

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Acreage Holdings, Inc. (“**Acreage**” or the “**Company**”)
366 Madison Avenue, 14th Floor
New York, NY
10017

Item 2. Date of Material Change

October 24, 2022

Item 3. News Release

A news release announcing the material change described herein was disseminated via GlobeNewswire and filed on SEDAR on October 25, 2022.

Item 4. Summary of Material Change

On October 24, 2022, the Company entered into an arrangement agreement (the “**Floating Share Arrangement Agreement**”) with Canopy Growth Corporation (“**Canopy**”) and Canopy USA, LLC (“**Canopy USA**”), pursuant to which, subject to approval of the holders of the Class D subordinate voting shares of the Company (the “**Floating Shares**”) and the terms and conditions of the Floating Share Arrangement Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares by way of a court-approved plan of arrangement (the “**Floating Share Arrangement**”) for consideration consisting of 0.45 of a common share of Canopy (each whole share a “**Canopy Share**”) in exchange for each Floating Share.

Concurrently with the entering into of the Floating Share Arrangement Agreement, Canopy irrevocably waived its option to acquire the Floating Shares pursuant to the plan of arrangement implemented on September 23, 2020 (the “**Existing Arrangement**”) pursuant to the arrangement agreement between Canopy and the Company dated April 18, 2019, as amended on May 15, 2019, September 23, 2020 and November 17, 2020 (the “**Existing Arrangement Agreement**”). Subject to the provisions of the Floating Share Arrangement Agreement, Canopy has agreed, within five business days of the satisfaction of the prescribed conditions precedent set out in the Floating Share Arrangement Agreement, to exercise its option pursuant to the Existing Arrangement Agreement (the “**Fixed Option**”) to acquire the Company’s outstanding Class E subordinate voting shares (the “**Fixed Shares**”) at a fixed exchange ratio of 0.3048 of a Canopy Share for each Fixed Share. Upon completion of the Existing Arrangement and completion of the Floating Share Arrangement, Canopy USA will own all of the issued and outstanding shares of the Company.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

Because the Arrangement is a “business combination” under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”), the following disclosure is required to be included in this material change report.

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

Floating Share Arrangement

The Company, Canopy and Canopy USA entered into the Floating Share Arrangement Agreement, pursuant to which, subject to the approval of holders of Floating Shares (“**Floating Shareholders**”) and the terms and conditions of the Floating Share Arrangement Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) in exchange for 0.45 of a Canopy Share for each Floating Share held.

Concurrently with the entering into of the Floating Share Arrangement Agreement, Canopy irrevocably waived its option to acquire the Floating Shares pursuant to the Existing Arrangement in accordance with the Existing Arrangement Agreement.

No later than five business days following the satisfaction of the prescribed conditions precedent set out in the Floating Share Arrangement Agreement, Canopy agreed to exercise the Fixed Option pursuant to the Existing Arrangement Agreement in order to acquire the Company’s outstanding Fixed Shares, which currently represent approximately 70% of the total shares of the Company, at a fixed exchange ratio of 0.3048 of a Canopy Share for each Fixed Share.

The acquisition of the Floating Shares by Canopy USA pursuant to the Floating Share Arrangement is expected to occur immediately prior to the acquisition of the Fixed Shares pursuant to the terms of the Existing Arrangement Agreement. Upon exercise of the Fixed Option and completion of the Floating Share Arrangement, Canopy USA will own all of the issued and outstanding shares of the Company.

Completion of the Floating Share Arrangement is subject to the satisfaction or waiver of certain closing conditions, including receipt of applicable regulatory and court approvals, and approval of the Floating Shareholders, and the satisfaction or waiver of the conditions set out in the Existing Arrangement Agreement.

Under the BCBCA, the Floating Share Arrangement requires approval of at least (i) 66⅔% of the votes cast by Floating Shareholders, and (ii) a majority of the votes cast by Floating Shareholders excluding the votes cast by “interested parties” and “related parties” under MI 61-101, at a special meeting of the holders of Floating Shares (the “**Special Meeting**”) expected to take place in January 2023.

Canopy and Canopy USA have entered into voting support agreements (the “**Voting Agreements**”) with certain of the Company’s directors and current and former officers holding approximately 7.3% of the issued and outstanding Floating Shares pursuant to

which they have agreed, among other things, to vote their Floating Shares in favor of the resolution to approve the Floating Share Arrangement.

The Company expects the Floating Share Arrangement and the Existing Arrangement to close in the second half of 2023, subject to receipt of shareholder, court, and regulatory approvals, as well as the satisfaction or waiver of all conditions under the Floating Share Arrangement Agreement and the Existing Arrangement Agreement. It is anticipated that the acquisition by Canopy USA of the Fixed Shares pursuant to the Fixed Option will be completed immediately following closing of the Floating Share Arrangement.

The foregoing summary of the Floating Share Arrangement Agreement, the Floating Share Arrangement and the Voting Agreements does not purport to be complete and is qualified in its entirety by reference to the Floating Share Arrangement Agreement, which attaches the Floating Share Arrangement and the Voting Agreements, copies of each of which have been filed on the Company's SEDAR profile at www.sedar.com and with the SEC and available on EDGAR at www.sec.gov/edgar. The representations, warranties and covenants contained in the Floating Share Arrangement Agreement, the Floating Share Arrangement and the Voting Agreements were made only for purposes of those agreements and as of specific dates, were solely for the benefit of the parties to the Floating Share Arrangement Agreement, the Floating Share Arrangement and the Voting Agreements, may be subject to limitations agreed upon by the parties and may be subject to standards of materiality applicable to the parties that differ from those applicable to investors.

Canopy Amendment Proposal

In conjunction with the Floating Share Arrangement, Canopy announced that it intends to amend its articles of incorporation to create a new class of non-voting and non-participating exchangeable shares ("**Exchangeable Shares**") in the capital of Canopy and to add a right to convert Canopy Shares into Exchangeable Shares (the "**Canopy Amendment Proposal**"), which is subject to the approval of Canopy's shareholders at the special meeting of Canopy shareholders (the "**Canopy Special Meeting**") expected to take place in January 2023.

The closing of the Floating Share Arrangement and the exercise of the Fixed Option is subject to the Canopy Amendment Proposal being approved at the Canopy Special Meeting and CBG Holdings LLC ("**CBG**") and Greenstar Canada Investment Limited Partnership ("**Greenstar**") exchanging all of their Canopy Shares for Exchangeable Shares. The Canopy Amendment Proposal must be approved by at least 66⅔% of the votes cast on a special resolution by Canopy shareholders present in person or represented by proxy at the Canopy Special Meeting. Greenstar and CBG have entered into a voting and support agreement with Canopy pursuant to which they have agreed, among other things, to vote in favor of the Canopy Amendment Proposal.

(b) the purpose and business reasons for the transaction

The purpose of the Floating Share Arrangement is to cause the holders of Floating Shares to receive Canopy Shares on the terms negotiated by Canopy and Acreage subject to the various conditions being satisfied or waived as set out in the Floating Share Arrangement Agreement. The reasons that the special committee of the board of directors of Acreage recommended that the board of directors of Acreage approve entering into the Floating

Share Arrangement Agreement, and the ultimate determination of the board of directors of Acreage to cause Acreage to enter into the Floating Share Arrangement Agreement, will be set out in detail in the proxy and information circular (the “**Circular**”) mailed to Floating Shareholders in connection with the Special Meeting; however, those reasons will include, among other things and as may be further expanded or clarified in the Circular, that (i) following completion of the acquisition of the Floating Shares by Canopy USA, Floating Shareholders will have the opportunity to remain invested in the cannabis industry through ownership of Canopy Shares; and (ii) Canopy’s acquisition of the Floating Shares is anticipated to allow the Company to immediately leverage Canopy’s strategic platform and participate in the revenue and cost synergies expected to be achieved by Canopy USA, which, is expected to strengthen Canopy’s brand position when U.S. federal legalization occurs.

(c) the anticipated effect of the transaction on the issuer’s business and affairs

See (b) above.

(d) a description of:

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

See 5.1(i) below.

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

See 5.1(a) above. The acquisition of the Floating Shares by Canopy USA pursuant to the Floating Share Arrangement is expected to occur immediately prior to the acquisition of the Fixed Shares pursuant to the terms of the Existing Arrangement Agreement. Upon completion of the acquisition of the Fixed Shares pursuant to the Fixed Option and completion of the Floating Share Arrangement, Canopy USA will own all of the issued and outstanding shares of the Company.

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

This information will be included in the Circular which will be prepared and sent to Floating Shareholders in connection with the Meeting. No directors expressed any materially contrary view or abstained from voting on the resolution approving the Floating Share Arrangement Agreement, with the exception of John Boehner, Kevin Murphy, Brian Mulroney and Peter Caldini who abstained from voting in respect of the approval of the Floating Share Arrangement and Floating Share Arrangement Agreement, the Bonus Plan, the TRA Bonuses, and in the case of Mr. Murphy only, the Amended Credit Facility (as such terms are defined below), and there was no material disagreement between the board

and the special committee with respect to approval of the Floating Share Arrangement Agreement.

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

Not applicable. See Section 5.1(i) below.

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

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

Not applicable.

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

Not applicable.

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

Tax Receivable Settlement

Concurrently with the execution of the Floating Share Arrangement Agreement, Canopy, on behalf of Canopy USA, agreed to issue (i) Canopy Shares with a value of approximately US\$30.5 million to, among others, certain current or former unitholders (the “**Holder**s”) of High Street Capital Partners, LLC, a subsidiary of the Company (“**HSCP**”), pursuant to HSCP’s amended tax receivable agreement (the “**TRA**”) and (ii) a payment with a value of approximately US\$19.5 million in Canopy Shares to certain directors, officers or consultants of the Company pursuant to HSCP’s existing tax receivable bonus plans (the “**Bonus Plans**”) under further amendments to each, both in order to reduce a potential liability of approximately US\$121 million. In connection with the foregoing, Canopy will issue Canopy Shares with a value of approximately US\$15.3 million to certain Holders as soon as practicable as the first installment under the amended TRA with a second payment of approximately US\$15.3 million in Canopy Shares to occur on the earlier of (a) the second business day following the date on which the Floating Shareholders approve the Floating Share Arrangement; or (b) April 24, 2023. In addition, a final payment with a value of approximately US\$19.5 million in Canopy Shares (the “**TRA Bonuses**”) will be issued by Canopy to certain eligible participants under the amended Bonus Plans immediately prior to the completion of Floating Share Arrangement. The TRA Bonuses will be paid to recipients to be determined by Kevin Murphy, the administrator of the TRA, and may include one or more of Mr. Murphy, John Boehner, Brian Mulroney, and Peter Caldini, each of which is a director of the Company and other directors, officers or

consultants of the Company as may be determined by Mr. Murphy. Canopy has also agreed to register the resale of such Canopy Shares under the *Securities Act of 1933*, as amended.

Amended Credit Facility

On October 24, 2022, the Company amended its existing US\$150 million credit facility (the “**Amended Credit Facility**”) with AFC Gamma, Inc. (“**AFC Gamma**”) and Viridescent Realty Trust, Inc. (“**Viridescent**”, and together with AFC Gamma, the “**Lenders**”). Under the terms of the Amended Credit Facility, US\$25 million is available for immediate draw by the Company with a further US\$25 million available in future periods under a committed accordion option once certain predetermined milestones are achieved. In conjunction with entering into the Amended Credit Facility, the Lenders waived the requirement for the Company to comply with all financial debt covenants, except a minimum cash requirement, until December 31, 2023, and new covenants have been agreed upon in respect of all periods beginning on and after January 1, 2024. The Amended Credit Facility also includes approval for Canopy USA to acquire control of the Company without requiring repayment of all amounts outstanding under the Amended Credit Facility, provided certain conditions are satisfied. The Company intends to use the proceeds of the Amended Credit Facility to fund expansion initiatives and provide additional working capital. The Amended Credit Facility will bear interest at a variable rate of U.S. prime (“**Prime**”) plus 5.75 % per annum, payable monthly in arrears, with a Prime floor of 5.50%, and a maturity date of January 1, 2026. Under the terms of the Amended Credit Facility, the Company has the option to extend the maturity date to January 1, 2027, for a fee equal to 1.0% of the total amount available to be drawn under the Amended Credit Facility. The Company will pay an amendment fee of US\$1.25 million to the Lenders.

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

No formal valuation on the part of the Company is required under MI 61-101 in connection with the entry into the Floating Share Arrangement Agreement, as such entry is exempt, pursuant to Section 4.4(1)(a) of MI 61-101, from the valuation requirement as no securities of the Company are listed or quoted on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada or the United States, other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. “Minority approval” of the Floating Share Arrangement will be sought at the Special Meeting.

Notwithstanding the foregoing, Kevin Murphy, the Chairman of the Board, is also the President and Chairman of the Board of Directors of Viridescent, and John Boehner, Brian Mulroney, and Peter Caldini, who together with Mr. Murphy are each directors of the Company (and Mr. Caldini is also Chief Executive Officer of the Company), and such other officers of the Company as may be identified by Mr. Murphy (together, the “**Eligible Executives**”) are possible recipients of the TRA Bonuses, and are therefore “interested parties” within the meaning of MI 61-101. Each of the Executives are also “related parties” under MI 61-101. As a result, the entering into of the Amended Credit Facility and the possible payment of the TRA Bonuses to the Eligible Executives are each “related party transactions” within the meaning of MI 61-101. The Company relied on exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 with

respect to such transactions. The Company is exempt from the formal valuation requirement contained in section 5.5(b) of MI 61-101 as the Company does not have securities listed on the Toronto Stock Exchange, Aequis NEO Exchange Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada or the United States, other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. The Company is exempt from the minority shareholder approval requirements pursuant to section 5.7(1)(f) of MI 61-101 with respect to entry into the Amended Credit Facility as the Amended Credit Facility is entered into on reasonable commercial terms that are not less advantageous to the Company than if the credit facility was obtained from a person dealing at arm's length with the Company and the Amended Credit Facility is not (a) convertible, directly or indirectly, into equity or voting securities of the Company or any of its subsidiaries, or otherwise participating in nature, or (b) repayable as to principal or interest, directly or indirectly, in equity or voting securities of the Company or a subsidiary entity of the Company. The Amended Credit Facility was approved by the Board with Kevin Murphy recusing himself from all discussions related thereto and declaring his interest in the transaction prior to the Board approving the Amended Credit Facility. The Company is exempt from the minority shareholder approval requirements of MI 61-101 pursuant to Section 5.5(a) of MI 61-101 with respect to the possible payment of the TRA Bonuses to the Eligible Executives, in that the fair market value of the TRA Bonuses which may be paid to the Eligible Executives, each of whom may be "interested parties" with respect to the payment of the TRA Bonuses as at the date the TRA Bonuses were agreed upon does not exceed 25% of the Company's market capitalization. Murphy, Boehner, Mulrone and Caldini each declared their interest in the transactions described herein, and abstained from voting thereon.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

Not applicable.

Item 8. Executive Officer

The following senior officer of Acreage is knowledgeable about the material change and the Material Change Report, and may be contacted as follows:

Steve Goertz, Chief Financial Officer
Telephone: 646 600-9181

Item 9. Date of Report

November 3, 2022

Forward Looking Statements

This material change report and each of the documents referred to herein contains “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian and United States securities legislation, respectively. All statements, other than statements of historical fact, included herein are forward-looking information. Often, but not always, forward-looking statements and information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements or information involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of Acreage or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements or information contained in this material change report. Examples of such statements include statements with respect to the timing and outcome of the Floating Share Arrangement, the timing of the closing of the Fixed Shares pursuant to the Existing Arrangement, the anticipated timing of the Special Meeting, the anticipated strategic benefits of the acquisition of the Fixed Shares and the Floating Shares by Canopy USA, anticipated long-term value of holding Canopy Shares, the ability of Acreage to leverage Canopy’s strategic platform and participate in the revenue and cost synergies expected to be achieved by Canopy USA, Canopy strengthening its brand positioning, the satisfaction or waiver of the closing conditions set out in the Floating Share Arrangement Agreement as well as under the Existing Arrangement, the satisfaction of the conditions set out in the Floating Share Arrangement Agreement, the timing and results of the Canopy Special Meeting, the implementation of the Canopy Amendment Approval and the timing thereof, the satisfaction or waiver of all conditions under the Floating Share Arrangement Agreement and the Existing Arrangement Agreement, the anticipated timing of the Floating Share Arrangement, the timing and issuance of Canopy Shares to Holders, the registration of the Canopy Shares issued to Holders under the Securities Act of 1933, as amended, and the timing thereof, the proposed issuance of Canopy Shares to the Eligible Executives, the timing and ability of Acreage to achieve the milestones under the Amended Credit Facility, and the proposed use of proceeds under the Amended Credit Facility.

Risks, uncertainties and other factors involved with forward-looking information could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information, including, but not limited to: the occurrence of changes in U.S. federal laws regarding the cultivation, distribution or possession of marijuana; assumptions as to the time required to prepare and mail materials to Acreage shareholders in respect of the Special Meeting; the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory, court and shareholder approvals; the ability of the parties to satisfy, in a timely manner, the other conditions to the completion of the Floating Share Arrangements Agreement; the ability of the parties to satisfy, in a timely manner, the conditions to closing of each of the Existing Arrangement Agreement and the Floating Share Arrangement; in the event that the Floating Share Arrangement is not adopted, the likelihood of completion of the acquisition of the Floating Shares pursuant to an alternative transaction; in the event that the Floating Share Arrangement is not adopted, the likelihood of Canopy completing the acquisition of the Fixed Shares under the Existing Arrangement Agreement; other expectations and assumptions concerning the transactions contemplated between Canopy and/or Canopy USA, as applicable, and Acreage; the available funds of Acreage and the anticipated use of such funds; the availability of financing opportunities for Acreage and the risks associated with the completion thereof; regulatory and licensing risks; changes in general economic, business and political conditions, including changes in the financial and stock markets; legal and regulatory risks inherent in the cannabis industry, including the global regulatory landscape and

enforcement related to cannabis, political risks and risks relating to regulatory change; risks relating to anti-money laundering laws; compliance with extensive government regulation and the interpretation of various laws regulations and policies; public opinion and perception of the cannabis industry; and such other risks disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, dated March 11, 2022 and the Company's other public filings, in each case filed with the U.S. Securities and Exchange Commission on the EDGAR website at www.sec.gov and with Canadian securities regulators and available under Acreage's profile on SEDAR at www.sedar.com. Although Acreage has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended.

Although Acreage believes that the assumptions and factors used in preparing the forward-looking information or forward-looking statements in this material change report are reasonable, undue reliance should not be placed on such information and no assurance can be given that such events will occur in the disclosed time frames or at all. The forward-looking information and forward-looking statements included in this material change report are made as of the date of this material change report and Acreage does not undertake any obligation to publicly update such forward-looking information or forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities laws. There can be no assurance that the Floating Share Arrangement will occur, or that such events will occur on the terms and conditions contemplated in this material change report. The Floating Share Arrangement Agreement could be modified, restructured or terminated. Actual results could differ materially from those currently anticipated due to a number of factors and risks. The Floating Share Arrangement cannot close until the required shareholder, court and regulatory approval is obtained. Investors are cautioned that, except as disclosed in the management information circular of Acreage to be prepared in connection with the Floating Share Arrangement, any information released or received with respect to the Floating Share Arrangement may not be accurate or complete and should not be relied upon.