



November 2, 2020

STRICTLY PRIVATE AND CONFIDENTIAL

Blue Camo, LLC
17006 S. Weber Dr
Chandler, AZ 85226
Attn: Mr. Jason Vedadi, CEO

Re: Acquisition of Oasis Cannabis

(All figures in US \$, unless noted otherwise)

Dear Jason,

AYR Strategies Inc. ("AYR" or "we" or "our"), a publicly listed corporation on the Canadian Securities Exchange, is pleased to provide this binding letter of intent ("LOI") to TJV-168, LLC, an Arizona limited liability company and First Clear Choice, Inc. a Wyoming corporation (collectively the "Majority Members" of the Company) and T. Jason Vedadi and Ramey Sweis (collectively the "Managers" of the Company) with respect to the potential acquisition of Blue Camo, LLC (and collectively with affiliates and subsidiaries, "Oasis" or the "Company"). In this proposal, a U.S. affiliate of AYR ("AYR Sub") will acquire 100% of the membership interests in the Company pursuant to a definitive purchase and sale agreement (the "Purchase Agreement") to be entered into between AYR, AYR Sub, the Company, and all of the members of the Company ("Sellers") in exchange for cash, debt and non-voting common shares of AYR Sub that are exchangeable into subordinate voting shares of AYR on a 1-for-1 basis (the share exchange is intended to qualify for non-recognition and the Seller Notes are expected to be eligible for the installment reporting method such that the Sellers will not be subject to tax until the the shares are exchanged or payments are made under the Seller Notes), and the members of Oasis will become shareholders in AYR Sub. As necessary, the Managers will use their drag-along rights under the Company's Operating Agreement to cause all of the members of the Company to sell all of their membership interests in the Company to AYR Sub. This proposed transaction is referred to herein as the "Transaction." The Managers represent and warrant to AYR that to the best of their knowledge all members of the Company and all equity interests in the Company are now, and will be at the signing of the Purchase Agreement, subject to the drag-along rights set forth in the Company's Operating Agreement dated May 11, 2020.

I. Terms of the Transaction

The purpose of this letter is to set out, in broad terms, the basis of the Transaction, including completing our due diligence of Oasis and negotiation of the Purchase Agreement to govern the Transaction.

A. *Select Key Terms of Purchase Agreement*

AYR, AYR Sub, the Company, and the Sellers will enter into the Purchase Agreement and other definitive documentation for the Transaction, to close no later than March 31, 2021 with the following terms:

1. The purchase price (in US\$) for 100% of Oasis will be equal to an aggregate enterprise value of \$110 million (the "Upfront Consideration"). The purchase price will be paid in a combination of cash, seller notes and shares:

a. \$10 million in cash paid at the closing ("Closing Cash");

b. Up to \$30 million in the form of a seller note (“Seller Notes”) from AYR Sub, with interest payable semi-annually in arrears at a rate of 10.0% per annum and with all principal payable at the end of a four-year term; The Seller Note will be secured by a pledge of 100% of the ownership equity of the Company; provided that, such security interest will not be subordinated in any post-closing financing, but will remain subordinated in any pre-closing financing to the extent applicable. The Seller Notes issued at Closing will be reduced by the amount of debt (including equipment notes) owed by Oasis at Closing. The debt (including equipment notes) owed by the Company at Closing will remain an obligation of the Company and will not be guaranteed by AYR or any of its affiliates. As a condition to AYR obligation to close, the Company will obtain all necessary consents to the Transaction from its lenders and there will be no acceleration of debt obligations. The Seller Notes will not be guaranteed by AYR or any of its affiliates.

c. \$70 million in the form of equity priced at the 10-day volume-weighted average price of AYR Subordinate Voting shares prior to the date the Transaction is first publicly announced, but not less than 85% of the market price at the close of business immediately prior to the date of first public announcement in accordance with the rules of the Canadian Securities Exchange. Equity, to provide for tax deferral, will be in the form of exchangeable shares of AYR Sub exchangeable on a one-for-one basis for listed subordinate voting shares of AYR, at a similar value (the “Exchangeable Shares”). Two million Exchangeable Shares will be escrowed at Closing and released to the Sellers when the Revlon cultivation facility produces in excess of 3,000 pounds of sellable dry weight flower (excluding trim) over a trailing 90-day period.

d. The Exchangeable Shares (and any resulting Subordinate Voting Shares) will be subject to a lockup restriction on transfer by the Sellers, with 20% of the initial shares released from lock-up restrictions at the end of 6 months after the Closing date and 20% every 90 days thereafter. All escrowed shares under c. above will be released on the same schedule. All Earn-Out shares will be free trading upon issuance subject to a 4 month hold period from the date of issuance in accordance with Canadian securities laws. All Exchangeable Shares (and any resulting Subordinate Voting Shares) will be subject to legal restrictions under applicable US and Canadian securities laws. Recipients of the Exchangeable Shares (and any resulting Subordinate Voting Shares) must be “accredited investors” as such term is defined in the United States Securities Act of 1933, as amended.

e. An earn-out (“2021 Earn-Out”), payable in Exchangeable Shares in the form of equity priced at the 10-day volume-weighted average price of AYR shares as of March 31, 2022, based on:

i. The Adjusted EBITDA (determined on the basis that AYR currently calculates its Adjusted EBITDA less any lease expense capitalized by IFRS accounting standards) of Oasis for the twelve-month period ending December 31, 2021 in excess of \$30.0 million; multiplied by

ii. Ayr’s March 2022 Adjusted EBITDA multiple, defined as 75% of (i) the total diluted enterprise value of AYR calculated using the volume-weighted average price of AYR’s publicly traded Subordinate Voting Shares on the Canadian Securities Exchange (the “VWAP”) from March 1, 2022 through March 31, 2022 and divided by (ii) the Adjusted EBITDA of AYR for the twelve-month period ending December 31, 2021

iii. For example, if Oasis generates Adjusted EBITDA of \$45 million in calendar year 2021, AYR has an enterprise value of \$1.35 billion as of 3/31/2022 and AYR generated \$150 million of Adjusted EBITDA in 2021, the Earn-Out will be calculated as follows:

iv. (Oasis 2021 Adjusted EBITDA of \$45 million less \$30 million threshold) * (AYR Multiple of 9.0x * 75%) = \$101.25 million for the 2021 Earn-Out .

f. An earn-out ("2022 Earn-Out"), payable in Exchangeable Shares in the form of equity priced at the 10-day volume-weighted average price of AYR shares as of March 31, 2023 based on:

i. The Adjusted EBITDA (determined as described above) of Oasis for the twelve-month period ending December 31, 2022 in excess of Oasis' 2021 Adjusted EBITDA; multiplied by

ii. AYR's March 2023 Adjusted EBITDA multiple, defined as 75% of (i) the total diluted enterprise value of AYR calculated using the volume-weighted average price of AYR's publicly traded Subordinate Voting Shares on the Canadian Securities Exchange (the "VWAP") from March 1, 2023 through March 31, 2023 and divided by (ii) the Adjusted EBITDA of AYR for the twelve-month period ending December 31, 2022

iii. For example, if Oasis generated Adjusted EBITDA of \$67 million and \$45 million in calendar years 2022 and 2021, respectively, AYR has an enterprise value of \$1.8 billion as of 3/31/2023 and AYR generated \$200 million of Adjusted EBITDA in 2022 the Earn-Out will be calculated as follows:

iv. $(\text{Oasis 2022 Adjusted EBITDA of } \$67 \text{ million less Oasis 2021 EBITDA of } \$45 \text{ million}) * (\text{AYR Multiple of } 9.0x * 75\%) = \$148.5 \text{ million for the 2022 Earn-Out.}$

g. The 2021 and 2022 Earn-Outs are subject to a maximum cumulative cap of \$300 million over the two years.

2. The parties will each provide customary representations, warranties, covenants and indemnities (with AYR and AYR Sub having the right to set-off indemnification claims against amounts owed to Sellers under the Seller Notes and the earn-out provisions).

3. The Sellers' representations and warranties will include representations and warranties with respect to: organization, authority, capitalization, title to equity interests, no subsidiaries, no conflicts or consents, financial statements, undisclosed liabilities, indebtedness, absence of certain changes, IP, tax matters, employment and ERISA matters, licenses and permits, product formulation, inventory, warranties and product liability, compliance with laws (including state and municipal, but excluding federal laws relating to cannabis), no corrupt practices, books and records, title to assets and encumbrances, solvency, material contracts and leases, privacy, owned real property, environmental, receivables, insurance, no material adverse changes (MACs) to the business, commissions owing, legal proceedings, regulatory third party consents and approvals, affiliate transactions.

4. AYR's representations and warranties will include representations and warranties with respect to: organization, authority, commissions owing, legal proceedings, and regulatory and third party consents and approvals.

5. The Sellers' and the Company's interim period covenants will include: to operate the business in the ordinary course, not to issue or acquire more than \$5,000,000 of additional equity, not to incur additional debt in excess of \$10,000,000, not to solicit other acquisition transactions, to maintain normal levels of working capital and inventory, to notify AYR or any breaches by them, and not to engage in non-arm's length transactions. Access to information will be provided to AYR. All parties will agree to use their reasonable commercial efforts to satisfy the closing conditions.

6. Condition to closing in favor of AYR will include: (a) AYR's satisfaction of financial, operational and legal due diligence of Oasis (b) AYR's ability to arrange financing to fund the Transaction on commercially reasonable terms; (c) obtaining all regulatory and material third party approvals on satisfactory terms (including HSR); (d) no other legal impediments to closing, except federal cannabis and related laws; (e) the bringdown of Sellers' representations and warranties in all material respects (without

double materiality), (f) if applicable, all third party rights of first refusal with respect to the Transaction will have been waived or expired (Company will provide due notice to the person or persons holding such rights promptly after signing this letter agreement), (g) no material adverse change with respect to Oasis and (h) execution of mutually agreed binding definitive agreements. If all of the equity interests in the Company cannot be sold to AYR Sub because of the exercise by a third party of its right of first refusal, AYR may terminate this letter agreement and the Company will immediately pay AYR a break fee equal to \$1,500,000.

B. Management and Employees

We are excited to work with the certain management and employees of Oasis, and we view them as critical to the ongoing success of the businesses.

In addition to attractive and public market-based compensation practices (to be agreed upon prior to signing the Purchase Agreement), it is important to us that the management team be attractively incentivized and aligned with shareholders. As part of this effort, we intend to establish a meaningful cash and stock-based incentive compensation program to be utilized appropriately over time and we will require certain of the key employees at Oasis to sign employment agreements as a condition to closing.

C. Exclusivity

Following the execution of this letter of intent, and for a period equal to the later of (a) 60 calendar days thereafter, and (b) when the right of first refusal condition in Section I.A.6. has been satisfied (the "Initial Exclusivity Period"), the Company will not, and will use its commercially reasonable efforts to cause its affiliates and its and their respective officers, managers, directors, members, stockholders and other investors, employees, agents, consultants and other advisors (collectively, "Company Representatives") not to, directly or indirectly:

1. Solicit, initiate, knowingly encourage, knowingly facilitate or entertain any inquiry or the making of any proposal or offer (other than that of AYR) relating to a sale, merger, equity issuance (whether private or public), disposition of assets, or any other type of corporate transaction with regard to Oasis (an "Alternate Transaction");
2. enter into or otherwise participate in any discussions or negotiations with any person (other than AYR) relating to any Alternate Transaction;
3. furnish to any person (other than AYR) access to its properties, assets, books, contracts, personnel or records for the purposes of determining whether to make or pursue any inquiries or proposals relating to any Alternate Transaction; or
4. enter into any agreement or understanding with any person (other than AYR) with respect to, or otherwise cooperate in any with, or assist, participate in, facilitate or encourage any effort or attempt by any person (other than AYR) to seek to do any of the foregoing.

Should any person approach, directly or indirectly, any Company Representative to discuss, inquire about, or make any proposal whatsoever regarding an Alternate Transaction during the Initial Exclusivity Period and the Company becomes aware of such approach, the Company will notify AYR immediately thereafter and provide full details thereof and copies of any documents relating thereto.

This Initial Exclusivity Period will automatically renew for two additional periods of four weeks (each an "Exclusivity Extension") for a total of an additional eight weeks, so long as AYR, in good faith, continues to work towards finalizing definitive documentation during the Initial Exclusivity Period and the first Exclusivity Extension.

During any exclusivity period, the Oasis will be operated in the ordinary course of business.

D. Timing and Due Diligence Requirements

AYR intends to complete substantially all due diligence investigations during the Initial Exclusivity Period and any extensions thereof. Given the experience of members of the AYR team and the due diligence we have completed to date, we are confident we can complete diligence in a highly expeditious manner. In addition to standard legal, financial, tax, labor and information technology diligence, we will focus our efforts on evaluating:

- Review of historical financial results and projections of the key assets
- Key commercial contracts and wholesale relationships
- Review of tax liabilities and any outstanding litigation
- Review of owned and leased property and related terms
- Review of outdoor cultivation joint venture
- Evaluation of cultivation and manufacturing capabilities and expansion plans
- Any other items relating to the Oasis businesses as AYR or its advisors reasonably request.

Upon request, Oasis will provide AYR and AYR's representatives and advisors with all documents and information relevant to the Transaction, including, but not limited to, the documents contained in the due diligence request list to be provided to Oasis, within a reasonable time of receiving AYR's written request for such information.

After completing due diligence, AYR will seek to finalize definitive documentation, including a mutually agreed Purchase Agreement. Sellers and AYR will each pay its own expenses, including but not limited to, legal fees, broker or finder's fees and expenses in connection with the Transaction.

AYR may terminate this letter agreement, if it is not satisfied, in its sole discretion, with the results of its due diligence and exclusivity under this letter agreement will end upon such termination.

E. Required Approvals

This letter, and all information provided, has been reviewed and approved by the senior management of AYR. The board of directors of AYR is aware of the opportunity. In advance of executing definitive documentation, we expect to secure approval from the board of AYR.

II. Binding

This letter is an enforceable legal contract and is binding upon the parties.

III. Confidentiality

Both the Company and AYR remain bound by the Confidentiality and Non-Disclosure Agreement dated on or about August 28, 2020.

Please indicate your agreement with these terms and accept this offer by signing and dating this agreement on or before November 3, 2020.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

We look forward to working with you and your team to continue to ensure a smooth transition.

Yours very truly,

AYR Strategies Inc.

By: (Signed) Jonathan Sandelman
Name: Jon Sandelman
Title: Chief Executive Officer

Accepted this 3rd day of November, 2020

Company:

Blue Camo, LLC

By: (Signed) T. Jason Vedadi
Name: T. Jason Vedadi
Title: Manager

Majority Members:

TJV-168, LLC

By: (Signed) T. Jason Vedadi
Name: T. Jason Vedadi
Title: Manager

First Clear Choice, Inc.

By: (Signed) Ramey Sweiss
Name: Ramey Sweiss
Title: Manager

Managers:

(Signed) T. Jason Vedadi
T. Jason Vedadi

(Signed) T. Jason Vedadi
Ramey Sweis

Appendix A: List of key licensed locations included in the Oasis Transaction

1. Licensed dispensary located at 17006 S. Weber Dr, Chandler, AZ
2. Licensed dispensary located at 26427 S Arizona Ave, Chandler, AZ
3. Licensed dispensary located at 6680 W Bell Road, Glendale, AZ
4. Licensed cultivation and processing facility with approximately 10,000 square feet at 17006 S. Weber Dr, Chandler, AZ
5. Licensed cultivation facility with approximately 80,000 square feet at the former Revlon headquarters 4301 W. Buckeye Road, Phoenix, AZ 85043