in the future.

9. **Reference**. Upon written request by Employee or a third-party for an employment reference, the Company shall provide only the following information to the requesting person: (i) Employee's dates of employment; and (ii) Employee's title/position with the Company as of the Separation Date. Employee expressly acknowledges and agrees that the release and waiver set forth in Paragraph 3 of this Agreement includes any and all claims made or that could be made relating to or arising out of any statements made or not made by the Company in accordance with this Paragraph 8.

10. **Prior Agreements**. Employee agrees and acknowledges that Employee previously entered into certain agreements that are addressed as follows:

(i) Restricted Stock Unit Award Agreement (7/10/19). Employee entered into a certain Restricted Stock Unit Award Agreement signed on or about July 10, 2019, and pursuant to the certain Lock-Up and Incentive Agreement dated June 27, 2019 **("Prior Agreement No. 1")**, which granted 981,836 Restricted Stock Units (**"RSUs"**) pursuant to a certain vesting schedule. None of the RSUs have vested as of the Separation Date, and Employee acknowledges and agrees that any and all other claims, rights and privileges under Prior Agreement No. 1 are hereby waived, forfeited, and extinguished as of the Separation Date, and Employee shall have no further claims, rights and/or privileges under Prior Agreement No. 1.

(ii) Restricted Stock Unit Award Agreement (8/28/19). Employee entered into a certain Restricted Stock Unit Award Agreement signed on or about August 28, 2019, and pursuant to the certain Omnibus Incentive Plan dated November 14, 2018 **("Prior Agreement No. 2")**, which granted 41,518 RSUs pursuant to a certain vesting schedule. Employee acknowledges and agrees that, of those, 18,133 RSUs have vested as of the Separation Date, subject to all other terms and conditions in the Prior Agreement No. 2, and that any and all other claims, rights and privileges with respect to RSUs that are not vested as of the Separation Date are hereby waived, forfeited, and extinguished as of the Separation Date, and Employee shall have no further claims, rights and/or privileges to such other unvested RSUs under Prior Agreement No. 2.

(iii) Restricted Stock Unit Award Agreement (Undated). Employee entered into a certain undated Restricted Stock Unit Award Agreement, and pursuant to the certain Omnibus Incentive Plan dated November 14, 2018 **("Prior Agreement No. 3")**, which granted 97,500 RSUs pursuant to a certain vesting schedule. Employee acknowledges and agrees that, of those, 85,312 RSUs have vested as of the Separation Date, subject to all other terms and conditions in the Prior Agreement No. 3, and that any and all other claims, rights and privileges with respect to RSUs that are not vested as of the Separation Date are hereby waived, forfeited, and extinguished as of the Separation Date, and Employee shall have no further claims, rights and/or privileges to such other unvested RSUs under Prior Agreement No. 3.

(iv) Restricted Stock Unit Award Agreement (3/13/19). Employee entered into a certain Restricted Stock Unit Award Agreement signed on or about November 13, 2019, and pursuant to the certain Omnibus Incentive Plan dated November 14, 2018 **("Prior Agreement No. 4")**, which granted 52,500 RSUs pursuant to a certain vesting schedule. Employee acknowledges and agrees that, of those, 45,937 RSUs have vested as of the Separation Date, subject to all other terms and conditions in the Prior Agreement No. 4, and that any and all other claims, rights and privileges with respect to RSUs that are not vested as of the Separation Date are hereby waived, forfeited, and extinguished as of the Separation Date, and Employee shall have no further claims, rights and/or privileges to such other unvested RSUs under Prior Agreement No. 4.

(v) Option Award Agreement (11/14/18). Employee entered into a certain Option Award Agreement signed on or about November 14, 2018, and pursuant to the certain Omnibus Incentive Plan dated November 14, 2018 **("Prior Agreement No. 5")**, which granted 125,000 options pursuant to a certain vesting schedule. Employee acknowledges and agrees that, of those, 52,083 options have vested as of the Separation Date, subject to all other terms and conditions in the Prior Agreement No. 5, and that any and all other claims, rights and privileges with respect to options that are not vested as of the Separation Date are hereby waived, forfeited, and extinguished as of the Separation Date, and Employee shall have no further claims, rights and/or privileges to such other unvested options under Prior Agreement No. 5.

11. **Limited Restricted Covenant**. During the Restricted Period, Employee shall not: (i) work at, work for, be employed by, provide services to, engage with, or assist in any way, whether or not for remuneration, recognition, or reward, any person, corporation, organization, or business entity (whether any of those are for profit) that cultivates, produces, sells, or intends to cultivate, produce, or sell, cannabis or cannabis-derived products anywhere in any jurisdiction in which the Company has operations; and (ii) on behalf of himself or another, either directly or indirectly, solicit, hire, or work with any person who is an employee of the Company as of the Separation Date, or who was an employee of the Company within six months after the Separation Date. For purposes of this Agreement, the term **"Restricted Period"** shall mean the period during which Employee is receiving the Special Separation Payment and the COBRA Premium Payment under this Agreement.

12. **Section 409A.** The intent of the parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and IRS notices thereunder ("Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If any provision of this Agreement would cause Employee to incur any additional tax or interest under Section 409A, the Employee shall be liable for any additional tax, penalty or interest under Section 409A and the Company shall have no liability for any such tax, penalty or interest.

(i) If any payment, compensation or other benefit provided to Employee under this Agreement in connection with Employee's "separation from service" (within the meaning of Section 409A) is determined, in whole or in part, to constitute "nonqualified deferred compensation" within the meaning of Section 409A and Employee is a specified Employee as defined in Section 409A(2)(B)(i), no part of such payments shall be paid before the day that is six months plus one day after the date of termination or, if earlier, ten (10) business days following Employee's death (the "New Payment Date"). The aggregate of any payments and benefits that otherwise would have been paid and/or provided to Employee during the period between the date of termination and the New Payment Date shall be paid to Employee in a lump sum on such New Payment Date. Thereafter, any payments and/or benefits that remain outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement. Notwithstanding anything to the contrary herein, to the extent that the foregoing delay applies to the provision of any ongoing welfare benefits, Employee shall pay the full cost of premiums for such welfare benefits due and payable prior to the New Payment Date and the Company shall pay Employee an amount equal to the amount of such premiums which otherwise would have been paid by the Company during such period within ten (10) business days following its conclusion.

(ii) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A, and for purposes of any such provision of this Agreement, references to a "termination," "terminate," "termination of employment" or like terms shall mean separation from service.

(iii) All expenses or other reimbursements as provided herein shall be payable in accordance with the Company's policies in effect from time to time, but in any event shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Employee.. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A: (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; and (ii) the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year.

(iv) For purposes of Section 409A, Employee's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., payment shall be made within 30 days following the date of termination), the actual date of payment within the specified period shall be within the sole discretion of the Company.

(v) Notwithstanding any provision of this Agreement to the contrary, if any provision in the Agreement contravenes any regulations or guidance promulgated under Section 409A, or would cause any either the Company or the Employee to be subject to additional taxes, interest and/or penalties under Section 409A, such provision of this Agreement may be modified by the Company without notice and consent of Employee in any manner that the Company deems reasonable or necessary to avoid adverse consequences under Section 409A. In making such modifications the Company shall attempt, but shall not be obligated, to maintain, to the maximum extent practicable, the original intent of the applicable provision without contravening the provisions of Section 409A.

13. **Entire Agreement**. This Agreement sets forth the entire agreement between Employee and the Company, and supersedes any prior written, oral or implied agreements or representations between them as to the subject matter of this Agreement (except where expressly noted in this Agreement). This Agreement may only be amended by a written agreement signed by Employee and an authorized representative of the Company.

14. **Governing Law/Enforcement**. This Agreement has been negotiated, executed, and entered into in the County of New York, State of New York, and shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to principles of conflict of laws. In the event of a dispute arising out of or relating to this Agreement, any action or proceeding shall be brought exclusively in a state or federal court of competent jurisdiction in the County of New York, State of New York, and the Parties waive any and all objections or defenses based on personal jurisdiction, venue, and forum non conveniens. In the event the either party is successful in interpreting or enforcing any of the provisions of this Agreement, the prevailing party shall be entitled to its reasonable attorneys' fees and costs in any such action or proceeding.

15. **Non-Admission**. The Parties recognize and acknowledge that the Company does not admit any liability, wrongdoing, or that it took any unlawful action with regard to Employee's employment with or separation from the Company because it is entering into this Agreement.

16. **Savings Clause**. In the event any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect or for any reason, the same shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. All provisions of this Agreement shall be enforced to the greatest extent possible and lawful.

17. **Notice**. Except as may otherwise be set forth in this Agreement, any notice, request, authorization or other communication to be made under this Agreement shall be in writing and shall be deemed to have been duly given if mailed by overnight mail, or by registered or certified mail, return receipt requested, addressed to the respective address of each party set forth below, or to such other address as each of the Parties may designate by proper notice.

If to Employee:

Mr. Tyson Macdonald
4 Springbriar Lane
Baltimore, Maryland 21208

If to the Company:

James A. Doherty, III, Esq.
366 Madison Ave., 11th Floor
New York, NY 10017

18. **Free and Voluntary Act**. In accordance with the federal Age Discrimination in Employment Act ("ADEA") and the Older Workers Benefit Protection Act, Employee expressly acknowledges and agrees:

(a) This letter is written in terms that Employee fully understands.

(b) Through this Agreement, Employee is specifically releasing rights and claims under the ADEA.

(c) Employee is not waiving any rights or claims that may arise after Employee signs this Agreement.

(d) Employee's release and waiver of claims in this Agreement is in exchange for consideration to which Employee would not otherwise be entitled to receive, and that Employee would not have received, unless Employee signed this letter and it became effective.

(e) Employee has been advised to consult with an attorney of Employee's own choosing prior to entering into this Agreement, and Employee has had an opportunity to do so if Employee so chose.

(f) Employee had at least 21 consecutive days from receipt of this letter to decide whether or not to enter into this Agreement. Employee further acknowledges that Employee may sign this Agreement at any time prior to the expiration of the 21-consecutive-day period, and acknowledges that, if Employee does so, Employee does so completely voluntarily.

(g) Employee has 7 consecutive days after Employee signs this Agreement to revoke this Agreement. To revoke Agreement after it is signed, Employee must submit a written letter of revocation, signed by Employee, either by personal delivery for which Employee receives a written receipt, or by overnight or certified mail (return receipt requested) to the Company at the address set forth in Paragraph 15 of this Agreement. To be effective, such signed, written letter of revocation must be received by the Company on or before 5:00 p.m. ET on the 7th consecutive day after Employee signs this Agreement. This Agreement shall become effective on the 8th consecutive day after Employee signs this Agreement and provides an original, signed Agreement to the Company, provided that Employee did not earlier revoke this Agreement in accordance with this Paragraph 16 **("Effective Date").**

IN WITNESS WHEREOF, the parties hereto knowingly and voluntarily executed this Agreement as of the date set forth below:

**TYSON MACDONALD**

**Dated: April 13, 2020**

**HIGH STREET CAPITAL PARTNERS SERVICE COMPANY, LLC**

**By:** 

**Name: Robert J. Daino**
**Title: Chief Operating Officer**
**Dated: April 13, 2020**

**Exhibit 23.1**

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the inclusion in this Registration Statement of Acreage Holdings, Inc. on Form S-1 of our report dated May 29, 2020, with respect to our audit of the consolidated financial statements of Acreage Holdings, Inc. as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018, and 2017, which report appears in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the heading "Experts" in such Prospectus.

Our report on the consolidated financial statements refers to a change in the method of accounting for leases effective January 1, 2019 due to the adoption of the guidance in ASC Topic 842, Leases.

/s/ Marcum LLP

Marcum LLP
New York, NY
February 8, 2021