*No securities regulatory authority has expressed an opinion about these securities, and it is an offence to claim otherwise. This prospectus supplement, together with the short form base shelf prospectus dated December 17, 2020 to which it relates, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories and, possessions, any state of the United States or the District of Columbia (the "**United States**") unless exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws are available. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".*

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Ayr Strategies Inc. at 590 Madison Ave., 26th Floor, New York, NY, USA 10022, telephone: (949) 574-3860, and are also available electronically at www.sedar.com.*

PROSPECTUS SUPPLEMENT
(TO A SHORT FORM BASE SHELF PROSPECTUS DATED DECEMBER 17, 2020)

New Issue January 12, 2021

AYR STRATEGIES INC.

C$34.25

4,000,000 Subordinate, Restricted or Limited Voting Shares

This prospectus supplement (the "**Prospectus Supplement**") of Ayr Strategies Inc. (the "**Company**" or "**Ayr**"), together with the short form base shelf prospectus dated December 17, 2020 to which it relates (the "**Prospectus**"), qualifies the distribution (the "**Offering**") of an aggregate of 4,000,000 subordinate voting shares ("**Initial Subordinate Voting Shares**"), restricted voting shares ("**Initial Restricted Voting Shares**") or limited voting shares of the Company ("**Initial Limited Voting Shares**", and collectively with the Initial Subordinate Voting Shares and the Initial Restricted Voting Shares, the "**Initial Equity Shares**") at a price of C$34.25 per Initial Equity Share (the "**Offering Price**"). See "*Details of the Offering*" and "*Plan of Distribution*".

The Offering is being made pursuant to an underwriting agreement dated January 12, 2021 (the "**Underwriting Agreement**") among the Company and Canaccord Genuity Corp. ("**Canaccord Genuity**") and Beacon Securities Limited, Echelon Wealth Partners Inc., Roth Canada, ULC and PI Financial Corp. (together with Canaccord Genuity, the "**Underwriters**"). The Underwriters, as principals, conditionally offer the Initial Equity Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters by Stikeman Elliott LLP, on behalf of the Company, and Dentons Canada LLP, on behalf of the Underwriters. The Offering Price was determined by negotiation between the Company and the Underwriters. See "*Plan of Distribution*".

Price: C$34.25 per Initial Equity Share

	Price to the Public[(1)]	Underwriters' Fee[(2)]	Net Proceeds[(3)]
Per Initial Equity Share	C$34.25	C$1.54	C$32.71
Total Offering[(4)]	C$137,000,000	C$6,165,000	C$130,835,000

Notes:

(1) The Offering Price was determined by agreement between the Company and the Underwriters with reference to the prevailing market price of the subordinate voting shares ("**Subordinate Voting Shares**"), restricted voting shares ("**Restricted Voting Shares**"), and limited voting shares of the Company ("**Limited Voting Shares**", and collectively with the Subordinate Voting Shares and the Restricted Voting Shares, the "**Equity Shares**").

(2) The Company has agreed to pay the Underwriters a cash fee equal to 4.5% (the "**Underwriters' Fee**") of the gross proceeds of the Offering (including any gross proceeds of the Over-Allotment Option). See "*Plan of Distribution*".

(3) After deducting the Underwriters' Fee, but before deducting the expenses of the Offering (estimated to be approximately C$500,000) payable by the Company, which will be paid from the proceeds of the Offering.

(4) The Underwriters agreed to originally purchase 4,000,000 Initial Equity Shares and, in addition, the Company has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time until the date that is 30 days following the Closing Date (as defined herein), to purchase up to an additional amount of Initial Equity Shares equal to 15% of the Initial Equity Shares sold pursuant to the Offering, being 600,000 Equity Shares (the "**Additional Equity Shares**" and, together with the Initial Equity Shares, the "**Offered Equity Shares**") at a price of C$34.25 per Additional Equity Share, solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, using the same assumptions as are set forth in notes (2) and (3) above, the price to the public, the Underwriters' Fee and the net proceeds to the Company will be C$157,550,000, C$7,089,750, and C$150,460,250, respectively. A purchaser who acquires Additional Equity Shares forming part of the Underwriters' over-allocation position acquires those Additional Equity Shares under this Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purposes. See "*Plan of Distribution*".

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	600,000 Additional Equity Shares	Up to the 30th day following the Closing Date	C$34.25 per Additional Equity Share

The Underwriters propose to offer the Initial Equity Shares initially at the Offering Price. After a reasonable effort has been made to sell all of the Initial Equity Shares at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Initial Equity Shares remaining unsold. Any such reduction will not affect the proceeds received by the Company. See "*Plan of Distribution*".

The outstanding Equity Shares are listed and posted for trading on the Canadian Securities Exchange (the "**CSE**") under the symbol "AYR.A" and quoted on the OTCQX under the symbol "AYRWF". On January 11, 2021, being the last trading day completed prior to the announcement of the Offering and the filing of this Prospectus Supplement, the closing price of the Equity Shares on the CSE was C$36.80 and the closing bid price of the Equity Shares on the OTCQX was $28.99. The issued and outstanding warrants of the Company (the "**Warrants**") which were issued pursuant to the Company's 2017 initial public offering (the "**IPO**") are listed on the CSE under the symbol "AYR.WT". On January 11, 2021, the last trading day prior to the date of this Prospectus Supplement, the closing price of the Warrants on the CSE was C$26.32. See "*Plan of Distribution*".

An investment in the Offered Equity Shares is speculative and involves a high degree of risk. The risk factors identified in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein and therein should be carefully reviewed and evaluated before purchasing the Offered Equity Shares. See "*Risk Factors*" in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein and therein.

Subscriptions for the Offered Equity Shares will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about January 14, 2021, or such other date as may be agreed upon by the Company and the Underwriters (the "**Closing Date**"). See "*Plan of Distribution*".

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market of Offered Equity Shares at levels other than those that might otherwise prevail in the open

market. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. See "*Plan of Distribution*".

The Offered Equity Shares will be deposited on the Closing Date with CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee in electronic form, except in certain limited circumstances. A purchaser of Offered Equity Share, including purchasers of Offered Equity Shares in the United States who are "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act (each a "**Qualified Institutional Buyer**"), will receive only a customer confirmation from the registered dealer from or through whom such securities are purchased and who is a CDS participant. No certificates evidencing the Offered Equity Shares will be issued to investors except in limited circumstances. See "*Non-Certificated Inventory System*".

The Company currently has four classes of issued and outstanding shares: Subordinate Voting Shares, Restricted Voting Shares, Limited Voting Shares and multiple voting shares ("**Multiple Voting Shares**", and together with the Equity Shares, "**Shares**"). The Multiple Voting Shares and Equity Shares are substantially identical with the exception of the voting rights and conversion rights attached to the Multiple Voting Shares. Each Subordinate Voting Share is entitled to one vote per Subordinate Voting Share and each Multiple Voting Share is entitled to 25 votes per Multiple Voting Share (subject in the case of Mercer Park CB, L.P. ("**Mercer**") to the terms of a voting agreement with the Company dated as of June 26, 2019 (the "**Voting Agreement**"), which may be found on Ayr's profile on SEDAR at *www.sedar.com*) on all matters upon which the holders of such classes of securities are entitled to vote, as applicable. The Company intends to terminate the Voting Agreement in the near future. On December 3, 2020, the Company amended its constating documents (the "**Capital Structure Amendments**") to, among other things, (i) create and set the terms of the Restricted Voting Shares and Limited Voting Shares, including applying coattail terms to such shares similar to those applicable to its existing Subordinate Voting Shares, as more particularly described below, and (ii) amend the terms of the existing Multiple Voting Shares and Subordinate Voting Shares, including by amending the requirements in respect of who may hold Subordinate Voting Shares. The Company implemented the Capital Structure Amendments in order to seek to maintain its "foreign private issuer" status under U.S. securities laws and thereby avoid a commensurate material increase in its ongoing costs. This was accomplished by implementing a mandatory conversion mechanism in the Company's share capital to decrease the number of shares eligible to be voted for directors of the Company if the Company's FPI Threshold (as defined under "*Description of Securities – Restricted Shares and Multiple Voting Shares*" in the Prospectus) is exceeded. Each of the classes of Equity Shares is economically identical and mandatorily inter-convertible (continuously and without formality) based on (i) the holder's status as a U.S. Person or Non-U.S. Person (as defined under "*Description of Securities – Restricted Shares and Multiple Voting Shares*" in the Prospectus), and (ii) the status of the Company's FPI Threshold. Each class of Equity Shares is entitled to one vote per share on all matters brought before the Company's shareholders for approval, except in respect of votes regarding the election of directors of the Company, where the holders of Limited Voting Shares do not have any entitlement to vote. See "*Description of Securities – Restricted Shares and Multiple Voting Shares*" in the Prospectus.

Holders of Shares will vote together on all matters subject to a vote of holders of each of these classes of securities as if they were one class of shares, except to the extent that a separate vote of holders as a separate class is required by law or provided by our articles and except that holders of Limited Voting Shares will not be entitled to vote on the election of directors. The Multiple Voting Shares are convertible into Subordinate Voting Shares or Restricted Voting Share, as applicable, at a ratio of one Subordinate Voting Share or Restricted Voting Shares, as applicable, for every one Multiple Voting Share at any time at the option of the holders thereof and automatically in certain other circumstances. The holders of Equity Shares benefit from provisions in the articles of the Company (the "**Articles**") that give them certain conversion rights in the event of a take-over bid for the Multiple Voting Shares. Each class of Equity Shares is also subject to similar coattail provisions under the Articles, pursuant to which each class of Equity Shares may be converted into another class of Shares in the event an offer is made to purchase such other class of Shares and the offer is one which is required to be made to all or substantially all the holders in Canada of such other class of Shares (assuming that the offeree was resident in Ontario). See "*Description of Securities – Non-Multiple Voting Shares and Multiple Voting Shares*" in the Prospectus.

The directors and certain officers of the Company, all of whom reside outside of Canada, have appointed 152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario M5L 1B9 as agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments

obtained in Canada against any person or company that resides outside of Canada, even if the party has appointed an agent for service of process.

No Canadian securities regulator has approved or disapproved of the securities offered hereby, passed upon the accuracy or adequacy of this Prospectus Supplement or the Prospectus or determined if this Prospectus Supplement or the Prospectus are truthful or complete. Any representation to the contrary is an offence.

The Company's head office is located at 590 Madison Ave., 26th Floor, New York, NY, USA 10022.

Ayr derives a substantial portion of its revenues from the cannabis industry in certain states ("States", each a "State") of the United States, which industry is illegal under U.S. federal law. Ayr is a vertically-integrated multi-State operator in the U.S. cannabis sector, with a portfolio in the States of Massachusetts, Nevada, Pennsylvania, and under contract to acquire operators in Florida and Arizona and a letter of intent to acquire an operator in New Jersey. Currently, through its operating companies, Ayr is a leading cultivator, manufacturer and retailer of cannabis products and branded cannabis packaged goods, and is directly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or holds licenses in the adult-use and/or medicinal cannabis marketplace in the Commonwealths of Massachusetts and Pennsylvania and provides administrative, consulting and operations services to licensed establishments in the State of Nevada.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C.§ 811) (the "CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis, other than hemp, is classified as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration ("FDA") has not approved cannabis as a safe and effective drug for any indication. The agency has, however, approved one cannabis-derived drug product, Epidiolex, for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older.

In the United States, cannabis is largely regulated at the State level. State laws regulating cannabis are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although thirty-five states and several U.S. territories have authorized the production, sale, and use of cannabis for certain medical conditions, and fifteen states and the District of Columbia have legalized cannabis for adult use, the cultivation, processing, sale, or possession of cannabis as well as the sale or possession of cannabis paraphernalia, advertising the sale of cannabis, products containing cannabis, or cannabis paraphernalia, or controlling or managing real estate on which cannabis is trafficked are criminally illegal under the CSA and are also specified unlawful activity that forms a predicate to violations of the U.S. anti-money laundering laws and the Federal Racketeer Influenced Corrupt Organizations Act

As of the date of this Prospectus Supplement, Joseph R. Biden Jr. is the President-elect of the United States. During his campaign, he stated a policy goal to decriminalize possession of cannabis at the federal level, but he has not publicly supported the full legalization of cannabis. It is unclear how much of a priority decriminalization may be for President-elect Biden's administration. President-elect Biden's nominee for U.S. Attorney General, Merrick Garland, has not shown a strong position on cannabis or cannabis reform.

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 ("Congress") amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that U.S. federal authorities may enforce current U.S. federal law. 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 applicable State laws are repealed or curtailed, Ayr's results of operations, financial condition and prospects and Ayr would be materially adversely affected. See "*U.S. Federal Enforcement Priorities*", in the Company's annual information form dated September 30, 2020 (the "AIF"), incorporated by reference herein.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, on February 8, 2018, the Canadian Securities Administrators published a staff notice 51-352 (Revised) Issuers with U.S. Marijuana-Related Activities ("Staff Notice 51-352") setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. 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.

Ayr's involvement in the U.S. cannabis market may subject Ayr to heightened scrutiny by regulators, stock exchanges, clearing agencies and other U.S. and Canadian authorities. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on Ayr's ability to operate in the U.S. or any other jurisdiction. There are a number of risks associated with the business of Ayr. See "*Cannabis Market Overview*" and "*Risk Factors*" in the AIF, incorporated by reference herein.

PROSPECTUS SUPPLEMENT

Table of Contents

Page

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this Prospectus Supplement, which describes the terms of the Offering and also adds to and updates information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Offering. If the information varies between this Prospectus Supplement and the Prospectus, the information in this Prospectus Supplement supersedes the information in the accompanying Prospectus.

No person is authorized by the Company to provide any information or to make any representation other than as contained in this Prospectus Supplement or the Prospectus in connection with the issue and sale of the Offered Equity Shares hereunder. Investors should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the Prospectus in connection with the purchase of the Offered Equity Shares. Information in this Prospectus Supplement updates and modifies the information in the accompanying Prospectus and information incorporated by reference therein. Investors should assume that the information appearing in this Prospectus Supplement and the Prospectus is accurate only as of the date on the front of such documents and that information contained in any document incorporated by reference is accurate only as of the date of that document unless specified otherwise. The Company's business, financial condition, financial performance and prospects may have changed since those dates.

The address of the Company's website is www.ayrstrategies.com. Information contained on the Company's website does not form part of this Prospectus Supplement or the Prospectus nor is it incorporated by reference herein or therein. Investors should rely only on information contained or incorporated by reference in this Prospectus Supplement and the Prospectus.

Unless otherwise noted or the context indicates otherwise, the "Company", "Ayr", "we", "us" and "our" refer to Ayr Strategies Inc. and its subsidiaries.

Unless otherwise indicated, information contained or incorporated by reference in this Prospectus Supplement and the Prospectus concerning the Company's industry and the markets in which it operates or seeks to operate may be based on information from third party sources, industry reports and publications, websites and other publicly available information, and management studies and estimates. Unless otherwise indicated, the Company's estimates are derived from publicly available information released by third party sources as well as data from the Company's own internal research, and include assumptions which the Company believes to be reasonable based on management's knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and the Company has not independently verified any third-party information. While the Company believes that such third-party information to be generally reliable, such information and estimates are inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance or the future performance of the industry and markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in this Prospectus Supplement, the Prospectus and the documents incorporated by reference therein.

This Prospectus Supplement, the Prospectus and the documents incorporated therein by reference include references to the Company's trademarks which are protected under applicable intellectual property laws and are the Company's property. The Company's trademarks and trade names referred to in this Prospectus Supplement, the Prospectus and the documents incorporated therein by reference may appear without the ® or ™ symbol, but references to the Company's trademarks and trade names in the absence of such symbols are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names. All other trademarks and trade names used in this Prospectus Supplement, the Prospectus or in documents incorporated therein by reference are the property of their respective owners.

The financial statements of Ayr incorporated by reference in this Prospectus Supplement and the Prospectus are reported in United States dollars and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Certain calculations included in tables and other figures in this Prospectus Supplement, the Prospectus and the documents incorporated by reference therein may have been rounded for clarity of presentation.

Unless the context otherwise requires, all references to "$", "US$" and "dollars" mean references to the lawful money of the United States. All references to "C$" refer to Canadian dollars. On January 11, 2021, the Bank of Canada daily average rate of exchange was $1.00 = C$1.2788 or C$1.00 = $0.7820.

MARKETING MATERIALS

Any "template" version of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that are prepared in connection with the Offering are not part of this Prospectus Supplement and the Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus Supplement or the Prospectus. Any template version of any marketing materials that has been, or will be, filed on the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com in connection with the Offering after the date of this Prospectus Supplement and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus solely for the purposes of the Offering.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Prospectus Supplement, the Prospectus and the documents incorporated by reference therein contain certain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities legislation (collectively, "**forward-looking information**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such information can be identified by the use of forward-looking terminology such as "expect", "likely", "should", "could", "would", "intend", or "anticipate", "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 information include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Such forward-looking information are made as of the date of this Prospectus Supplement, or in the case of documents incorporated by reference herein, as of the date of each such document. Forward-looking information in this Prospectus Supplement, the Prospectus or the documents incorporated by reference herein and therein include, but are not limited to, statements with respect to:

- the extent of the impact of COVID-19, including government and/or regulatory responses to the outbreak;
- the business and future activities of, and developments related to, the Company after the date hereof or the date of any document incorporated by reference, as applicable, including such things as future business strategy, financial and operating performance, results and terms of strategic initiatives, strategic agreements and supply agreements, competitive strengths, goals, expansion and growth of the Company's business, and anticipated profitability, including new revenue streams;
- the completion and integration of contemplated acquisitions by the Company or other possible acquisitions or dispositions (directly or indirectly) of businesses or assets which may or may not be material and/or investment opportunities, including potential synergies or operational improvements;
- the application for additional licenses and the grant of licenses and other regulatory approvals that have been applied for;
- the renewal of licenses held by the Company;
- the potential time frame for the implementation of legislation to legalize and regulate medical or recreational cannabis federally (and the consumer products derived from each of the foregoing) in the United States, if any, and the potential form that any such legislation and regulations will take;
- the number of users of cannabis and the size of the regulated cannabis market in the United States;
- the market for the Company's current and proposed products and services, as well as the Company's ability to capture market share;
- the benefits and applications of the Company's products and services and expected sales thereof;
- development of affiliated brands, product diversification and future corporate development;
- anticipated investment in and results of research and development;
- inventory and production capacity, including discussions of plans or potential for expansion of capacity at existing or new facilities;
- future expenditures, strategic investments and capital activities;

- the competitive landscape in which the Company operates and the Company's market expertise;
- the Company's ability to secure further equity or debt financing;
- consistent or increasing pricing of various cannabis products;
- the level of demand for cannabis products, including the Company's products and third-party products sold by the Company;
- the Company's ability to mitigate risks relating to the cannabis industry, the larger economy, breaches of and unauthorized access to the Company's systems and related cybersecurity risks, money laundering, and potential for litigation;
- the impact of health pandemics, including COVID-19;
- the rollout of new dispensaries, including as to the number of planned dispensaries to be opened in the future and the timing and location in respect of the same, and related forecasts;
- any markets for the Company's securities; and
- other events or conditions that may occur in the future.

Company shareholders and other readers are cautioned that the forward-looking information contained in this Prospectus Supplement, the Prospectus and the documents incorporated herein and therein by reference is based on the assumptions and estimates of management of the Company at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, level of activity, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Although the Company believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking information is expressly qualified in its entirety by this cautionary statement.

A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking information. See "*Risk Factors*" in this Prospectus Supplement, the Prospectus and in the AIF for further details. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. In formulating the forward-looking information contained herein, the Company has assumed, without limitation, receipt of requisite regulatory approvals on a timely basis, receipt and/or maintenance of required licenses and third-party consents in a timely manner, successful integration of the Company's and its subsidiaries' operations, and no unplanned materially adverse changes to its facilities, assets, customer base and the economic conditions affecting the Company's current and proposed operations. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. In addition, the Company has assumed that there will be no material adverse change to the current regulatory landscape affecting the cannabis industry and has also assumed that the Company will remain compliant in the future with all laws, regulations and rules imposed upon it by law.

There can be no assurance that such forward-looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is provided and made as of the date of this Prospectus Supplement, the Prospectus or the applicable documents incorporated herein and therein by reference, as applicable, and the Company does not undertake any obligation to revise or update any forward-looking information or statements other than as expressly required by applicable law. The Company's forward-looking information is expressly qualified in its entirety by this cautionary statement.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this Prospectus Supplement from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Ayr Strategies Inc. at 590 Madison Ave., 26th Floor, New York, NY, USA 10022, telephone: (949) 574-3860, and are also available electronically at www.sedar.com.

This Prospectus Supplement is deemed to be incorporated by reference into the Prospectus solely for the purposes of this Offering. Other documents are also incorporated or are deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars thereof.

As of the date of this Prospectus Supplement, the following documents, filed by the Company with the various securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference into, and form an integral part of, this Prospectus Supplement and the Prospectus as of the date of this Prospectus Supplement:

(a) the AIF;
(b) the audited consolidated financial statements for (i) the year ended December 31, 2019, and (ii) the period ended December 31,2018 and the year ended September 30, 2018;
(c) the management's discussion and analysis for the three months and year ended December 31, 2019;
(d) the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2020 and 2019;
(e) the management's discussion and analysis for the three and nine months ended September 30, 2020 and 2019;
(f) the statement of executive compensation for the year ended December 31, 2019;
(g) the business acquisition report dated August 7, 2019;
(h) the management information circular filed on SEDAR on October 14, 2020;
(i) the material change report dated November 4, 2020 relating to the entering into by Ayr of a binding term sheet to acquire a vertically integrated cannabis operation in the State of Arizona;
(j) the material change report dated November 30, 2020 relating to the entering into by Ayr of a definitive membership interest purchase agreement dated November 20, 2020 to acquire 100% of the membership interest CannTech PA, LLC;
(k) the material change report dated December 11, 2020 relating to the closing of a private placement offering of $110 million aggregate principal amount of 12.5% senior secured notes due 2024 (the "**December 2020 Senior Secured Notes Offering**") and the completion of the Company's incentive cash exercise of 3,000,000 Warrants; and
(l) the material change report dated December 30, 2020 relating to (i) the entering into by Ayr of a definitive arrangement agreement dated December 21, 2020 to acquire all of the issued and outstanding shares of Liberty Health Sciences Inc. and (ii) the execution by Ayr of a letter of intent dated December 21, 2020 to negotiate a membership purchase agreement to acquire 100% of the membership interest in GSD NJ LLC.

Any documents of the type required to be incorporated by reference herein pursuant to National Instrument 44-101 – *Short Form Prospectus Distributions*, including any annual information forms, material change reports (except confidential material change reports), business acquisition reports, interim financial statements, annual financial statements (in each case, including any applicable exhibits containing updated earnings coverage information) and the independent auditor's report thereon, management's discussion and analysis and information circulars of the Company filed by the Company with securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference into this Prospectus Supplement. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Company and readers should review all information contained in this Prospectus Supplement, the Prospectus and the documents incorporated or deemed to be incorporated by reference herein and therein.

Any statement contained in this Prospectus Supplement, the Prospectus or any document incorporated or deemed to be incorporated by reference in this Prospectus Supplement or the Prospectus for the purposes of the Offering shall be deemed to be modified or superseded for purposes of this Prospectus Supplement and the Prospectus to the extent that a statement contained in this Prospectus Supplement, the Prospectus or any other subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus Supplement or the Prospectus modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Prospectus Supplement or the Prospectus, except as so modified or superseded. References to our website in any documents that are incorporated by reference into this Prospectus Supplement and the Prospectus do not

incorporate by reference the information on such website into this Prospectus Supplement or the Prospectus, and we disclaim any such incorporation by reference.

DESCRIPTION OF THE BUSINESS

Ayr is a vertically-integrated multi-State operator in the U.S. cannabis sector, with a portfolio of (i) licensed operations in the Commonwealths of Massachusetts and Pennsylvania, and (ii) services and operations agreements in the State of Nevada. Ayr is a leading cultivator, manufacturer and retailer of cannabis products and branded cannabis packaged goods, and is engaged in the manufacture, possession, use, sale or distribution of cannabis and/or holds licenses or services or operations agreements in the adult-use and/or medicinal cannabis marketplace in the Commonwealths of Massachusetts and Pennsylvania and provides administrative, consulting and operations services to licensed establishments in the State of Nevada.

In Massachusetts, Ayr is vertically-integrated with cultivation, extraction, production, manufacturing, distribution and medical retail dispensary operations. The medical dispensaries operate under the Sira Naturals brand, which is actively seeking licenses to operate adult-use cannabis retail establishments. Ayr's retail and wholesale products include cannabis and cannabis products, including concentrates, edibles, and vaporizer products.

In Nevada, Ayr provides administrative, consulting and operations services for five (5) dispensaries under service agreements or operations agreements, as applicable. Each dispensary is licensed to sell in both the medical and adult-use recreational markets in Nevada. Three (3) of the dispensaries are under the brand "The Dispensary" with retail operations in Clark County, Henderson and Reno, Nevada. The two (2) remaining dispensaries are under the MYNT brand, which was named Best Dispensary in Reno in 2018. In addition to the five (5) retail stores to which Ayr provides operational services, Ayr also provides operational services to cultivation, production and distribution businesses in northern Nevada, focused in Reno and distributing to Las Vegas, also with extraction, processing and manufacturing capabilities. The licensed cultivation and production facilities to which Ayr provides operational services, produce premium cannabis flower, pre-rolls, and a full line of vape pens, concentrates, and cannabis-infused products, including chocolates, beverages and gummies.

In Pennsylvania, Ayr operates a cultivation and production business. As further described below, Ayr has also announced the completion of its acquisition of CannTech PA, LLC, ("**CannTech**") a vertically-integrated operator that is licensed for cultivation, manufacturing and the operation of six (6) medical retail dispensaries.

The Company does not currently accept payment for products or services online.

Recent Developments

Below is a summary of recent developments that have occurred since December 17, 2020, being the date of the Prospectus.

On December 21, 2020, Ayr entered into a definitive agreement to acquire all of the issued and outstanding common shares (the "**Liberty Shares**") of Liberty Health Sciences Inc. ("**Liberty**") in exchange for, subject to a collar, share consideration equal to 0.03683 Equity Shares for each Liberty Share pursuant to the terms of the definitive agreement, for a total transaction value of approximately $290 million (the "**Liberty Transaction**"). The Liberty Transaction is expected to be completed by way of a statutory plan of arrangement under the *Business Corporations Act* (British Columbia), and is subject to customary closing conditions, regulatory approvals, including review pursuant to the *Hart-Scott-Rodino Antitrust Improvements Act*, Liberty securityholder approval and court approval of the Plan of Arrangement. Holders of approximately 29% of the issued and outstanding Liberty Shares have agreed to support and vote in favor of the Liberty Transaction.

On December 21, 2020, Ayr entered into a letter of intent (the "**GSD Letter of Intent**") with GSD NJ LLC ("**GSD**") and its equity owners. Such parties have agreed to work in good faith to enter into a membership purchase agreement pursuant to which it is expected that an affiliate of Ayr will acquire all of the issued and outstanding membership interests of GSD in exchange for total up-front consideration of $101 million, which includes (i) cash consideration of $41 million, (ii) $30 million in the form of a promissory note, and (iii) share consideration of $30 million (the "**GDS**

Transaction"). Earn-outs based on exceeding revenue target thresholds in 2022 will be capped at a maximum of $97 million and payable in a combination of cash, promissory notes and exchangeable shares. GSD is a vertically-integrated operator in the State of New Jersey that is licensed for cultivation, manufacturing and the operation of three (3) medical retail dispensaries.

On December 23, 2020, Ayr announced the completion of the previously announced acquisition of CannTech (the "**CannTech Transaction**"). As previously announced on November 27, 2020, Ayr entered into a Membership Interest Purchase Agreement to acquire 100% of the membership interests in CannTech, which was previously announced as a binding term sheet on August 26, 2020. Pursuant to the Membership Interest Purchase Agreement, Ayr acquired rights to legally operate six retail dispensaries and a 143,000 square foot cultivation and production facility each in the State of Pennsylvania. Ayr has paid a purchase price consisting of cash, debt, exchangeable shares, and other consideration having an aggregate value of approximately C$75 million.

The following table provides a list of the licenses granted to CannTech, which is to be read in conjunction with the table found under "*Ayr Strategies Inc. – Licenses*" in the Prospectus.

Entity	Address Attached to License	Type	License	Certificate License #	Expiration Renewal Date	Summary
CannTech PA, LLC	535 Keystone Drive, Warrendale, PA 15086	Ch. 20/PA Clinical Registrant License	Marijuana Cultivation and Processing Registration	Clinical Registrant No. CR04-GP20-5701	**February 20, 2021**	Cultivation and Processing Medical
	809 Sampson Street, New Castle, PA 16101	Ch. 20/PA Clinical Registrant License	Marijuana Dispensary/Retail Registration	Clinical Registrant No. CR04-D20-6701	**February 20, 2021**	Dispensary/Retail Medical
	505 W. Germantown Pike, Plymouth Meeting, PA 19462	Ch. 20/PA Clinical Registrant License	Marijuana Dispensary/Retail Registration	Clinical Registrant No. CR04-D20-6701	**February 20, 2021**	Dispensary/Retail Medical
	3805 Neshaminy Blvd., Bensalem PA 19020	Ch. 20/PA Clinical Registrant License	Marijuana Dispensary/Retail Registration	Clinical Registrant No. CR04-D20-6701	**February 20, 2021**	Dispensary/Retail Medical
	112 Northtowne Square, Gibsonia PA 15044	Ch. 20/PA Clinical Registrant License	Marijuana Dispensary/Retail Registration	Clinical Registrant No. CR04-D20-6701	**February 20, 2021**	Dispensary/Retail Medical

For certain other details about the Company's business, please refer to the AIF and other documents incorporated by reference in this Prospectus Supplement and the Prospectus that are available on SEDAR at www.sedar.com.

LEGAL AND REGULATORY MATTERS

Below is a description of the relevant legal and regulatory matters in the States of Florida and New Jersey. Such descriptions are being added as a result of the Company's recent developments as described above and are provided in addition to the legal and regulatory information contained in the Prospectus.

State Regulatory Environment

Florida

Florida Regulatory Landscape

In 2014, the Florida Legislature passed the Compassionate Medical Cannabis Act (the "**Compassionate Use Act**") which was the first legal medical cannabis program in the state's history. The original Compassionate Use Act only allowed for low-THC cannabis to be dispensed and purchased by patients suffering from cancer or a physical medical condition that chronically produces symptoms of seizures, such as epilepsy. In 2016, the Legislature passed the Right To Try Act which allowed for full potency cannabis to be dispensed to patients suffering from a diagnosed terminal condition. Also in 2016, the Florida Medical Marijuana Legalization Initiative was introduced by citizen referendum and passed with a 71.3% majority on November 8. This language amended the state constitution and mandated an expansion of the state's medical cannabis program.

The Florida Medical Marijuana Legalization Initiative, Amendment 2 ("**Amendment 2**"), and the expanded qualifying medical conditions, became effective on January 3, 2017. The Florida Department of Health, physicians, dispensing organizations, and patients are also subject to Article X Section 29 of the Florida Constitution and § 381.986 of the Florida Statutes. On June 9, 2017, the Florida House of Representatives and Florida Senate passed respective legislation to implement the expanded program by replacing large portions of the existing Compassionate Use Act, which officially became law on June 23, 2017. Originally, each license holder was permitted to open 25 dispensaries statewide, plus an additional five dispensaries for every 100,000 qualified patients added to the state's medical cannabis registry. However, the limit on dispensaries per license expired on April 1, 2020 and there is no current limit on the number of dispensaries a license holder may operate. On July 1, 2019, a Florida appeals court held that the legislative measures imposing license caps and a vertical integration requirement are unconstitutional because they violate Amendment 2. The Department of Health has appealed the decision to the Florida Supreme Court. As of January 1, 2021, there were 459,171 qualified patients with an approved medical ID card, 22 approved licensees and 302 approved retail dispensing locations.

Licenses

Subsection 381.986(8)(a) of the State of Florida Statutes provides a regulatory framework that requires licensed producers, which are statutorily defined as "Medical Marijuana Treatment Centers" ("**MMTC**"), to cultivate, process and dispense medical cannabis in a vertically integrated marketplace. Licenses issued by the Department of Health's Office of Medical Marijuana Use (the "**Department**") may be renewed biennially so long as the license meets the requirements of the law and the license holder pays a renewal fee.

MMTC license holders can only own one license. An MMTC applicant must demonstrate that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of raw materials, finished products, and by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably required to dispense cannabis to registered qualified patients statewide or regionally as determined by the Department, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the Department, (viii) its owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the Department, the applicant must post a performance bond of up to US$5 million, which may be reduced by meeting certain criteria such as a minimum patient count.

The license permits the sale of derivative products produced from extracted cannabis plant oil as medical cannabis to qualified patients to treat certain medical conditions. The license also permits the sale of up to a 35-day supply of whole flower for smoking, per patient. By law, a 35-day supply is 2.5 ounces of whole flower.

Reporting Requirements

The Department requires that any licensee establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the Department to such data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of certain events, including when cannabis seeds are planted, when cannabis plants are harvested and destroyed, and when cannabis is transported, sold, stolen, diverted, or lost. Additionally, the Department also maintains a patient and physician registry and licensees must comply with requirements and regulations relative to providing required data or proof of key events to said system.

Dispensary Requirements

An MMTC may not dispense more than a 70-day supply of cannabis. The MMTC employee who dispenses the cannabis must enter into the registry his or her name or unique employee identifier. The MMTC must verify that: (i) the qualified patient and the caregiver, if applicable, each has an active registration in the registry and active and valid medical cannabis use registry identification card, (ii) the amount and type of cannabis dispensed matches the physician certification in the registry for the qualified patient, and (iii) the physician certification has not already been filled. An MMTC may not dispense to a qualified patient younger than 18 years of age, only to such patient's caregiver. An MMTC may not dispense or sell any other type of cannabis, alcohol, or illicit drug-related product, except a cannabis delivery device as specified in the physician certification. An MMTC must, upon dispensing, record in the registry: (i) the date, time, quantity and form of cannabis dispensed, (ii) the type of cannabis delivery device dispensed, and (iii) the name and registry identification number of the qualified patient or caregiver to whom the cannabis delivery device was dispensed. An MMTC must ensure that patient records are not visible to anyone other than the patient, caregiver, and MMTC employees.

Security, Transportation, and Storage Requirements

Each MMTC must maintain a fully operational security alarm system that secures all entry points and perimeter windows, and is equipped with motion detectors, pressure switches, duress, panic and hold-up alarms. The MMTC must also have a 24-hour video surveillance system with at least the following features: (a) cameras positioned for the clear identification of persons and activities in controlled areas including growing, processing, storage, disposal and point-of-sale rooms, (b) cameras fixed on entrances and exits to the premises, which shall record from both indoor and outdoor, or ingress and egress, vantage points, and (c) ability to record images clearly and accurately together with the time and date.. MMTCs must retain video surveillance recordings for at least 45 days, or longer upon the request of law enforcement.

An MMTC's outdoor premises must have sufficient lighting from dusk until dawn. An MMTC's dispensing facilities must include a waiting area with sufficient space and seating to accommodate qualified patients and caregivers and at least one private consultation area and such facilities may not display products or dispense cannabis or cannabis delivery devices in the waiting area and may not dispense cannabis from its premises between the hours of 9:00 p.m. and 7:00 a.m. but may perform all other operations and deliver cannabis to qualified patients 24-hours a day.

Cannabis must be stored in a secured, locked room or a vault. An MMTC must have at least two employees, or two employees of a security agency with whom it contracts, on the premises at all times where cultivation, processing, or storing of cannabis occurs. MMTC employees must wear an identification badge and visitors must wear a visitor pass at all times on the premises. An MMTC must report to law enforcement within 24 hours after the MMTC is notified of or becomes aware of the theft, diversion or loss of cannabis. A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale tracking system and must include the: (i) departure date and time, (ii) name, address, and license number of the originating MMTC, (iii) name and address of the recipient, (iv) quantity and form of any cannabis or cannabis delivery device being transported, (v) arrival date and time, (vi) delivery vehicle make and model and license plate number; and (vii) name and signature of the MMTC employees delivering the product. Further, a copy of the

transportation manifest must be provided to each individual, MMTC that receives a delivery. MMTCs must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must have their employee identification on them at all times. Lastly, at least two people must be in a vehicle transporting cannabis or cannabis delivery devices, and at least one person must remain in the vehicle while the cannabis or cannabis delivery device is being delivered.

Inspections

The Department conducts announced and unannounced inspections of MMTCs to determine compliance with the laws and rules. The Department shall inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The Department shall conduct at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

New Jersey

New Jersey Regulatory Landscape

New Jersey's medical cannabis program is governed by the New Jersey Compassionate Use Medical Marijuana Act (as amended by the Jake Honig Compassionate Use Medical Cannabis Act; together, the "Act"), N.J. Stat. § 24:6l-1 *et seq.*, and the Department of Health's (the "**Department**") implementing regulations, N.J.A.C. 8:64 *et seq.* Pursuant to the Act, qualifying patients with debilitating medical conditions may become registered to use medical cannabis. Qualifying medical conditions include: seizure disorders such as epilepsy; intractable skeletal muscular spasticity; post-traumatic stress disorder; dysmenorrhea; glaucoma; amyotrophic lateral sclerosis; multiple sclerosis; cancer; muscular dystrophy; inflammatory bowel disease, including Crohn's disease; terminal illness with a prognosis of less than 12 months of life; anxiety; chronic pain; migraine headaches; Tourette syndrome; Opioid Use Disorder; and HIV or AIDS. A review panel is authorized to review and periodically add qualifying medical conditions

The Act creates a permitting regime for "alternative treatment centers" ("**ATCs**"), which are integrated medical cannabis businesses. In addition, the Department's regulations allow applicants for ATC permits to seek cultivation, manufacturing, or dispensing-specific licensure. Holders of an ATC license with a cultivation endorsement can possess, cultivate, plant, grow, harvest, and package usable cannabis; and can display, transfer, transport, distribute, supply, or sell cannabis to other ATCs or clinical registrant entities, but not directly to registered qualifying patients. Holders of an ATC license with a manufacturing endorsement can possess and process usable cannabis; purchase usable cannabis and related supplies from other ATCs possessing a cultivation or manufacturing endorsement, or a clinical registrant entity; manufacture products containing cannabis approved by the Department; conduct research and develop products containing cannabis for approval by the Department; and can deliver, transfer, transport, distribute, supply, or sell cannabis and products containing cannabis and related supplies to other ATCs, but not directly to registered qualifying patients. Finally, holders of an ATC license with a dispensary endorsement can purchase usable cannabis and products containing cannabis, and related supplies from other ATCs authorized to cultivate or manufacture usable cannabis or products containing cannabis; and can possess, display, supply, sell, and dispense usable cannabis and/or products containing cannabis, related supplies, and paraphernalia to registered qualifying patients and designated caregivers.

On July 2, 2019, New Jersey enacted the Jake Honig Compassionate Use Medical Cannabis Act that made several changes to the state's medical cannabis program. Amongst other changes, the Act: (i) creates a new regulatory body, the Cannabis Regulatory Commission; (ii) increases the monthly purchasing limit from two to three ounces of dry flower, and after 18 months allows the maximum to be adjusted by regulation; (iii) removes the purchasing limit for terminally ill and hospice patients; (iv) permits the sale of edible products; (v) phases out sales taxes on medical cannabis; (vi) provides reciprocity for patients registered with other state medical cannabis programs; and (vii) authorizes home delivery to patients. Regulations in response to the Act have not yet been promulgated.

On November 3, 2020, voters in New Jersey approved a ballot initiative ("Public Question 1") to legalize cannabis for adult use in the State. As of the date of this Prospectus, the Governor of New Jersey has not signed into law the legislation that effectuate the ballot initiative.

Licenses

ATC permits have been awarded by a selection committee that evaluates applicants on the following general criteria: (1) submittal of mandatory organizational information; (2) ability to meet the overall health needs of qualified patients and safety of the public; (3) history of compliance with regulations and policies governing government-regulated cannabis programs; (4) ability and experience of applicant in ensuring an adequate supply of cannabis; (5) community support and participation; (6) ability to provide appropriate research data; (7) experience in cultivating, manufacturing, or dispensing cannabis in compliance with government-regulated cannabis programs; and (8) workforce and job creation plan, including plans to involve women, minorities, and military veterans in ATC ownership and management, and experience with collective bargaining. Information required to be submitted is wide-ranging, and includes identification information and background checks of principals, employees, directors, and other stakeholders, and evidence of compliance with certain state and local laws and ordinances.

Permits are renewed annually and require the submittal of a renewal application 60-days prior to the expiration of an ATC permit. Provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the permit, permit holders would expect to receive a renewed permit in the ordinary course of business.

ATC Requirements

ATCs are subject to a number of regulations regarding their policies, procedures, records, and reporting. For example, ATCs must develop oversight procedures; procedures to ensure safe growing and dispensing operations; security policies; inventory protocols; disaster plans; pricing standards; and crime prevention plans and must maintain careful records, including organizational charts; facility documents; supply-and-demand projections; general business records; detailed sales records; and detailed personnel and training records. ATCs must provide substantial training for their employees and must maintain an alcohol and drug-free workplace.

Holders of an ATC permit are subject to a detailed regulatory scheme encompassing: security, staffing, point-of-sale systems, manufacturing standards, hours of operation, delivery, advertising and marketing, product labeling, records and reporting, and more. As with all jurisdictions, the full regulations (N.J.A.C. 8:64 *et seq.*) should be consulted for further information about any particular operational area.

Storage, Security, and Transportation Requirements

Each ATC is required to provide effective controls and procedures to guard against theft and diversion of cannabis including, when appropriate, systems to protect against electronic records tampering. With respect to security and inventory protocols, ATCs are required to maintain robust security and alarm systems in good working order; test and inspect such security systems; employ policies to limit unauthorized access to areas containing cannabis; adopt security protocols to protect personnel; minimize exterior access and ensure the exterior of the facility has adequate lighting; and notify the proper authorities of reportable losses, security breaches, alarm activations, and electrical failures. ATCs are required to conduct detailed monthly inventories and an annual comprehensive inventory.

Each ATC must install, maintain in good working order and operate a safety and security alarm system at its authorized physical address(es) that will provide suitable protection 24 hours a day, seven days a week against theft and diversion and that provides, at a minimum: (i) immediate automatic or electronic notification to alert state or local police agencies to an unauthorized breach of security at the alternative treatment center; and (ii) a backup system that activates immediately and automatically upon a loss of electrical support and that immediately issues either automatically or electronic notification to state or local police agencies of the loss of electrical support. ATCs must also implement appropriate security and safety measures to deter and prevent the unauthorized entrance into areas containing cannabis and the theft of cannabis and security measures that protect the premises, registered qualifying patients, registered primary caregivers and principal officers, directors, board members and employees of the alternative treatment center. Each ATC must stablish a protocol for testing and maintenance of the security alarm system and conduct maintenance inspections and tests of the security alarm system at the ATC's authorized location at intervals not to exceed 30 days from the previous inspection and test, and it must promptly implement all necessary repairs to ensure the proper operation of the alarm system. In the event of a failure of the security alarm system due to a loss of electrical support or mechanical malfunction that is expected to last longer than eight hours, an ATC must

notify the Department and either provide alternative security measures or close the affected facilities until service is restored. Finally, each ATC must equip its interior and exterior premises with electronic monitoring, video cameras, and panic buttons.

Department Inspections

ATCs are subject to inspection by the Department at any time, with or without notice. ATCs must provide immediate access to all facilities, materials, and information requested by the Department. Failure to cooperate with an onsite assessment and or to provide the Department access to the premises or information may be grounds to revoke the permit of the ATC and to refer the matter to state law enforcement agencies. If a problem is discovered, the ATC must notify the Department in writing, with a postmark date that is within 20 business days of the date of the notice of violations, of the corrective actions the ATC has taken to correct the violations and the date of implementation of the corrective actions. Similarly, violations found pursuant to onsite inspections or review of financial records shall be corrected by the ATC within 20 calendar days of receipt of the official written report citing the violation.

USE OF PROCEEDS

The net proceeds from the Offering, assuming that the Over-Allotment Option is not exercised and after payment of the estimated expenses of the Offering and the Underwriters' Fee, are estimated to be C$130,335,000. If the Over-Allotment Option is exercised in full, then the net proceeds to the Company, after payment of the estimated expenses of the Offering and the Underwriters' Fee, are estimated to be C$149,960,250.

The Company intends to use the net proceeds of the Offering for working capital and general corporate purposes. If the Over-Allotment Option is exercised, any additional net proceeds will be allocated to general corporate purposes, including working capital or business development.

While the Company currently anticipates that it will use the net proceeds of the Offering as set forth above, the Company may re-allocate the net proceeds of the Offering from time to time, giving consideration to its strategy relative to the market, development and changes in the cannabis industry and regulatory landscape, as well as other conditions relevant at the applicable time. Consistent with the high level of activity in the sector, the Company has considered, and continues to consider, various potential strategic transactions. At the present time, other than as set forth in this Prospectus Supplement and the Prospectus, there is insufficient information to provide with respect to potential transactions. The Company intends to continue to monitor industry developments and may have further discussions in respect of strategic transactions in the future, but the Company can offer no assurance that any transaction would result from any such future discussions. Until utilized, some or all of the net proceeds of the Offering may be held in cash balances in the Company's or its subsidiaries' bank accounts or invested at the discretion of the Company. Management will have discretion concerning the use of the net proceeds of the Offering, as well as the timing of their expenditure. See "*Risk Factors*" in this Prospectus Supplement, the Prospectus and the AIF.

CONSOLIDATED CAPITALIZATION

The following table sets forth the Company's consolidated capitalization as of September 30, 2020 on an actual basis prior to the Offering, after giving effect to the Offering (assuming no exercise of the Over-Allotment Option) and after giving effect to the Offering (assuming the exercise of the Over-Allotment Option in full). The following table is based on the condensed unaudited interim consolidated statements of financial position of the Company as at September 30, 2020 and should be read in conjunction with the Interim Financial Statements and other information included in the documents incorporated by reference in this Prospectus Supplement and the Prospectus.

(tabular amounts in US $, except for share amounts)	**As at September 30, 2020 before giving effect to the Offering**	**As at September 30, 2020 after giving effect to the Offering (assuming no exercise of the Over-Allotment Option)[(1)]**	**As at September 30, 2020 after giving effect to the Offering (assuming the Over-Allotment Option is exercised in full) [(1)]**
Cash:	$23,180,198	$125,102,168	$140,449,114

Debt:			
Related Party Debt - Current	$8,465,496	$8,465,496	$8,465,496
Non-Related Party Debt - Current	$443,324	$443,324	$443,324
Related Party Debt - Non-Current	$29,464,249	$29,464,249	$29,464,249
Non-Related Party Debt - Non-Current	$2,339,855	$2,339,855	$2,339,855
Total Debt	$40,712,924	$40,712,924	$40,712,924
Shareholders' Equity:			
Multiple Voting Shares	3,696,486	3,696,486	3,696,486
Equity Shares	17,934,901	21,934,901	22,534,901
Exchangeable Shares[(2)]	6,047,970	6,047,970	6,047,970
Listed Rights, Share Equivalent[(3)]	151,655	151,655	151,655
Restricted Stock Units[(2)]	4,237,150	4,237,150	4,237,150
Warrants[(2)]	16,018,858	16,018,858	16,018,858
Shares Outstanding[(4)]	48,087,020	52,087,020	52,687,020
Total Equity	$165,360,558	$267,282,528	$ 282,629,474
Total Capitalization:	$206,073,482	$307,995,452	$ 323,342,398

Notes:

(1) After deducting the Underwriters' Fee and the estimated expenses of the Offering.
(2) Exchangeable on a one-for-one basis into Equity Shares. Restricted Stock Units may be subject to vesting requirements.
(3) Exchangeable on a ten-for-one basis into Equity Shares and are presented on an Equity Share equivalent basis.
(4) Assuming the exercise and conversion of all outstanding warrants, rights, restricted stock units, exchangeable shares and Multiple Voting Shares. Multiple Voting Share shall be subject to automatic conversion on a one-to-one basis into Equity Shares on May 24, 2024.

In addition: (a) on December 10, 2020, the Company announced the closing of the December 2020 Senior Secured Notes Offering (see "*Ayr Strategies Inc. – Recent Developments – Senior Secured Notes*" in the Prospectus); and (b) on December 23, 2020, the Company announced the completion of the CannTech Transaction (see "*Description of the Business – Recent Developments*" in this Prospectus Supplement). After giving effect to these material changes, the Total Debt and Total Equity of the Company, respectively, as at September 30, 2020: (i) before giving effect to the Offering, is $166,712,924 and $165,360,558; (ii) after giving effect to the Offering (assuming no exercise of the Over-Allotment Option), is $166,712,924 and $295,695,558; and (iii) after giving effect to the Offering (assuming the Over-Allotment Option is exercised in full), is $166,712,924 and $315,320,808.

DETAILS OF THE OFFERING

The Offering consists of 4,000,000 Initial Equity Shares at a price of C$34.25 per Initial Equity Share and 600,000 Additional Equity Shares at a price of C$34.25 per Additional Equity Share if the Underwriters exercise the Over-Allotment Option in full. The Offered Equity Shares will be issued on the Closing Date, and on the closing of the exercise of the Over-Allotment Option, if applicable, pursuant to the Underwriting Agreement.

As at January 11, 2021, 29,126,766 Equity Shares are issued and outstanding. For a summary of the material attributes of the Equity Shares and certain rights attaching thereto, see "*Description of Securities – Restricted Shares and Multiple Voting Shares – Restricted Shares*" in the Prospectus.

NON-CERTIFICATED INVENTORY SYSTEM

No certificates representing the Offered Equity Shares to be sold in the Offering will be issued to purchasers under this Prospectus Supplement, except in certain limited circumstances. Registration will be made in the depository service of CDS, or to its nominee, and electronically deposited with CDS on the Closing Date. Each purchaser of Offered Equity Shares, including a purchaser of Offered Equity Shares in the United States who is a Qualified Institutional Buyer, will typically only be entitled to receive a customer confirmation of purchase from the participants in the CDS depository service ("**CDS Participants**") from or through which such Offered Equity Shares are purchased, in accordance with the practices and procedures of such CDS Participant, subject to limited exceptions. Transfers of ownership of Offered Equity Shares will be effected through records maintained by the CDS Participants, which include securities brokers and dealers, banks and trust companies. Indirect access to the CDS book-entry system

is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company has agreed to sell and the Underwriters have severally, and not jointly (or jointly and severally), agreed to purchase on the Closing Date or on such other date as may be agreed upon by the parties, subject to compliance with the terms and conditions of the Underwriting Agreement, all but not less than all of the 4,000,000 Initial Equity Shares at an aggregate price of C$34.25 payable in cash to the Company against delivery of the Initial Equity Shares.

In consideration for their services in connection with the Offering, the Company has agreed to pay the Underwriters a fee equal to 4.5% of the gross proceeds of the Offering (being C$1.54 per Offered Equity Share) for an aggregate Underwriters' Fee (assuming no exercise of the Over-Allotment Option) of C$6,165,000. All fees payable to the Underwriters will be paid out of the proceeds of the Offering.

The Company has granted to the Underwriters the Over-Allotment Option, exercisable on or before 11:59 p.m. (Toronto time) on the date that is 30 days after the Closing Date, to purchase up to 600,000 Additional Equity Shares on the same terms solely to cover over-allotments, if any, and for market stabilization purposes. The purchase price for the Additional Equity Shares pursuant to the Over-Allotment Option will be equal to the Offering Price.

The Offering Price of the Offered Equity Shares has been determined based upon arm's length negotiation among the Company and the Underwriters. Among the factors considered in determining the Offering Price were the following:

- the market price of the Equity Shares;
- prevailing market conditions;
- historical performance and capital structure of the Company;
- estimates of the business potential and earnings prospects of the Company;
- availability of comparable investments;
- an overall assessment of management of the Company; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

If the Over-Allotment Option is exercised in full, and before the deduction of expenses of the Offering estimated to be C$34.25, the price to the public, the Underwriters' Fee and the net proceeds to the Company will be C$157,550,000, C$7,089,750 and C$150,460,250, respectively.

This Prospectus Supplement qualifies the distribution of the Initial Equity Shares and the Additional Equity Shares issuable on exercise of the Over-Allotment Option. A purchaser who acquires Additional Equity Shares forming part of the Underwriters' over-allocation position acquires those Additional Equity Shares under this Prospectus Supplement, regardless of whether the over-allocation position is filled through the exercise of the Over-Allotment Option or secondary market purchases.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint nor joint and several), and may be terminated at their discretion upon the occurrence of certain stated events, including: (a) if there shall have occurred any material change or change in any material fact, or a new or undisclosed material fact shall arise or be discovered, which, in the sole opinion of the Underwriters, acting reasonably, has or would be expected to have a material adverse effect on the business, affairs, prospects or financial condition of the Company or on the market price, value or marketability of the securities of the Company; (b) any inquiry, action, suit, proceeding or investigation (whether formal or informal) (including matters of regulatory transgression or unlawful conduct), is commenced, announced or threatened, by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality (including any securities regulatory authority) against the Company or any one of the officers or directors of the Company or any of its principal shareholders or any order is made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality (including a securities commission), which, in the opinion of the Underwriters, acting reasonably, prevents or restricts trading in or the distribution of securities of the Company or materially adversely

affects or might reasonably be expected to materially adversely affect the market price or value of the securities of the Company; (c) any order is issued by any securities regulatory authority or other competent authority, in relation to the Company or its securities, or there is a change in any law or the interpretation or administration thereof which, in each case, in the opinion of the Underwriters, acting reasonably, operates to prevent or restrict the distribution of or trading in the securities of the Company or materially adversely affects or could reasonably be expected to materially adversely affect the Offering; (d) if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence or catastrophe, war or act of terrorism of national or international consequence or a new change in any law or regulation which, in the sole opinion of the Underwriters, acting reasonably, seriously adversely affects or involves, or will seriously adversely affect or involve, the financial markets or the business, operations or affairs of the Company and its subsidiaries, taken as a whole; or (e) the Company is in breach of, default under or non-compliance with any material covenant, representation, warranty, term or condition of the Underwriting Agreement or in any certificate or document delivered pursuant to or contemplated by the Underwriting Agreement.

Under applicable securities laws in Canada, certain persons and individuals, including the Company and the Underwriters, have statutory liability for any misrepresentation in this Prospectus Supplement, subject to available defences. Pursuant to the terms of the Underwriting Agreement, the Company has agreed to (i) indemnify the Underwriters and their respective subsidiaries, affiliates, and each of their respective partners, shareholders, advisers, directors, officers, employees and agents against certain liabilities including, without restriction, civil liabilities under applicable securities legislation in Canada, and to contribute to any payments that the Underwriters may be required to make in respect thereof, and (ii) reimburse the Underwriters for certain expenses incurred in connection with the Offering.

The Offered Equity Shares will be offered in each of the provinces of Canada (except Québec) through those Underwriters or their affiliates who are registered to offer the Offered Equity Shares for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable laws, the Underwriters may offer the Offered Equity Shares outside of Canada.

Pursuant to the Underwriting Agreement, the Company has agreed that it will not, directly or indirectly, for a period of 90 days following the Closing Date, and each of its named executive officers ("**NEOs**") will execute a lock-up agreement in favour of the Underwriters pursuant to which they will agree that they will not, directly or indirectly, for a period of 90 days following the Closing Date, offer, issue, sell, grant, secure, pledge or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any securities of the Company or securities convertible into, exchangeable for, or otherwise exercisable to acquire securities of the Company or other equity securities of the Company, without the prior written consent of the Underwriters, which consent shall not unreasonably be withheld or delayed, other than: (i) grants of stock options or other similar issuances pursuant to the share incentive plan of the Company and other share compensation arrangements or employee plans; (ii) the exercise of outstanding exchangeable or convertible securities or stock options or warrants; (iii) obligations of the Company in respect of existing agreements; (iv) the issuance of securities by the Company in connection with acquisitions and consulting and services agreements entered into with arm's length parties, in each case in the normal course of business; and (v) in the case of an NEO, (A) transfers to affiliates of the NEO, any immediate family members of the NEO, or any company, trust or other entity owned by, controlled by or maintained for the benefit of the NEO or any immediate family members of the NEO or for tax planning purposes, (B) transfers occurring by operation of law or in connection with transactions as a result of the death or incapacitation of the NEO, (C) pledges of any securities of the Company owned by such NEO as security for *bona fide* indebtedness of the NEO, provided that in each of (A), (B) and (C) above, that any such transferee or pledgee shall first execute a lock-up agreement with the Underwriters with respect to the applicable locked-up Shares, (D) any exercise, conversion or exchange of any of the securities of the Company owned by such NEO in accordance with their terms; (E) the exercise of outstanding exchangeable or convertible securities or stock options or warrants, provided that in each of (D) and (E) above, the underlying securities issuable thereon shall be subject to the terms of a lock-up agreement; or (F) transfers made pursuant to a *bona fide* take-over bid made to all holders of equity securities of the Company, or a similar acquisition or merger transaction, provided that in the event that such transaction is not completed, any locked-up Shares shall remain subject to the restrictions contained in the lock-up agreement.

In connection with the Offering, the Underwriters (or any of them) may over-allocate or effect transactions which stabilize or maintain the market price of the Equity Shares at a level above that which might otherwise prevail in the open market, but in each case as permitted by Canadian securities laws. Such stabilization transactions, if any, may be discontinued at any time. The Underwriters propose to offer the Initial Equity Shares initially at the Offering Price. After a reasonable effort has been made to sell all of the Initial Equity Shares at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Initial Equity Shares remaining unsold. Any such reduction will not affect the proceeds received by the Company.

The summary of certain provisions of the Underwriting Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the provisions of the Underwriting Agreement, a copy of which has been filed with the securities commissions in Canada and is available on SEDAR at www.sedar.com.

The Company has applied to list the Offered Equity Shares qualified hereunder on the CSE. Listing of the Offered Equity Shares is subject to the Company fulfilling all of the listing requirements of the CSE.

The Offered Equity Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the United States and, subject to certain exemptions from registration under the U.S. Securities Act and applicable state securities laws, may not be offered or sold in the United States. The Underwriting Agreement enables the Underwriters, through their U.S. Affiliates, to offer and resell the Offered Equity Shares that they have acquired pursuant to the Underwriting Agreement in the United States to Qualified Institutional Buyers in transactions in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder and similar exemptions from registration under applicable state securities laws. The Offered Equity Shares that are sold in the United States will be "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act subject to certain restrictions on transfer set forth therein. The Underwriters will offer and sell the Offered Equity Shares outside the United States in accordance with Rule 903 of Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Offered Equity Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration provisions of the U.S. Securities Act unless made in compliance with Rule 144A under the U.S. Securities Act or another exemption under the U.S. Securities Act and any applicable state securities laws. This Prospectus Supplement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Offered Equity Shares in the United States**.**

PRIOR SALES

For the 12-month period before the date of this Prospectus Supplement, the Company issued the following Equity Shares and securities exercisable or convertible into Equity Shares.

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security (US$)
May 18, 2020	Exchangeable Shares[(1)]	614,515	N/A
May 24, 2020	Restricted Stock Units[(1)(2)]	400,000	N/A
November 19, 2020	Equity Shares	128,265	$16.58
December 23, 2020	Exchangeable Shares[(1)]	1,310,041	$11.45
January 4, 2021	Restricted Stock Units[(1)(2)]	1,044,000	N/A

Notes:

(1) Exchangeable on a one-for-one basis into Equity Shares.
(2) These securities vest over a two to three year period from the date of issuance.

TRADING PRICE AND VOLUME

The Equity Shares are currently listed on the CSE and commenced trading under the symbol "AYR.A" on August 19, 2019 and quoted on the OTCQX under the symbol "AYRWF". On January 11, 2021, being the last trading day completed prior to the announcement of the Offering and the filing of this Prospectus Supplement, the closing price of the Equity Shares on the CSE was C$36.80 and the closing bid price of the Equity Shares on the OTCQX was $28.99. The Warrants are listed on the CSE under the symbol "AYR.WT". On January 11, 2021, the last trading day prior to the date of this Prospectus Supplement, the closing price of the Warrants on the CSE was C$26.32. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of

trading of the Equity Shares on the CSE, as quoted on the CSE. Prior to the Capital Structure Amendments, the information below reflects the trading of Subordinated Voting Shares.

Month	High (C$)	Low (C$)	Total Volume
January 1 to 11, 2021	38.58	30.00	2,914,910
December 2020	31.48	25.61	4,947,930
November 2020	28.20	18.83	10,847,700
October 2020	20.53	16.62	2,014,690
September 2020	17.90	15.90	2,6058,870
August 2020	17.58	12.10	770,580
July 2020	12.76	9.80	45,258,680
June 2020	11.62	9.10	15,938,540
May 2020	12.46	7.32	26,885,290
April 2020	9.00	6.75	29,804,000
March 2020	12.4	4.98	15,007,210
February 2020	13.22	8.75	27,274,000
January 2020	14.45	10.93	49,075,000

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Certain Canadian Federal Income Tax Considerations

The following is, as of the date of this Prospectus Supplement, a summary of the principal Canadian federal income tax considerations that are generally applicable under the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**") to a beneficial owner of Equity Shares who at all relevant times, for purposes of the Tax Act, deals at arm's length with the Company and the Underwriters, is not affiliated with the Company or the Underwriters, and holds Equity Shares as capital property (a "**Holder**"), all within the meaning of the Tax Act. An Equity Share will generally be considered to be capital property to a Holder unless the Holder holds (or will hold) such Equity Share in the course of carrying on a business of trading or dealing in securities or has acquired (or will acquire) them in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (a) that is a "financial institution" for purposes of the "mark-to-market rules" in the Tax Act; (b) an interest in which is a "tax shelter investment" as defined in the Tax Act; (c) that is a "specified financial institution" as defined in the Tax Act; (d) that has made a "functional currency" election under the Tax Act to determine its "Canadian tax results", as defined in the Tax Act, in a currency other than Canadian currency; (e) who enters into, or has entered into, a "derivative forward agreement" as such term is defined in the Tax Act, with respect to an Equity Share; or (f) that is an Unsuitable Person (as defined in the Prospectus). Any such Holder to which this summary does not apply should consult its own tax advisor.

This summary does not address the possible application of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act to a Holder that (i) is a corporation resident in Canada and (ii) is or becomes (or does not deal at arm's length for purposes of the Tax Act with a corporation resident in Canada that is or becomes), as part of a transaction or event or series of transactions or events that includes the acquisition of an Equity Share, controlled by a non-resident corporation, non-resident individual, non-resident trust, or group of any of the foregoing who do not deal at arm's length with each other for purposes of such rules. Such Holders should consult their own tax advisors with respect to the possible application of these rules.

This summary is of a general nature only, is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act which have been announced by or on behalf the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency. This summary assumes that the Tax Proposals will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that the Tax

Proposals will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Equity Shares and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. Holders are urged to consult their own tax advisors with respect to the tax consequences of investing in Equity Shares based on their own particular circumstances.

Residents of Canada

The following portion of this summary applies to a Holder who, for the purposes of the Tax Act and any applicable income tax treaty or convention, is resident in Canada (a "**Resident Holder**").

Certain Resident Holders who might not otherwise be considered to hold their Equity Shares as capital property may, in certain circumstances, be entitled to have such shares, and all other "Canadian securities" owned or subsequently owned by such Resident Holder, treated as capital property by making an irrevocable election in accordance with the Tax Act. Resident Holders should consult their own tax advisors to determine whether an election is available and advisable in their particular circumstances.

Dividends on Equity Shares

Dividends received on Equity Shares by a Resident Holder who is an individual (and certain trusts) will be included in the Resident Holder's income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by an individual from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit for "eligible dividends" properly designated as such by the Company.

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

A Resident Holder that is a "private corporation" (as defined in the Tax Act) or any other corporation resident in Canada and controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received on the Equity Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income. Dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act.

A Resident Holder may be subject to United States withholding tax on dividends received on the Equity Shares. Any United States withholding tax paid by or on behalf of a Resident Holder in respect of dividends received on the Equity Shares by a Resident 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 Equity Shares by a Resident Holder may not be treated as income sourced in the United States for these purposes. Resident 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 Equity Shares.

Dispositions of Equity Shares

A Resident Holder who disposes of or is deemed to have disposed of an Equity Share will generally realize a capital gain (or incur a capital loss) in the year of disposition equal to the amount by which the proceeds of disposition in respect of such Equity Share exceed (or are exceeded by) the aggregate of the adjusted cost base of such Equity Share and any reasonable expenses associated with the disposition. The tax treatment of capital gains and capital losses is discussed below under "*Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder must be included in computing the Resident Holder's income for the taxation year in which the disposition occurs. Subject to and in accordance with the provisions of the Tax Act, one-half of any capital loss incurred by a Resident Holder (an "allowable capital loss") may be used to offset taxable capital gains realized by the Resident Holder in the taxation year of disposition. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition may be applied to reduce net taxable capital gains realized by the Resident Holder in the three preceding taxation years or in any subsequent year in the circumstances and to the extent provided in the Tax Act.

The amount of any capital loss realized on the disposition of an Equity Share by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends which have been previously received or deemed to have been received by the Resident Holder on such share. Similar rules may apply where a corporation is, directly or through a trust or partnership, a member of a partnership or a beneficiary of a trust that owns Equity Shares.

A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to pay a refundable tax on its "aggregate investment income", which is defined in the Tax Act to include capital gains.

In general terms, a Holder who is an individual (other than certain trusts) that realizes a capital gain on the disposition or deemed disposition of Equity Shares may be liable for alternative minimum tax under the Tax Act.

Conversion of Equity Shares

The conversion of shares of a class of Equity Shares into shares of a different class of Equity Shares will be deemed not to constitute a disposition of property for purposes of the Tax Act and, accordingly, will not give rise to a capital gain or capital loss. The cost to a Resident Holder of the Equity Shares received on such conversion will be deemed to be equal to the Resident Holder's adjusted cost base of the converted shares immediately before the conversion. For the purpose of computing the adjusted cost base to a Holder of each Equity Share of a particular class acquired on such conversion, the cost of such Equity Share must be averaged with the adjusted cost base to such Holder of all other shares of that class (if any) held by the Holder as capital property immediately prior to the conversion.

Non-Residents of Canada

The following portion of this summary is applicable to a Holder who, for the purposes of the Tax Act and at all relevant times, is not resident nor deemed to be resident in Canada and does not use or hold, and is not deemed to use or hold, the Equity Shares in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). Special rules which are not discussed in this summary may apply to a non-resident that is an insurer carrying on business in Canada and elsewhere.

Dividends on Equity Shares

Any dividends on Equity Shares paid or credited or deemed to be paid or credited to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the *Canada-United States Income Tax Convention* (1980), as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15% of the amount of such dividend.

Dispositions of Equity Shares

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of an Equity Share, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Equity Share constitutes "taxable Canadian property" to the Non-Resident Holder for purposes

of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

As long as the Equity Share is listed on a designated stock exchange (which currently includes the CSE), such share generally will not constitute taxable Canadian property of a Non-Resident Holder, unless: (a) at any time during the 60-month period immediately preceding the disposition or deemed disposition of such share: (i) 25% or more of the issued shares of any class or series of the share capital of the Company was owned by, or belonged to, one or any combination of (x) the Non-Resident Holder, (y) persons with whom the Non-Resident Holder did not deal at arm's length (within the meaning of the Tax Act) and (z) partnerships in which the Non-Resident Holder or a person referred to in (y) holds a membership interest directly or indirectly through one or more partnerships; and (ii) more than 50% of the fair market value of the share 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, or for civil law rights in, property described in any of (A) through (C) above, whether or not such property exists; or (b) the share is otherwise deemed under the Tax Act to be taxable Canadian property.

If an Equity Share is taxable Canadian property to a Non-Resident Holder, any capital gain realized on the disposition or deemed disposition of such share may not be subject to Canadian federal income tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country of residence of the Non-Resident Holder. Non-Resident Holders whose Equity Shares are taxable Canadian property should consult their own tax advisors.

Conversion of Equity Shares

The tax consequences of the conversion of shares of a class of Equity Shares into shares of a different class of Equity Shares are the same as those described above under "*Residents of Canada Conversion of Equity Shares*".

CERTAIN UNITED STATES 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 Offered Equity Shares that are applicable to U.S. Holders and certain Non-U.S. Holders (as defined below), that acquire the Offered Equity Shares pursuant to the Offering. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. 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 Offered Equity Shares are held as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment), in the hands of a shareholder at all relevant times.

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 Offered Equity Shares as part of hedges, straddles, constructive sales, conversion transactions, or other integrated investments; (vi) acquire the Offered Equity 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; (viii) own or have owned directly, indirectly, or constructively 10% or more of the voting power or value of the Company; (ix) are controlled foreign corporations or passive foreign investment companies; (x) are subject to special tax accounting rules; (xi) are partnerships or other entities treated as a partnership or pass-through (or an investor therein); or (xii) 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 Offered Equity Shares or the impact of the U.S. federal alternative minimum tax or the U.S. Medicare contribution tax on net investment income.

If an entity classified as a partnership for U.S. federal income tax purposes holds the Offered Equity Shares, 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 Offered Equity Shares is urged to consult its own tax advisor.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN 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 OFFERED EQUITY SHARES.

U.S. Holders

The discussion in this section is addressed to a holder of Offered Equity Shares acquired pursuant to the Offering that is a "U.S. Holder" for U.S. federal income tax purposes. As used herein, "U.S. Holder" means a beneficial owner of the Offered Equity 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 (or entity classified as a corporation for U.S. federal income tax purposes) 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 United States person (within the meaning of the Code).

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

The Company is classified as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874 of the Code. 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 anticipates that it will also be 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 Offered Equity 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

Distributions

The Company does not anticipate declaring or paying dividends to holders of Offered Equity Shares in the foreseeable future. However, if the Company decides to make any such distributions, such distributions with respect to Offered Equity 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 Offered Equity 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 Offered Equity 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 Offered Equity 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 Offered Equity Shares constituting dividend income paid to U.S. Holders that are individuals may qualify for the reduced rates applicable to qualified dividend income.

Dividends received by U.S. Holders will be subject to Canadian withholding tax under the Tax Act. For further discussion on Canadian taxes, see "*Certain Canadian Federal Income Tax Considerations*."

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 distribution) or other disposition of the Offered Equity 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.

Foreign Tax Credit Limitations

Because it is anticipated that the Company will be 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 Offered Equity 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 the Offered Equity Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder (for example, because the Offered Equity 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 should 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 Offered Equity 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 Offered Equity 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 the Offered Equity Shares and to certain payments of proceeds on the sale or redemption of Offered Equity 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 own 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.

Tax Considerations for Non-U.S. Holders

Non-U.S. Holders

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of the Offered Equity Shares that is neither a "U.S. Holder" nor an entity treated as a partnership for U.S. federal income tax purposes.

Distributions

The rules applicable to Non-U.S. Holders for determining the extent to which distributions on the Offered Equity Shares, if any, constitute dividends for U.S. federal income tax purposes are the same as for U.S. Holders. See *Tax Considerations for U.S. Holders Distributions*".

Generally, distributions treated as dividends paid to a Non-U.S. Holder of the Offered Equity 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 own tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Notwithstanding the foregoing, dividends that are effectively connected with a Non-U.S. Holder's conduct of a trade or business within the United States and, where required by an income tax treaty, are attributable to a permanent establishment or fixed base of the Non-U.S. Holder, are not subject to the withholding tax described in the previous paragraph, but instead are subject to U.S. federal net income tax at graduated rates, provided the Non-U.S. Holder complies with applicable certification and disclosure requirements, generally by providing a properly completed IRS Form W-8ECI. Non-U.S. Holders that are corporations may also be subject to an additional branch profits tax at a 30% rate, except as may be provided by an 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 not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of the Offered Equity Shares unless:

- such gain is effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder (or, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder), in which event such Non-U.S. Holder generally will be subject to U.S. federal income tax on such gain in substantially the same manner as a U.S. person (except

as provided by an applicable tax treaty) and, if it is treated as a corporation for U.S. federal income tax purposes, may also be subject to a branch profits tax at a rate of 30% (or a lower rate if provided by an applicable tax treaty), subject to certain adjustments;

- 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

- Offered Equity Shares constitute a U.S. real property interest, or USRPI, by reason of the Company's status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the second 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 third 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 Offered Equity Shares will not be subject to U.S. federal income tax if the Offered Equity 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 shares of the Company as determined under the Treasury Regulations 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 own tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on the Offered Equity Shares will not be subject to backup 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 Offered Equity 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 Offered Equity Shares within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup 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 Offered Equity Shares conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup 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.

Backup withholding is not an additional tax. Any amounts withheld under the backup 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 Offered Equity 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 Offered Equity Shares. While withholding under FATCA would have also applied to payments of gross proceeds from the sale or other disposition of such stock, 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.

Prospective investors should consult their own tax advisors regarding the potential application of withholding under FATCA to their investment in Offered Equity Shares.

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Company, and Dentons Canada LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, the Offered Equity 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 Offered Equity Shares are listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the CSE).

Notwithstanding that an Offered Equity Share may be a qualified investment for a Registered Plan, if the Offered Equity 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 Offered Equity 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 Offered Equity Shares will not be a "prohibited investment" if the Offered Equity Shares 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 Offered Equity Shares would be a prohibited investment having regard to their particular circumstances.

RISK FACTORS

Before deciding whether to invest in the Offered Equity Shares, investors should consider carefully the risks as well as other information set out in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein and therein. Prospective investors should carefully consider the risks below and the risks identified in the Prospectus and in the documents incorporated by reference herein and therein, the other information elsewhere in this Prospectus Supplement and the Prospectus and consult with their professional advisors to assess any investment in the Company. See "*Risk Factors*" in the Prospectus and the AIF. A purchaser should not purchase Offered Equity Shares unless the purchaser understands, and can bear, all of the investment risks involving the Offered Equity Shares. Readers are cautioned that this summary of risks may not be exhaustive, as there may be risks that are unknown and other risks that may pose unexpected consequences. Further, many of the risks are beyond the Company's control and,

in spite of the Company's active management of its risk exposure, there is no guarantee that these risk management activities will successfully mitigate such exposure.

Risks Related to the Offering

No assurance future financing will be available

The Company may need to obtain additional financing in the future. The ability to obtain such additional financing will depend upon a number of factors, including prevailing market conditions and the operating performance of the Company. There can be no assurance that any such financing will be available to the Company on favourable terms or at all. If financing is available through the sale of debt, equity or capital properties, the terms of such financing may not be favourable to the Company. Failure to raise capital when required could have a material adverse effect on the Company's business, financial condition and results of operations.

Completion of the Offering is subject to conditions

The completion of the Offering remains subject to the satisfaction of a number of conditions. There can be no certainty that the Offering will be completed.

Unpredictability caused by anticipated capital structure and voting control

Although other Canadian-based companies have dual class or multiple voting share structures, given the capital structure contemplated in respect of the Company and the concentration of voting control held by the holders of the Multiple Voting Shares, this structure and control could result in a lower trading price for, or greater fluctuations in, the trading price of the Company's Equity Shares or adverse publicity to the Company or other adverse consequences.

Sales of substantial amounts of Equity Shares

Sales of substantial amounts of Equity Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Equity Shares. A decline in the market prices of the Equity Shares could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

Volatile market price for the Equity Shares

The market price for the Equity Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including, but not limited to, the following: (i) actual or anticipated fluctuations in the Company's quarterly results of operations; (ii) changes in the economic performance or market valuations of companies in the cannabis industry; (iii) addition or departure of the Company's executive officers and other key personnel; (iv) release or expiration of transfer restrictions on the issued and outstanding shares of the Company; (v) regulatory changes affecting the cannabis industry generally and the business and operations of the Company; (vi) announcements of developments and other material events by the Company or its competitors; (vii) fluctuations to the costs of vital production materials and services; (viii) changes in global financial markets and global economies and general market conditions, such as interest rates and product price volatility; (ix) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; (x) operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; (xi) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; (xii) developments with respect to the COVID-19 pandemic or in U.S. political affairs; and (xiii) recommendations by securities research analysts.

Financial markets 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 Equity Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed.

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, the Company's operations could be adversely impacted, and the trading price of the Restricted Shares may be materially adversely affected.

United States Tax Classification of the Company

Although the Company is a Canadian corporation, the Company is classified as a U.S. domestic corporation for U.S. federal income tax purposes under section 7874(b) of the Code, and will be subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, regardless of any application of section 7874 of the Code, the Company is treated as a Canadian resident corporation. As a result, the Company is 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.

Since the Company is classified as a U.S. domestic corporation for U.S. federal income tax purposes under section 7874(b) of the Code, the Offered Equity Share will be treated as shares of a U.S. domestic corporation and shareholders will be subject to the relevant provisions of the Code and/or an applicable U.S. tax treaty**.**

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.

Forward-looking information may prove to be inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this Prospectus Supplement and the Prospectus under the heading "*Cautionary Note Regarding Forward-Looking Statements*".

Risks Related to the Transactions

Possible Delay or Failure to Complete the Transactions

Completion of the Liberty Transaction, the GDS Transaction and any other transaction pending or announced by the Company, including those transactions discussed under the heading "*Ayr Strategies Inc. – Recent Developments – Announced Acquisitions"* in the Prospectus, are subject to normal commercial risk that such transactions may not be completed on the terms negotiated, or at all, as well as the satisfaction of certain closing conditions, including the obtaining of certain regulatory and government approvals. There can be no assurance that such transactions will be completed as proposed or at all. If the conditions to one or more of such transactions are not satisfied, the Company will not benefit from such transactions and will have incurred significant management time and expenses.

AGENT FOR SERVICE OF PROCESS

The directors and certain officers of the Company reside outside of Canada. Each of these individuals have appointed the following agents for service of process:

Name of Director or Officer	Name and Address of Agent
Jonathan Sandelman, Chairman, Chief Executive Officer and Corporate Secretary	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Brad Asher, Chief Financial Officer	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Jennifer Drake, Chief Operating Officer	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Jason Griffith, Chief Integration Officer	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Jamie Mendola, Head of Strategy and M&A	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Charles Miles, Director	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Chris R. Burggraeve, Director	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Louis F. Karger, Director	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Steve Menzies, Director	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Glenn Isaacson, Director	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that resides outside of Canada, even if the party has appointed an agent for service of process.

LEGAL MATTERS

Certain legal matters in connection with the issue of the Offered Equity Shares will be passed upon for the Company by Stikeman Elliott LLP. Certain legal matters in connection with the issue of the Offered Equity Shares will be passed upon for the Underwriters by Dentons Canada LLP and Dentons U.S. LLP.

As of the date of this Prospectus Supplement, the partners and associates of each of Stikeman Elliott LLP, Dentons Canada LLP and Dentons U.S. LLP as a group beneficially own, directly or indirectly, less than 1% of the Company's outstanding securities.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The Company's auditors are MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, Ontario, Canada M5H 2G4. MNP LLP has confirmed that it is independent of the Company within the meaning of the Chartered Professional Accountants of Ontario Code of Professional Conduct.

The transfer agent and registrar of the Company is Odyssey Trust Company, located at Suite 702, 67 Yonge Street, Toronto, Ontario, Canada M5E 1J8.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. Purchasers should refer to any applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal adviser.

PROMOTER

Mercer, the controlling shareholder of the Company, is considered a promoter of the Company within the meaning of Canadian securities legislation. As of the date hereof, Mercer owns, of record and beneficially, (i) 3,677,626 Multiple Voting Shares, representing approximately 99.5% of the issued and outstanding Multiple Voting Shares, (ii) 2,884,058 Warrants, representing 18% of the issued and outstanding Warrants, and (iii) 262,188 Rights, representing 18% of the issued and outstanding Rights.

EXEMPTIONS

On December 3, 2020, the Company received exemptive relief from the Canadian securities regulatory authorities such that:

(a) an offer to acquire outstanding Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares which would constitute a take-over bid under applicable securities legislation as a result of the securities subject to the offer to acquire, together with the offeror's securities, representing in the aggregate 20% or more of the outstanding Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, at the date of the offer to acquire, be exempt from the requirements set out in Part 2 of NI 62-104 applicable to take-over bids (the "**TOB Relief**"); *provided that* the securities subject to the offer to acquirer, together with the offeror's securities, would not represent in the aggregate 20% or more of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, as the case may be, calculated using (i) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, determined in accordance with subsection 1.8(2) of NI 62-104 on a combined basis, as opposed to a per-class basis, and (ii) a numerator including as offeror's securities all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, as applicable, that constitute offeror's securities;

(b) an acquiror who acquires, during a take-over bid or an issuer bid, beneficial ownership of, or control or direction over, Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, that, together with the acquiror's securities of that class, would constitute 5% or more of the outstanding Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, be exempt from the requirement to issue and file a news release set out in section 5.4 of NI 62-104 (the "**News Release Relief**"); *provided that* the Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, that the acquiror acquires beneficial ownership of, or control or direction over, when added to the acquiror's securities of that class, would not constitute 5% or more of the outstanding

Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, calculated using (i) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, determined in accordance with subsection 1.8(2) of NI 62-104 on a combined basis, as opposed to a per-class basis, and (ii) a numerator including as acquiror's securities, all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares that constitute acquiror's securities;

(c) an acquiror who triggers the disclosure and filing obligations pursuant to the early warning requirements contained in applicable securities legislation with respect to the Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, be exempt from such requirements (the "**Early Warning Relief**"); *provided that* (i) the acquiror complies with the early warning requirements, except that, for the purpose of determining the percentage of outstanding Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, that the acquiror has acquired or disposed of beneficial ownership, or acquired or ceased to have control or direction over, the acquiror calculates the percentage using (A) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, determined in accordance with subsection 1.8(2) of NI 62-104, on a combined basis, as opposed to a per-class basis, and (B) a numerator including, as acquiror's securities, all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, as applicable, that constitute acquiror's securities, or (ii) in the case of an acquiror that is an eligible institutional investor, the acquiror complies with the requirements of the alternative monthly reporting system set out in Part 4 of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* ("**NI 62-103**") to the extent it is not disqualified from filing reports thereunder pursuant to section 4.2 of NI 62-103, except that, for purposes of determining the acquiror's securityholding percentage, the acquiror calculates its securityholding percentage using (A) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares determined in accordance with subsection 1.8(2) of NI 62-104 on a combined basis, as opposed to a per-class basis, and (B) a numerator including all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, as applicable, beneficially owned or controlled by the eligible institutional investor;

(d) an issuer bid made by the Company in the normal course on a published market, other than a designated exchange, with respect to Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, be exempt from the requirements set out in Part 2 of NI 62-104 applicable to issuer bids (the "**NCIB Relief**" and together with the TOB Relief, the News Release Relief and the Early Warning Relief, the "**Bid Relief**"); *provided that* the Company complies with the conditions in subsection 4.8(3) of NI 62-104, except that: (i) the bid is for not more than 5% of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares on a combined basis, as opposed to a per-class basis, and (ii) the aggregate number of Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares acquired by the Company in reliance on the NCIB Relief and any person acting jointly or in concert with the Company within any 12-month period does not exceed 5% of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares on a combined basis, as opposed to a per-class basis, at the beginning of such 12-month period;

(e) the Company be exempt (the "**Alternative Disclosure Relief**", and together with the Bid Relief, the "**Aggregation Relief**") from the disclosure requirements in Item 6.5 of Form 51-102F5 *Information Circular* ("**Form 51-102F5**"); *provided that* the Company provides the disclosure required by Item 6.5 of Form 51-102F5 except that for purposes of determining the percentage of voting rights attached to the Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, the Company calculates the voting percentage using (i) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares on a combined basis, as opposed to a per-class basis, and (ii) a numerator including all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, by any person who, to the knowledge of the Company's directors or executive officers, beneficially owns, controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares on a combined basis, as opposed to a per-class basis.

The Company also received exemptive relief from: (i) subsections 12.2(3) and 12.2(4) of NI 41-101; (ii) Item 1.13(1) of Form 41-101F1; (iii) Item 1.12(1) of Form 44-101F1 *Short Form Prospectus* (including in respect of any equivalent disclosure in a prospectus or prospectus supplement filed pursuant to National Instrument 44-102 *Shelf Distributions*); (iv) subsection 10.1(a), 10.1(4) and 10.1(6) of National Instrument 51-102 *Continuous Disclosure Obligations*; and (iv) subsections 2.3(1)(1.), 2.3(1)(3.) and 2.3(2) of Ontario Securities Commission Rule 56-501 *Restricted Shares*, in each case relating to the use of restricted security terms; *provided that* the Limited Voting Shares are referred to as "Limited Voting Shares" (the "**Nomenclature Relief**", and together with the Aggregation Relief, the "**Exemptive Relief**").

In addition, the Exemptive Relief requires that the Company disclose the Exemptive Relief and its terms and conditions in each of its annual information forms and management information circulars filed on SEDAR and in any other filing where the characteristics of the Shares are described.

CERTIFICATE OF THE UNDERWRITERS

January 12, 2021

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada (except Québec).

CANACCORD GENUITY CORP.

(signed) Malcolm Inglis

BEACON SECURITIES LIMITED

(signed) Mario Maruzzo

ECHELON WEALTH PARTNERS INC.

(signed) Peter Graham

ROTH CANADA, ULC

(signed) Jacob Frank

PI FINANCIAL CORP.

(signed) Blake Corbet

No securities regulatory authority has expressed an opinion about these securities, and it is an offence to claim otherwise.

This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws, and accordingly will not be offered, sold or delivered, directly or indirectly within the United States of America (the "U.S." or the "United States"), its possessions and other areas subject to its jurisdiction, except pursuant to transactions that are exempt from the registration requirements of such laws. See "Plan of Distribution".

This short form base shelf prospectus has been filed under legislation in each of the provinces and territories of Canada that permits certain information about these securities to be determined after this short form base shelf prospectus has become final and that permits the omission from this short form base shelf prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the corporate secretary of Ayr Strategies Inc. at 590 Madison Ave., 26th Floor, New York, NY, USA 10022, telephone: (949) 574-3860, and are also available electronically at www.sedar.com.*

SHORT FORM BASE SHELF PROSPECTUS

New Issue and/or Secondary Offering — December 17, 2020

C$500,000,000

Subordinate Voting Shares
Restricting Voting Shares
Limited Voting Shares
Warrants
Subscription Receipts
Debt Securities
Convertible Securities
Units

Ayr Strategies Inc. (the "**Company**", "**Ayr**", "**us**", "**we**" or "**our**") may offer, issue and sell, as applicable, from time to time: (i) subordinate voting shares ("**Subordinate Voting Shares**"); (ii) restricted voting shares ("**Restricted Voting Shares**"); (iii) limited voting shares ("**Limited Voting Shares**", and together with the Subordinate Voting Shares and the Restricted Voting Shares, the "**Restricted Shares**"); (iv) warrants ("**Warrants**") to acquire any of the other securities that are described in this short form base shelf prospectus (the "**Prospectus**"); (v) subscription receipts ("**Subscription Receipts**") convertible into other Securities (as defined below); (vi) debt securities ("**Debt Securities**"), which may consist of bonds, debentures, notes or other evidences of indebtedness of any kind, nature or description and which may be issuable in series; (vii) securities convertible into or exchangeable for Restricted Shares and/or other Securities ("**Convertible Securities**"); and (viii) units ("**Units**") comprised of one or more of any of the other Securities that are described in this Prospectus, or any combination of such Securities (all of the foregoing collectively, the "**Securities**" and individually, a "**Security**"), for up to an aggregate offering price of C$500,000,000 (or its equivalent in any other currencies), in one or more transactions during the 25-month period that this Prospectus, including any amendments hereto, remains effective.

We will provide the specific terms of any offering of Securities, including the specific terms of the Securities with respect to a particular offering and the terms of such offering, in one or more prospectus supplements (each a "**Prospectus Supplement**") and may include, without limitation, where applicable: (i) in the case of Restricted Shares, the number of Restricted Shares offered, the offering price (or the manner of determination thereof if offered on a non-fixed price basis, including sales in transactions that are deemed to be "at-the-market distributions" as defined in National Instrument 44-102 – *Shelf Distributions* ("**NI 44-102**")) and any other specific terms; (ii) in the case of Warrants, the number of Restricted Shares and/or other Securities issuable upon exercise thereof, the exercise price and exercise period and the terms of any provisions allowing or providing for adjustments in the exercise price or the number of Securities issuable upon exercise thereof; (iii) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price (or the manner of determination thereof if offered on a non-fixed price basis), the terms, conditions and procedures for the exchange or conversion of the Subscription Receipts for or into Restricted Shares and/or other Securities and any other specific terms; (iv) in the case of Debt Securities, the specific designation, aggregate principal amount, currency or currency unit for the Debt Securities, maturity, interest rate (which may be fixed or variable) and time of payment of interest, authorized denominations, covenants, events of default, any terms for redemption, any terms for sinking fund payments, any exchange or conversion provisions, the initial offering price (or the manner of determination thereof if offered on a non-fixed price basis), any terms for subordination of the Debt Securities to other indebtedness, whether the Debt Securities will be secured by any assets or guaranteed by any subsidiaries of the Company and any other specific terms; (v) in the case of Convertible Securities, the number of Convertible Securities offered, the offering price, the procedures for the conversion or exchange of such Convertible Securities into or for Restricted Shares and/or other Securities and any other specific terms; and (vi) in the case of Units, the designation, number and terms of the Restricted Shares, Warrants, Subscription Receipts, Debt Securities or Convertible Securities comprising the Units. A Prospectus Supplement may include specific variable terms pertaining to the Securities that are not within the alternatives and parameters described in this Prospectus. The Securities may be offered separately or together or in any combination, and as separate series. One or more securityholders of the Company may also offer and sell Securities under this Prospectus. See "*Secondary Sales*".

The sale of Restricted Shares may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be "at the-market distributions" as defined in NI 44-102, including sales made directly on the CSE or other existing trading markets for the Restricted Shares, and as set forth in a Prospectus Supplement for such purpose. See "*Plan of Distribution*".

In addition, the Securities may be offered and issued in consideration for the acquisition of other businesses, assets or securities by the Company or one of its subsidiaries. The consideration for any such acquisition may consist of the Securities separately, a combination of Securities or any combination of, among other things, Securities, cash and assumption of liabilities.

Prospective investors should be aware that the purchase of any Securities may have tax consequences that may not be fully described in this Prospectus or in any Prospectus Supplement, and should carefully review the tax discussion, if any, in the applicable Prospectus Supplement and in any event consult with a tax adviser.

The global outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally, resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgements and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the pandemic, will have on the Company is highly uncertain and difficult to predict at this time. See "*COVID-19*".

All information permitted under applicable securities laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus except in cases where an exemption from such delivery has been obtained. For the purposes of applicable securities laws, each Prospectus Supplement will be incorporated by reference into this Prospectus as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which that Prospectus Supplement pertains. You should read this Prospectus and any applicable Prospectus Supplement carefully before you invest in any Securities offered pursuant to this Prospectus.

Our Securities may be offered and sold pursuant to this Prospectus through underwriters, dealers, directly or through agents designated from time to time at amounts and prices and other terms determined by us or any selling securityholders. In connection with any underwritten offering of Securities, the underwriters may over-allot or effect transactions which

stabilize or maintain the market price of the Securities offered at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*". A Prospectus Supplement will set out the names of any underwriters, dealers, agents or selling securityholders involved in the sale of our Securities, the amounts, if any, to be purchased by underwriters, the plan of distribution for such Securities, including the net proceeds we expect to receive from the sale of such Securities, if any, the amounts and prices at which such Securities are sold, the compensation of such underwriters, dealers or agents and other material terms of the plan of distribution.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale, at prices determined by reference to the prevailing price of a specified security in a specified market or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be decreased by the amount, if any, by which the aggregate price paid for Securities by the purchasers is less than the gross proceeds paid by the underwriter, dealer or agent to the Company or any selling securityholder. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution. This Prospectus may qualify an "at-the-market distribution" (as defined under applicable Canadian securities legislation).

The Company currently has four classes of issued and outstanding shares: Subordinate Voting Shares, Restricted Voting Shares, Limited Voting Shares and multiple voting shares ("**Multiple Voting Shares**", and together with the Restricted Shares, "**Shares**"). The Multiple Voting Shares and Restricted Shares are substantially identical with the exception of the voting rights and conversion rights attached to the Multiple Voting Shares. Each Subordinate Voting Share is entitled to one vote per Subordinate Voting Share and each Multiple Voting Share is entitled to 25 votes per Multiple Voting Share (subject in the case of Mercer Park CB, L.P. ("**Mercer**") to the terms of a voting agreement with the Company dated as of June 26, 2019 (the "**Voting Agreement**"), which may be found on Ayr's profile on SEDAR at *www.sedar.com*) on all matters upon which the holders of such classes of securities are entitled to vote, as applicable. The Company intends to terminate the Voting Agreement in the near future. On December 3, 2020, the Company amended its constating documents (the "**Capital Structure Amendments**") to, among other things, (i) create and set the terms of the Restricted Voting Shares and Limited Voting Shares, including applying coattail terms to such shares similar to those applicable to its existing Subordinate Voting Shares, as more particularly described below, and (ii) amend the terms of the existing Multiple Voting Shares and Subordinate Voting Shares, including by amending the requirements in respect of who may hold Subordinate Voting Shares. The Company implemented the Capital Structure Amendments in order to seek to maintain its "foreign private issuer" ("**FPI**") status under U.S. securities laws and thereby avoid a commensurate material increase in its ongoing costs. This was accomplished by implementing a mandatory conversion mechanism in the Company's share capital to decrease the number of shares eligible to be voted for directors of the Company if the Company's FPI Threshold (as defined below) is exceeded. Each of the classes of Restricted Shares is economically identical and mandatorily inter-convertible (continuously and without formality) based on (i) the holder's status as a U.S. Person or Non-U.S. Person (each as defined below), and (ii) the status of the Company's FPI Threshold (as defined below). Each class of Restricted Shares is entitled to one vote per share on all matters to brought before the Company's shareholders for approval, except in respect of votes regarding the election of directors of the Company, where the holders of Limited Voting Shares do not have any entitlement to vote. See "*Description of Securities – Restricted Shares and Multiple Voting Shares*".

Holders of Shares will vote together on all matters subject to a vote of holders of each of these classes of securities as if they were one class of shares, except to the extent that a separate vote of holders as a separate class is required by law or provided by our articles and except that holders of Limited Voting Shares will not be entitled to vote on the election of directors. The Multiple Voting Shares are convertible into Subordinate Voting Shares or Restricted Voting Share, as applicable, at a ratio of one Subordinate Voting Share or Restricted Voting Shares, as applicable, for every one Multiple Voting Share at any time at the option of the holders thereof and automatically in certain other circumstances. The holders of Restricted Shares benefit from provisions in the articles of the Company (the "**Articles**") that give them certain conversion rights in the event of a take-over bid for the Multiple Voting Shares. Each class of Restricted Shares is also subject to similar coattail provisions under the Articles, pursuant to which each class of Restricted Shares may be converted into another class of Shares in the event an offer is made to purchase such other class of Shares and the offer is one which is required to be made to all or substantially all the holders in Canada of such other class of Shares (assuming that the offeree was resident in Ontario). See "*Description of Securities – Non-Multiple Voting Shares and Multiple Voting Shares – Take-Over Bid Protection*" and "*Description of Securities – Non-Multiple Voting Shares and Multiple Voting Shares*".

The issued and outstanding Restricted Shares are listed on the Canadian Securities Exchange (the "**CSE**") under the symbol "AYR.A". On December 16, 2020, the last trading day prior to the date of this Prospectus, the closing price of the Restricted Shares on the CSE was C$27.33. The issued and outstanding Warrants (the "**Listed Warrants**") which were issued pursuant

to the Company's 2017 initial public offering (the "**IPO**") are listed on the CSE under the symbol "AYR.WT". On December 16, 2020, the last trading day prior to the date of this Prospectus, the closing price of the Listed Warrants on the CSE was C$15.70.

Unless otherwise specified in the applicable Prospectus Supplement, each class of Securities (other than Restricted Shares and Listed Warrants) will not be listed on any securities exchange. Accordingly, there is currently no market through which the Securities (other than Restricted Shares and Listed Warrants) may be sold and purchasers may not be able to resell any such Securities purchased under this Prospectus and the Prospectus Supplement relating to such Securities. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation.

In connection with any offering of Securities, other than an "at-the-market distribution" (as defined in NI 44-102), unless otherwise specified in a Prospectus Supplement, the underwriters, dealers or agents, as the case may be, may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level other than those which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time. A purchaser who acquires Securities forming part of the underwriters', dealers' or agents' over-allocation position acquires those Securities under this Prospectus and the Prospectus Supplement relating to the particular offering of Securities, regardless of whether the over-allocation position is ultimately filled through the exercise of the over-allotment option or secondary market purchases. See "*Plan of Distribution*". No underwriter, dealer or agent involved in an "at-the-market distribution" under this Prospectus, no affiliate of such an underwriter, dealer or agent and no person or company acting jointly or in concert with such underwriter, dealer or agent will over-allot Securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the Securities.

The directors and certain officers of the Company reside outside of Canada and certain experts retained by the Company are organized outside of Canada. Each of these individuals and entities have appointed the following agents for service of process:

Name of Director or Officer	**Name and Address of Agent**
Jonathan Sandelman, Chairman, Chief Executive Officer and Corporate Secretary	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Brad Asher, Chief Financial Officer	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Jennifer Drake, Chief Operating Officer	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Jason Griffith, Chief Integration Officer	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Jamie Mendola, Head of Strategy and M&A	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Charles Miles, Director	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Chris R. Burggraeve, Director	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Louis F. Karger, Director	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Steve Menzies, Director	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9
Glenn Isaacson	152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that resides outside of Canada, even if the party has appointed an agent for service of process.

An investment in the Securities is speculative and involves significant risks. Readers should carefully review and evaluate the risk factors contained in this Prospectus, the applicable Prospectus Supplement and in the documents incorporated by reference herein before purchasing any Securities. See "*Cautionary Note Regarding Forward-Looking Statements*" and "*Risk Factors*".

The Company is not making an offer of the Securities in any jurisdiction where such offer is not permitted.

Unless otherwise specified in a Prospectus Supplement relating to any Securities offered, certain legal matters in connection with the offering of Securities will be passed upon on behalf of the Company by Stikeman Elliott LLP.

No underwriter has been involved in the preparation of this Prospectus nor has any underwriter performed any review of the contents of this Prospectus.

Our head office is located at 590 Madison Ave., 26th Floor, New York, NY, USA 10022.

Ayr derives a substantial portion of its revenues from the cannabis industry in certain states ("States", each a "State") of the United States, which industry is illegal under U.S. federal law. Ayr is a vertically-integrated multi-State operator in the U.S. cannabis sector, with a portfolio in the States of Massachusetts, Nevada and Pennsylvania. Currently, through its operating companies, Ayr is a leading cultivator, manufacturer and retailer of cannabis products and branded cannabis packaged goods, and is directly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or holds licenses in the adult-use and/or medicinal cannabis marketplace in the Commonwealths of Massachusetts and Pennsylvania and provides administrative, consulting and operations services to licensed establishments in the State of Nevada.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C.§ 811) (the "CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration ("FDA") has not approved marijuana as a safe and effective drug for any indication.

In the United States, marijuana is largely regulated at the State level. State laws regulating cannabis are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain States authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and State law, the federal law shall apply.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice (the "DOJ") specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined herein).[1] With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law, subject to budgetary constraints. On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General, until February 14, 2019, when William Barr was appointed as the United States Attorney General. Mr. Barr is a former Attorney General under George H.W. Bush, with an anti-drug stance during his tenure. During his Senate confirmation hearing, Mr. Barr stated that he disagrees with efforts by States to legalize marijuana, but will not go after marijuana companies in States that legalized it under Obama administration policies. He stated further that he would not upset settled expectations that have arisen as a result of the Cole Memorandum. In June 2020, a federal prosecutor accused Mr. Barr of ordering "politically motivated" antitrust reviews of 10 marijuana business mergers, allegedly because he personally did not support their underlying business in the marijuana industry. At least one of those investigations allegedly resulted in the collapse of a proposed merger between two large cannabis businesses. If true, Mr. Barr's actions may reflect a hostility to the cannabis industry and further adverse actions could be taken. It is unclear what further impact, if any, Mr. Barr's appointment will have on U.S. federal government enforcement policy on marijuana.

As of the date of this Prospectus, Joseph R. Biden Jr. is the President-elect of the United States. During his campaign, he stated a policy goal to decriminalize possession of cannabis at the federal level. But he has not publicly supported the full legalization of cannabis. It is unclear how much of a priority decriminalization may be for President-elect Biden's administration. However, President-elect Biden will appoint a new Attorney General, and it is highly unlikely that such appointee's approach to cannabis enforcement will be more hostile than Mr. Barr's.

[1] On August 29, 2013, the DOJ attempted to address this inconsistency and to provide guidance to enforcement agencies when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") addressed to all United States Attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several States have enacted laws relating to cannabis for medical and recreational purposes. In March 2017, then newly-appointed Attorney General Jeff Sessions, a long-time opponent of State-regulated medical and recreational cannabis, noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he had previously stated that he did not believe it had been implemented effectively. On January 4, 2018, the Cole Memorandum was rescinded by then Attorney General Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

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 ("Congress") amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that U.S. federal authorities may enforce current U.S. federal law. 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 applicable State laws are repealed or curtailed, Ayr's results of operations, financial condition and prospects and Ayr would be materially adversely affected. See "*U.S. Federal Enforcement Priorities*", in the Company's annual information form dated September 30, 2020 (the "AIF"), incorporated by reference herein.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018, the Canadian Securities Administrators published a staff notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities ("Staff Notice 51-352") setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. 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.

Ayr's involvement in the U.S. cannabis market may subject Ayr to heightened scrutiny by regulators, stock exchanges, clearing agencies and other U.S. and Canadian authorities. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on Ayr's ability to operate in the U.S. or any other jurisdiction. There are a number of risks associated with the business of Ayr. See "*Cannabis Market Overview*" and "*Risk Factors*" in the AIF, incorporated by reference herein.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

Readers should rely only on the information contained or incorporated by reference in this Prospectus and any applicable Prospectus Supplement in connection with an investment in the Securities. No person or entity is authorized by the Company to provide any information or to make any representation other than as contained in this Prospectus (or incorporated by reference herein) or any Prospectus Supplement in connection with the issue and sale of the Securities offered hereunder. We take no responsibility for and can provide no assurance as to the reliability of, any other information that others may give readers of this Prospectus. We are not making an offer of Securities in any jurisdiction where the offer is not permitted.

Readers should not assume that the information contained or incorporated by reference in this Prospectus is accurate as of any date other than the date of this Prospectus or the respective dates of the documents incorporated by reference herein, unless otherwise noted herein or as required by law. It should be assumed that the information appearing in this Prospectus, any Prospectus Supplement and the documents and the information contained in any document incorporated by reference is accurate only as of the date of that document unless specified otherwise. The business, financial condition, results of operations and prospects of the Company may have changed since those dates.

This Prospectus shall not be used by anyone for any purpose other than in connection with an offering of Securities in compliance with applicable securities laws. We do not undertake to update the information contained or incorporated by reference herein, including any Prospectus Supplement, except as required by applicable securities laws. Information contained on, or otherwise accessed through, our website shall not be deemed to be a part of this Prospectus and such information is not incorporated by reference herein.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Ayr Strategies Inc. at 590 Madison Ave., 26th Floor, New York, NY, USA 10022, telephone: (949) 574-3860, and are also available electronically at www.sedar.com.

The following documents, filed by the Company with the various securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this Prospectus:

a) the AIF;
b) the audited consolidated financial statements for (i) the year ended December 31, 2019, and (ii) the period ended December 31, 2018 and the year ended September 30, 2018;
c) the management's discussion and analysis for the year ended December 31, 2019;
d) the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 (the "**Q3 Interim Financial Statements**");
e) the management's discussion and analysis for the three and nine months ended September 30, 2020 and 2019;
f) the statement of executive compensation for the year ended December 31, 2019;
g) the business acquisition report dated August 7, 2019;
h) the management information circular filed on SEDAR on October 14, 2020 (the "**Circular**");
i) the material change report dated November 4, 2020 relating to the entering into by Ayr of a binding term sheet to acquire a vertically integrated cannabis operation in the State of Arizona (the "**Arizona MCR**");
j) the material change report dated November 30, 2020 relating to the entering into by Ayr of a definitive membership interest purchase agreement dated November 20, 2020 to acquire 100% of the membership interest CannTech PA, LLC; and
k) the material change report dated December 11, 2020 relating to the closing of a private placement offering of US$110 million aggregate principal amount of 12.5% senior secured notes due 2024 and the completion of the Company's incentive cash exercise of 3,000,000 Listed Warrants.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this Prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other

information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

Any document of the type required by National Instrument 44-101 – "*Short Form Prospectus Distributions*" to be incorporated by reference into a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), business acquisition reports, interim financial statements, annual financial statements (in each case, including any applicable exhibits containing updated earnings coverage information) and the independent auditor's report thereon, management's discussion and analysis and information circulars of the Company filed by the Company with securities commissions or similar authorities in Canada after the date of this Prospectus and prior to the completion or withdrawal of any offering under this Prospectus shall be deemed to be incorporated by reference into this Prospectus. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Company and readers should review all information contained in this Prospectus, the applicable Prospectus Supplement and the documents incorporated or deemed to be incorporated by reference herein and therein.

Upon a new annual information form and annual consolidated financial statements being filed by the Company with the applicable Canadian securities commissions or similar regulatory authorities in Canada during the period that this Prospectus is effective, the previous annual information form, the previous annual consolidated financial statements and all interim consolidated financial statements and in each case the accompanying management's discussion and analysis of financial condition and results of operations, and material change reports filed prior to the commencement of the financial year of the Company in which the new annual information form is filed shall be deemed to no longer be incorporated into this Prospectus for purpose of future offers and sales of Securities under this Prospectus. Upon interim consolidated financial statements and the accompanying management's discussion and analysis of financial condition and results of operations being filed by the Company with the applicable Canadian securities commissions or similar regulatory authorities during the period that this Prospectus is effective, all interim consolidated financial statements and the accompanying management's discussion and analysis of financial condition and results of operations filed prior to such new interim consolidated financial statements and management's discussion and analysis of financial condition and results of operations shall be deemed to no longer be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus. In addition, upon a new management information circular for an annual (or annual and special) meeting of shareholders being filed by the Company with the applicable Canadian securities commissions or similar regulatory authorities during the period that this Prospectus is effective, the previous management information circular filed in respect of the prior annual (or annual and special) meeting of shareholders shall no longer be deemed to be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus.

References to our website in any documents that are incorporated by reference into this Prospectus and any Prospectus Supplement do not incorporate by reference the information on such website into this Prospectus or any Prospectus Supplement, and we disclaim any such incorporation by reference.

Any "template version" of "marketing materials" (as those terms are defined in National Instrument 41-101 – *General Prospectus Requirements* ("**NI 41-101**")) pertaining to a distribution of Securities filed after the date of a Prospectus Supplement and before termination of the distribution of Securities offered pursuant to such Prospectus Supplement will be deemed to be incorporated by reference into the Prospectus Supplement for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

A Prospectus Supplement containing the specific terms of an offering of Securities and other information in relation to the Securities will be delivered to prospective purchasers of such Securities together with this Prospectus and shall be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement but only for the purposes of the distribution of the Securities to which that Prospectus Supplement pertains.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference herein contain certain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws, including Canadian securities laws and United States securities laws (collectively, "**forward-looking statements**"). All information, other than statements of

historical facts, included in this Prospectus and the documents incorporated by reference herein, including estimates, plans, expectations, opinions, forecasts, projections, targets and guidance, constitutes forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "project", "expect", "target", "continue", "forecast", "design", "goal" or similar expressions and includes, among others, information regarding:

- the extent of the impact of COVID-19, including government and/or regulatory responses to the outbreak (see "*COVID-19*");
- the business and future activities of, and developments related to, the Company after the date hereof or the date of any document incorporated by reference, as applicable, including such things as future business strategy, financial and operating performance, results and terms of strategic initiatives, strategic agreements and supply agreements, competitive strengths, goals, expansion and growth of the Company's business, and anticipated profitability, including new revenue streams;
- the completion and integration of contemplated acquisitions by the Company or other possible acquisitions or dispositions (directly or indirectly) of businesses or assets which may or may not be material and/or investment opportunities;
- the application for additional licenses and the grant of licenses and other regulatory approvals that have been applied for;
- the renewal of licenses held by the Company;
- the potential time frame for the implementation of legislation to legalize and regulate medical or recreational cannabis federally (and the consumer products derived from each of the foregoing) in the United States, if any, and the potential form that any such legislation and regulations will take;
- the number of users of cannabis and the size of the regulated cannabis market in the United States;
- the market for the Company's current and proposed products and services, as well as the Company's ability to capture market share;
- the benefits and applications of the Company's products and services and expected sales thereof;
- development of affiliated brands, product diversification and future corporate development;
- anticipated investment in and results of research and development;
- inventory and production capacity, including discussions of plans or potential for expansion of capacity at existing or new facilities;
- future expenditures, strategic investments and capital activities;
- the competitive landscape in which the Company operates and the Company's market expertise;
- the Company's ability to secure further equity or debt financing;
- consistent or increasing pricing of various cannabis products;
- the level of demand for cannabis products, including the Company's products and third-party products sold by the Company;
- the Company's ability to mitigate risks relating to the cannabis industry, the larger economy, breaches of and unauthorized access to the Company's systems and related cybersecurity risks, money laundering, and potential for litigation;
- the impact of health pandemics, including COVID-19;
- the rollout of new dispensaries, including as to the number of planned dispensaries to be opened in the future and the timing and location in respect of the same, and related forecasts;
- any markets for the Company's securities; and
- other events or conditions that may occur in the future.

Prospective investors and other readers are cautioned that the forward-looking information contained in this Prospectus and the documents incorporated herein by reference is based on the assumptions and estimates of management of the Company at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, level of activity, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Although the Company believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking information is expressly qualified in its entirety by this cautionary statement.

A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking information. See "*Risk Factors*" for further details. Although the Company has attempted to identify

important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. In formulating the forward-looking information contained herein, the Company has assumed, without limitation, receipt of requisite regulatory approvals on a timely basis, receipt and/or maintenance of required licenses and third-party consents in a timely manner, successful integration of the Company's and its subsidiaries' operations, and no unplanned materially adverse changes to its facilities, assets, customer base and the economic conditions affecting the Company's current and proposed operations. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. In addition, the Company has assumed that there will be no material adverse change to the current regulatory landscape affecting the cannabis industry and has also assumed that the Company will remain compliant in the future with all laws, regulations and rules imposed upon it by law.

There can be no assurance that such forward-looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is provided and made as of the date of this Prospectus and the Company does not undertake any obligation to revise or update any forward-looking information or statements other than as expressly required by applicable law. The Company's forward-looking information is expressly qualified in its entirety by this cautionary statement.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

Unless the context otherwise requires, all references to "$", "US$" and "dollars" mean references to the lawful money of the United States. All references to "C$" refer to Canadian dollars. On December 16, 2020, the Bank of Canada daily average rate of exchange was US$1.00 = C$1.2753 or C$1.00 = US$0.7841.

MARKET AND INDUSTRY DATA

This Prospectus includes market and industry data that has been obtained from third-party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources.

WHERE YOU CAN FIND MORE INFORMATION

We are (or will be in Quebec following the receipt for this Prospectus) subject to the full informational requirements of the securities commissions in all provinces and territories of Canada. You are invited to read and copy any reports, statements or other information, other than confidential filings, that we have filed or intend to file with the Canadian provincial securities commissions. These filings are electronically available from the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Except as expressly provided herein, documents filed on SEDAR are not, and should not be considered, part of this Prospectus.

AYR STRATEGIES INC.

Ayr is a vertically-integrated multi-State operator in the U.S. cannabis sector, with a portfolio of (i) licensed operations in the Commonwealths of Massachusetts and Pennsylvania, and (ii) services and operations agreements in the State of Nevada. Ayr is a leading cultivator, manufacturer and retailer of cannabis products and branded cannabis packaged goods, and is engaged in the manufacture, possession, use, sale or distribution of cannabis and/or holds licenses or services or operations agreements in the adult-use and/or medicinal cannabis marketplace in the Commonwealths of Massachusetts and Pennsylvania and provides administrative, consulting and operations services to licensed establishments in the State of Nevada.

In Massachusetts, Ayr is vertically-integrated with cultivation, extraction, production, manufacturing, distribution and medical retail dispensary operations. The medical dispensaries are under the Sira Naturals brand, which is actively seeking licenses to operate adult-use cannabis retail establishments. Ayr's retail and wholesale products include cannabis and cannabis products, including concentrates, edibles, and vaporizer products.

In Nevada, Ayr provides administrative, consulting and operations services for five (5) dispensaries under service

agreements or operations agreements, as applicable. Each dispensary is licensed to sell in both the medical and adult-use recreational markets in Nevada. Three (3) of the dispensaries are under the brand "The Dispensary" with retail operations in Clark County, Henderson and Reno, Nevada. The two (2) remaining dispensaries are under the MYNT brand, which was named Best Dispensary in Reno in 2018. In addition to the five (5) retail stores to which Ayr provides operational services, Ayr also provides operational services to cultivation, production and distribution businesses in northern Nevada, focused in Reno and distributing to Las Vegas, also with extraction, processing and manufacturing capabilities. The licensed cultivation and production facilities to which Ayr provides operational services, produce premium cannabis flower, pre-rolls, and a full line of vape pens, concentrates, and cannabis-infused products, including chocolates, beverages and gummies.

In Pennsylvania, Ayr operates a cultivation and production business. Ayr has also announced the pending acquisition of a vertically-integrated operator that is licensed for cultivation, manufacturing and the operation of six (6) medical retail dispensaries.

Ayr is looking to expand in these and other states, including Ohio and Arizona.

The Company does not currently accept payment for products or services online.

See "*Description of the Business*" in the AIF, incorporated herein by reference.

Recent Developments

Massachusetts

On February 26, 2020, the Company, through its wholly-owned subsidiary Sira Naturals Inc. ("**Sira**"), entered into a binding term sheet with Eskar Holdings, LLC to acquire 100% of the membership interests in Eskar Holdings LLC. Subsequent to the signing of the term sheet, the Company entered into both a definitive Membership Interest Purchase Agreement and Purchase and Sale Agreement. Pursuant to such agreements, the Company will on closing acquire rights to legally open and operate a recreational cannabis licensed retail store along with the purchase of the property located in the City of Watertown, Massachusetts. The Company has agreed to pay a purchase price consisting of (i) US$1 million in cash, and (ii) a 4% non-voting interest in the net profits of Eskar Holdings, LLC. In addition, for the purchase of the property, the Company has agreed to pay a purchase price of $5 million in cash. The closing of the acquisition is subject to, among other things, regulatory approval.

On October 9, 2020, the City of Somerville Marijuana Advisory Committee recommended Sira be offered an host community agreement to co-locate an adult-use dispensary with Sira's existing medical-use dispensary in the Somerville neighbourhood of Davis Square.

Following unanimous approval of the Town Council of the Town of Watertown, on October 20, 2020, Sira executed a host community agreement with the Town of Watertown approving the Company to operate co-located medical- and adult-use cannabis sales in the Town of Watertown.

On November 16, 2020, Sira fully executed a host community agreement with the City of Boston's Cannabis Board to operate an adult-use dispensary at 829 Boylston Street in Boston.

Nevada

At a meeting of the Nevada Cannabis Compliance Board on August 25, 2020, LivFree Wellness, LLC ("**LivFree**"), an entity to whom Ayr provides administrative, consulting and operations services (see "*Material Contracts – Services Agreements*" and "*Material Contracts – Operations Agreement*"), was awarded two (2) additional dispensary licenses in the greater Las Vegas market, one (1) in Clark County and one (1) in Henderson. LivFree aims to open the additional Clark County dispensary this year.

Pennsylvania

On November 19, 2020, Ayr acquired 100% of the membership interests in DocHouse LLC ("**DocHouse**"), a licensed grower-processor in Pottsville, Pennsylvania. The acquisition included DocHouse's 38,400 sq. ft. cultivation and extraction facility, which is approved as operational and has the capacity to expand to 74,000 sq. ft. Consideration for the transaction totaled US$20.8 million, including US$16.7 million of cash, US$2.1 million in stock and US$2.0 million in seller notes.

On November 20, 2020, Ayr entered into a definitive membership interest purchase agreement to acquire 100% of the

membership interests in CannTech PA, LLC ("**CannTech**"), a Pennsylvania-licensed cannabis operator, for total purchase consideration of US$55.4 million. The purchase consideration will be paid as to US$25.2 million in cash, US$15 million in Exchangeable Shares and US$15.2 million in notes. The transaction is expected to close in Q4 2020, subject to customary conditions including required regulatory approvals. The acquisition includes a 143,000 ft² cultivation and processing facility under development with the initial construction phase comprising 45,000 ft² recently approved for cultivation and with an expected first harvest in March 2021. The site provides room for further expansion beyond the 143,000 ft² facility. CannTech also has the right to operate six (6) dispensaries expected to open in retail locations, most of which are clustered in the Pittsburgh and Philadelphia regions. The first such dispensary opened in October 2020 in New Castle, PA, with two (2) more expected to open in early 2021. CannTech also has a research program in collaboration with a local medical school.

Announced Acquisitions

Ohio

On September 20, 2020, Ayr entered into a non-binding term sheet in connection with the acquisition of (i) a 49.9% equity stake in the holder (the "**Ohio Cultivation Licensee**") of a level 1 cultivation license (the largest canopy license in the State), and (ii) a 100% equity stake in a management company that holds exclusive management rights over the Ohio Cultivation Licensee.

On September 30, 2020, Ayr entered into (i) a definitive purchase agreement for an operational processing facility, and (ii) an asset purchase agreement to acquire a 9,000 sq. ft. medical marijuana processor facility that is licensed as part of the Ohio medical cannabis program. The aggregate purchase price for the assets is approximately US$1.2 million in cash.

The approximately 58,000 sq. ft. cultivation facility of the Ohio Cultivation Licensee is under construction and the approximately 9,000 sq. ft. processing facility is fully operational. Consideration for the two transactions totals US$18.2 million, including US$10.2 million of cash and US$8.0 million in convertible seller notes. Following regulatory approvals, closing and completion of the initial phase of the level 1 cultivation facility build-out, Ayr would have the flexibility to further expand canopy subject to the approval of the Ohio Department of Commerce (the "**DOC**").

The following are the required regulatory steps that must be completed in order to complete these Ohio transactions:

- State and FBI background checks and clearance of all Ayr-related individuals who own more than 10% of the business or who have substantial influence thereover;
- required employee badging; and
- application submittal and regulatory approvals from the DOC.

The Company believes that the transfer of applicable licenses in Ohio may take up to four to six months.

Arizona

On November 4, 2020, Ayr entered into a binding term sheet to acquire a vertically integrated cannabis operation in the State of Arizona ("**Oasis**"), including three licensed dispensaries in greater Phoenix, two in Chandler and one in Glendale, a 10,000 sq. ft. licensed cultivation and processing facility in Chandler and an 80,000 sq. ft. licensed cultivation facility under development in Phoenix (the "**Phoenix Facility**").

The terms of the transaction include upfront consideration of US$81 million, made up of US$10 million in cash, US$41 million in Exchangeable Shares (representing approximately 2.75 million Subordinate Voting Shares, and priced at the 10-day VWAP prior to announcement, namely C$19.24) and US$30 million in seller notes.

An additional two million Exchangeable Shares, which are to be issued at closing but placed in escrow, would be payable when the Phoenix Facility produces in excess of 3,000 pounds of sellable dry weight cannabis flower (excluding trim) over a trailing 90-day period. Additional earn-out consideration in 2021 and 2022 may be paid in Exchangeable Shares in the event that Oasis exceeds certain financial hurdles in calendar years 2021 and/or 2022 (the "**Oasis Earn-Out**"). See the Arizona MCR for further details on the Arizona Earn-Out.

Senior Secured Notes

On December 10, 2020, Ayr announced the closing of a private placement offering of US$110 million aggregate principal amount of 12.5% senior secured notes due 2024. The notes were sold at an issue price of US$985 per US$1,000 aggregate

principal amount. The notes bear interest of 12.5% per annum, payable semi-annually, in equal instalments, with a maturity date 48 months from the issue date. See "*Documents Incorporated by Reference*" and "*Consolidated Capitalization*".

Warrant Incentive Program

On November 23, 2020, Ayr announced incentive exercise rights available on a short-term basis to the holders of the Listed Warrants (the "**Warrant Incentive Program**"). Pursuant to the Warrant Incentive Program, the holders of Listed Warrants received a temporary C$0.50 incentive for the cash exercise of up to an aggregate of three million Listed Warrants. On December 9, 2020, Ayr announced that it completed an oversubscribed incentive cash exercise of three million Listed Warrants under the Warrant Incentive Program, resulting in gross proceeds to the Company of over US$25 million.

Licenses

The following table provides a list of the licenses granted to companies and facilities operated by, or to which operational support is provided by, the Company as of November 30, 2020. Licenses which individually account for 10% or more of the consolidated revenue of the Company for the nine-months ended September 30, 2020 (which are indicated in the chart below and which exclude the license held by DocHouse, which was acquired by the Company subsequent to the Q3 Interim Financial Statements) are indicated with an asterisk.

Entity	Address Attached to License	Type	License	Certificate / License #	Expiration / Renewal Date	Summary
LivFree Wellness LLC	3900 Ponderosa Way Las Vegas, NV 89118	Certificate	State of Nevada Medical Marijuana Cultivation Registration Certificate – Department of Taxation	74378723704914675084	June 30, 2021	Cultivation – Medical
		License	State of Nevada Marijuana Cultivation Facility License – Department of Taxation	68096361433916615303	October 31, 2021	Cultivation - Recreational
		Certificate	State of Nevada Medical Marijuana Production Registration Certificate – Department of Taxation	52864127312203226338	June 30, 2021	Production - Medical
		License	State of Nevada Marijuana Product Manufacturing License – Department of Taxation	59998657224967428496	October 31, 2021	Manufacturing - Recreational
The Dispensary	5347 S. Decatur, Las Vegas, NV 89118	Certificate	State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	60215712221216816750	June 30, 2021	Retail - Medical
		License	State of Nevada Retail Marijuana Store License – Department of Taxation*	71224329369156133247	June 30, 2021	Retail - Recreational
		License	State of Nevada Retail Marijuana Distributor License – Department of Taxation	14504799651148975256	June 30, 2021	Distribution - Recreational
		License	Clark County – Marijuana Master License Retail Store*	2000118.MMR-301	September 30, 2020 (issued quarterly)	Retail - Recreational
	50 N. Gibson, Henderson, NV 89014	Certificate	State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	54403159919762505142	June 30, 2021	Retail - Medical
		License	State of Nevada Retail Marijuana Store License – Department of Taxation*	08792343110299625005	September 30, 2020	Retail - Recreational

		License	City of Henderson – Medical Marijuana Dispensary License	2017305992	October 31, 2020 (issued quarterly)	Retail - Medical
		License	City of Henderson – Marijuana Establishment – Retail Marijuana Store License*	2017305994	October 31, 2020 (issued quarterly)	Retail - Recreational
	100 W. Plumb Lane, Reno, NV 89509	Certificate	State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	04186481440349513323	June 30, 2021	Retail - Medical
		License	State of Nevada Retail Marijuana Store License – Department of Taxation*	71702389611437559364	June 30, 2021	Retail - Recreational
		License	City of Reno – Medical Marijuana Dispensary License	R101848Q	September 30, 2020 (issued quarterly)	Retail - Medical
		License	City of Reno – Marijuana Establishment – Retail Marijuana Store License*	R145282Q	September 30, 2020 (issued quarterly)	Retail - Recreational
	435 Eureka Avenue, Reno, NV 89512	Certificate	State of Nevada Medical Marijuana Cultivation Registration Certificate – Department of Taxation	96804690721657828547	June 30, 2021	Cultivation - Medical
		Certificate	State of Nevada Medical Marijuana Production Registration Certificate – Department of Taxation	18668881888004789228	June 30, 2021	Production - Medical
		License	State of Nevada Marijuana Cultivation Facility License – Department of Taxation	94104154254817748080	November 30, 2020	Cultivation - Recreational
		License	State of Nevada Marijuana Product Manufacturing License – Department of Taxation	56693629355290417097	November 30, 2020	Manufacturing - Recreational
		License	City of Reno – Medical Marijuana Production Facility	R145364Q	September 30, 2020 (issued quarterly)	Production - Medical
		License	City of Reno – Medical Marijuana Cultivation Facility	R145363Q	September 30, 2020 (issued quarterly)	Cultivation - Medical
		License	City of Reno – Marijuana Establishment	R145362A	October 31, 2020 (issued quarterly)	Misc.
		License	City of Reno – Marijuana Establishment	R145361A	October 31, 2020 (issued quarterly)	Misc.
		License	City of Reno – Marijuana Establishment Product - Manufacturing	R145418Q	September 30, 2020 (issued quarterly)	Manufacturing - Recreational
		License	City of Reno – Marijuana Establishment Cultivation	R145417Q	September 30, 2020 (issued quarterly)	Cultivation - Recreational

Kynd Cannabis Company	1645 Crane Way, Sparks, NV 89431	Certificate	State of Nevada Medical Marijuana Cultivation Registration Certificate – Department of Taxation	82842542964915513809	June 30, 2021	Cultivation - Medical
		License	State of Nevada Marijuana Cultivation Facility License – Department of Taxation	20856188563796491040	June 30, 2021	Cultivation - Recreational
		Certificate	State of Nevada Medical Marijuana Production Registration Certificate – Department of Taxation	12078072637090304628	June 30, 2021	Production - Medical
		License	State of Nevada Marijuana Product Manufacturing License – Department of Taxation	76163748746660781629	June 30, 2021	Manufacturing - Recreational
		License	The State of Nevada Marijuana Distributor License – Department of Taxation	77027711033924812731	June 30, 2021	Distribution - Medical/Rec
Tahoe-Reno Botanicals LLC		License	City of Sparks - Marijuana Cultivation - Adult Use Quarterly License	S080844Q-LIC	September 30, 2020 (issued quarterly)	Cultivation - Medical/Rec
Tahoe-Reno Extractions LLC		License	City of Sparks: Marijuana Production Facility License	S080842Q-LIC	September 30, 2020 (issued quarterly)	Production - Medical/Rec
		License	City of Sparks: Retail Marijuana Distributor License	S080843Q-LIC	September 30, 2020 (issued quarterly)	Distribution - Medical/Rec
		Certificate	Industrial Hemp Handler Certificate - Department of Agriculture	202042H	December 31, 2020	Cultivation - Hemp
Mynt Cannabis Dispensary	132 E. Second St., Reno, NV 89501	Certificate	State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	97519348303293892007	June 30, 2021	Retail - Medical
		License	State of Nevada Retail Marijuana Store License – Department of Taxation	46934338604709544132	June 30, 2021	Retail - Recreational
		License	City of Reno – Medical Marijuana Dispensary License	R101872Q	September 30, 2020 (issued quarterly)	Retail - Medical
		License	City of Reno – Marijuana Establishment – Retail Marijuana Store License	R145321Q	September 30, 2020 (issued quarterly)	Retail - Recreational
Lemon Aide, LLC	340 Lemmon Drive, Reno, NV 89506	Certificate	State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	80994578239784321818	June 30, 2021	Retail - Medical
		License	State of Nevada Retail Marijuana Store License –Department of Taxation	13244303247046007918	July 31, 2021	Retail - Recreational
		License	Washoe County Marijuana License (Issued to Lemon Aide LLC dba MYNT Cannabis Dispensary)	W000013ME-LIC	October 1, 2020 (issued quarterly)	Retail - Medical/Recreational

Sira Naturals, Inc.	1001 Massachusetts Avenue, Cambridge, MA 02138	License	Registered Marijuana Dispensary Registration	RMD-325	June 27, 2021	Retail - Medical
	240 Elm Street, Somerville, MA 02114	License	Registered Marijuana Dispensary Registration	RMD-245	June 27, 2021	Retail - Medical
	29 Franklin Street, Needham, MA 02492	License	Registered Marijuana Dispensary Registration	RMD-625	July 12, 2021	Retail - Medical
	13 Commercial Way, Milford, MA 01757	License	Marijuana Establishment License (Cultivation/Tier 3 – Indoor)*	MC281252	September 30, 2021	Cultivation
		License	Marijuana Establishment License (Product Manufacturer)*	MP281303	September 30, 2021	Production
		License	Marijuana Establishment License (Transporter with Other Existing ME License)	MX281310	September 29, 2021	Transportation
	1 Industrial Way, Milford MA 01751	License	Marijuana Establishment License (Cultivation/Tier 3 – Indoor)*	MC282015	August 19, 2021	Cultivation
DocHouse, LLC	740 Ann Street, Pottsville, PA 17901	License	Registered Marijuana Cultivation and Processing Registration	GP18-1002	License awarded July 31, 2018[2]	Cultivation and Processing – Medical

COVID-19

The global outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally, resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgements and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the pandemic, will have on the Company is highly uncertain and difficult to predict at this time.

During the pandemic to date, the Company has been able to maintain consistent operations and expand delivery options and curbside pick-up in Massachusetts and continue to provide administrative, consulting and operations support in Nevada for such services in order to provide additional fulfillment models that are safe and efficient for employees and customers. Although cannabis has generally been deemed an "essential business" throughout the course of the pandemic in the United States, the regulators in Massachusetts and Nevada were among the few state regulators in the United States to place material restrictions on cannabis sales. In Nevada, cannabis sales were limited to delivery only beginning on March 21, 2020, with curbside pick-up approved on May 1, 2020 and in-store sales returning on May 9, 2020. In Massachusetts, adult-use cannabis sales were restricted from March 24, 2020 through May 25, 2020. As a result of these business interruptions, the Company estimates a combined revenue impact of approximately $10 million during the applicable closure periods. However, revenue quickly returned to pre-pandemic levels within the same quarter (Q2 2020), as state regulators began to unwind such local cannabis restrictions in Massachusetts and Nevada, leading to record revenue by June 2020. As such, at this time the Company continues to generate operating cash flows to meet its short-term liquidity needs. While an impairment test has not been performed, management has not observed any indicators of impairment to assets or a significant change in the fair value of its assets due to the COVID-19 pandemic.

The Company evaluated the risk of supply chain disruption as well as staffing disruption. While the Company has not to date experienced any failure to secure critical supplies or services, future disruptions in the supply chain are possible and may significantly increase costs or delay production times. To mitigate this risk, bulk orders for key supplies are being placed far in advance with key vendors where practicable. To remediate the risk of staffing disruption, the Company has sought to implement new safety procedures in accordance with the guidance of the U.S. Centers for Disease Control and

[2] License renewals by the Pennsylvania Department of Health are completed annually and typically occur during the month during which the original license was awarded. DocHouse was awarded this license on July 31, 2018 and therefore its renewal period should be in July 2021. However, this license is currently subject to a period of administrative extension, and, accordingly, the Pennsylvania Department of Health has not yet set a definitive renewal date in respect of this license.

Prevention at all locations to better protect the health and safety of both employees and customers. These changes include, but are not limited to: required face masks for employees and customers, installation of plexiglass shields in customer facing areas, frequent cleaning and sanitizing of surfaces and workstations, and adequate social distancing of staff and customers. The Company is re-assessing its response to the COVID-19 pandemic on an ongoing basis. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact of these developments on all aspects of the Company's business.

LEGAL AND REGULATORY MATTERS

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352, which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular State's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in disclosure documents. As a result of the Company's (i) existing operations in Massachusetts and Pennsylvania, (ii) provision of administrative, consulting and operations services to licensed cannabis establishments in Nevada, and (iii) binding acquisition commitments in Ohio and Arizona, Ayr provides the following disclosure:

The legalization and regulation of marijuana for medical use is being implemented at the State level in the United States. **State laws regulating cannabis are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain States and territories of the United States authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. Although the Company's business activities are believed to be compliant with applicable U.S. State and local law, strict compliance with State and local laws with respect to cannabis may neither absolve Ayr of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against Ayr.**

The following table is intended to assist readers in identifying those parts of this Prospectus and the documents incorporated by reference therein that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Prospectus Cross-Reference
All Issuers with U.S. Marijuana- Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	- Cover page (disclosure in bold typeface) - Ayr Strategies Inc.
	Prominently State that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	- Cover page (disclosure in bold typeface) - Cannabis Market Overview (disclosure in bold typeface)
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	- Cover page (disclosure in bold typeface) - Federal Regulatory Environment - U.S. Federal Enforcement Priorities - Risk Factors – While legal under applicable U.S. State law, Ayr's business activities are illegal under U.S. federal law - See "*Risk Factors – The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined*" in the AIF, incorporated by reference herein
	Outline related risks including, among others, the risk	- See "*Risk Factors – Service*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Prospectus Cross-Reference
	that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*providers could suspend or withdraw service*" in the AIF, incorporated by reference herein - See "*Risk Factors - While legal under applicable U.S. State law, Ayr's business activities are illegal under U.S. federal law*" in the AIF, incorporated by reference herein
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	- Ability to Access Public and Private Capital - See "*Risk Factors – Ayr may be subject to restricted access to banking in the United States and Canada*" in the AIF, incorporated by reference herein - See "*Risk Factors – Ayr's investments in the U.S. are subject to applicable anti-money laundering laws and regulations*" in the AIF, incorporated by reference herein
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana related activities.	- Exposure to U.S. Marijuana Related Activities
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable State regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	- The Company has received and continues to receive legal input regarding (a) compliance with applicable State regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law in certain respects. The Company receives such advice on an ongoing basis but does not have a formal legal opinion on such matters.
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. States in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. State.	- Cannabis Market Overview – Nevada - Cannabis Market Overview – State Regulatory Environment – Massachusetts - Cannabis Market Overview – State Regulatory Environment – Pennsylvania - Cannabis Market Overview – State Regulatory Environment – Ohio - Cannabis Market Overview – State Regulatory Environment – Arizona - Compliance with State Regulatory Frameworks
	Discuss the issuer's program for monitoring compliance with U.S. State law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. State law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.	- Cannabis Market Overview – Compliance with State Regulatory Frameworks

In accordance with Staff Notice 51-352, below is a discussion of the federal and State-level U.S. regulatory regimes in those

jurisdictions where Ayr is directly or indirectly involved through its subsidiaries. Ayr is currently indirectly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or holds licenses in the adult-use and/or medicinal cannabis marketplace in the Commonwealths of Massachusetts and Pennsylvania and provides administrative, consulting and operations services to licensed establishments in the State of Nevada, and has entered into definitive purchase agreements or binding letters of intent with the intention to expand into Ohio and Arizona. In accordance with Staff Notice 51-352, Ayr will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. As noted under "*Non-Compliance with State and Local Cannabis Laws*" below, Ayr intends to cause its businesses to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations, and Ayr intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations.

Exposure to U.S. Marijuana Related Activities

As of September 30, 2020, 100% of the businesses was directly derived from United States cannabis-related activities. As such, the Company's balance sheet and operating statement exposure to United States cannabis related activities is 100%.

Federal Regulatory Environment

The federal government of the United States regulates controlled substances through the Controlled Substances Act (CSA), which places controlled substances on one of five schedules. Currently, marijuana is classified as a Schedule I controlled substance. A Schedule I controlled substance means the Drug Enforcement Agency considers it to have a high potential for abuse, no accepted medical treatment, and a lack of accepted safety for the use of it even under medical supervision. Overall, the United States federal government has specifically reserved the right to enforce federal law regarding the sale and disbursement of medical or adult-use marijuana even if such sale and disbursement is sanctioned by State law. **Accordingly, there are a number of significant risks associated with the business of the Company and unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States.**

The Company's operations, to the Company's knowledge, are in compliance with applicable State laws, regulations and licensing requirements. Additionally, the Company uses the same proprietary, best-practices policies and procedures in its managed facilities as in its owned facilities in order to ensure systematic operations and, as such, to the Company's knowledge, the facilities that the Company operates are in compliance with applicable State laws, regulations and licensing requirements. Nonetheless, for the reasons described above and risks described under the *"Cautionary Note Regarding Forward-Looking Information"*, but not limited to these reasons, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all the risk factors contained in this Prospectus and the documents incorporated herein by reference.

On December 20, 2018, the U.S. Agriculture Improvement Act of 2018 (the "**2018 Farm Bill**") became law. The law legalizes hemp as an agricultural commodity by removing hemp, its derivatives, cannabinoids, and extracts (including CBD and any part of the cannabis plant which contains 0.3% THC or less on a dry weight basis) from the list of controlled substances in the U.S. Controlled Substances Act.[3] Each State can now develop a plan for the regulation of hemp production, which will be administered subject to the approval and oversight of the United States Department of Agriculture ("**USDA**"). The USDA will also develop its own regulatory scheme, which will govern in any State that does not develop its own approved regulatory plan. With the passage of the 2018 Farm Bill, hemp and its derivatives cultivated and produced in compliance with federal and state laws and regulations are now legal. However, cultivation is still subject to serious restrictions that, ultimately, may vary greatly between different jurisdictions. Moreover, under a recently released interim final rule ("**IFR**") from the Drug Enforcement Agency, "a cannabis derivative, extract, or product that exceeds the 0.3% [THC] limit is a schedule I controlled substance, even if the plant from which it was derived contained 0.3% or less [THC] on a dry weight basis." This IFR is currently subject to legal challenges, but if it stands, it could significantly impact the

[3] Specifically, the law defines "hemp" as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis".

ability to legally produce consumer hemp derivatives and extracts under federal law.

The following sections entitled "– *Nevada*" and "– *Massachusetts*" and "– *Pennsylvania*" describe the legal and regulatory landscape in respect of the States in which the Company currently operates.

While the Company's compliance controls have been developed to mitigate the risk of any violations of a license arising, there is no assurance that the Company's licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

As of the date of this Prospectus, Joseph R. Biden Jr. is the President-elect of the United States. During his campaign, he stated his policy goal to decriminalize possession of cannabis at the federal level, but did not show support for fully legalizing marijuana. There can be no assurance as to the position any new administration may take on marijuana and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

U.S. Federal Enforcement Priorities

Due to the current federal regulatory environment in the Unites States, as further described herein, Ayr may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the U.S. As a result, Ayr may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on Ayr's ability to invest in the U.S. or any other jurisdiction. See "*Risk Factors – While legal under applicable U.S. State law, Ayr's business activities are illegal under U.S. federal law*" and "*Risk Factors – The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined*" in the AIF, incorporated herein by reference.

Changes in government policy or public opinion can significantly influence the regulation of the cannabis industry in Canada, the United States and elsewhere. A negative shift in the public's perception of 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 cannabis, thereby limiting the number of new State jurisdictions into which Ayr could expand. Any inability to fully implement Ayr's expansion strategy may have a material adverse effect on Ayr's business, financial condition and results of operations. See "*Risk Factors*" in the AIF, incorporated herein by reference.

Further, violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from criminal charges or civil proceedings conducted by either the U.S. federal government or private citizens (who have the right to seek private relief for Ayr's "aiding and abetting" activities that violate U.S. federal law), including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on Ayr, including on its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity, or the market price of its publicly-traded shares. In addition, it is difficult for Ayr to estimate the time or resources that would be needed for the investigation or final resolution of any such matters because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF, incorporated herein by reference.

State Regulatory Environment

Nevada

Nevada Regulatory Landscape

The use of medical marijuana was legalized in Nevada by a ballot initiative in 2000. Nevada has legislatively enacted the licensing of medical marijuana business establishments since 2013. Adult-use cannabis was approved in November 2016, when voters in Nevada passed an adult-use cannabis measure to allow for the licensing of business establishments to engage in the sale of adult-use cannabis in the State. The first retail stores to sell adult-use marijuana began sales in July 2017. As of July 1, 2020, the Nevada Cannabis Compliance Board (the successor to the Nevada Department of Taxation as the

applicable regulatory agency) governs and administers regulatory oversight for the medical and adult-use cannabis programs. Cities and counties in Nevada are allowed to determine the number of local marijuana licenses they will issue up to the maximum number allocated by the statute. The Company provides operational support for facilities in Nevada cities or counties with clearly defined marijuana programs. Currently, the Company provides operational support to facilities located in the Clark County, Henderson, Reno and Washoe County jurisdictions.

Licenses

The Company provides administrative, consulting and operations services to one (1) cultivation facility, two (2) production facilities, and five (5) dispensaries in the State of Nevada. Under applicable laws, the licenses issued for these facilities permit the businesses to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses and Nevada regulations.

State issued licenses are renewed annually, and local business licenses are renewed quarterly or annually, and there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner along with the necessary supporting documents, including requisite background investigations, and regulatory requirements are met, the licensee would expect to receive the applicable renewed license in the ordinary course of business. One of the entities to whom Ayr provides administrative, consulting and operations services, LivFree, was recently awarded two (2) additional dispensary licenses in the greater Las Vegas market, one (1) in Clark County and one (1) in Henderson, and aims to open the additional Clark County dispensary this year.

Regulations

In the State of Nevada, only marijuana that is grown/produced in the State by a licensed establishment may be sold in the State. The companies to which the Company provides operational support are vertically-integrated and have the capabilities to cultivate, harvest, process and sell/dispense/deliver adult-use and medical cannabis and cannabis products.

Reporting Requirements

The State of Nevada uses METRC solution ("**METRC**") as the State's computerized seed-to-sale tracking system used to track commercial marijuana activity. Individual licensees whether directly or through third-party integration systems are required to push data to the State to meet reporting requirements. The companies to which the Company provides operational support each have a seed-to-sale system in the State which is designed to capture the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes sections 453A and 453D.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against diversion, theft, and loss of cannabis and cannabis products, Nevada licensed cannabis establishments are required to do the following:

1. Maintain an enclosed, locked facility;

2. Have a single secure entrance;

3. Train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;

4. Implement and install, at a minimum, the following security equipment and practices to deter and prevent unauthorized entrances:

    a. devices that detect unauthorized intrusion (which may include a signal system);

    b. exterior lighting designed to facilitate surveillance;

    c. electronic monitoring devices, further including (without limitation);

        i. at least one call-up monitor that is at least 19 inches in size;

ii. a video printer that can immediately produce a clear still photo from any video camera image;

iii. video cameras with a recording resolution of at least 704 x 480 that full capture all of the building's points of ingress and egress as well as all interior limited access areas such that such cameras capture and can identify any activity occurring in or adjacent to the building;

iv. a video camera at each point-of-sale location which allows for the identification of any person who holds a valid registry identification card, including, without limitation, a designated primary caregiver, purchasing medical marijuana;

v. a video camera in each grow room that can identify any activity occurring within the grow room in low light conditions;

vi. a method for storing video recordings from the video cameras for at least 30 calendar days;

vii. a failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system;

viii. sufficient battery backup for video cameras and recording equipment to support at least five (5) minutes of recording in the event of a power outage; and

ix. a security alarm to alert local law enforcement of unauthorized breach of security; and

5. Implement security procedures that:

    a. restrict access of the establishment to only those persons/employees authorized to be there;

    b. deter and prevent theft;

    c. provide identification (badge) for those persons/employees authorized to be in the establishment;

    d. prevent loitering;

    e. require and explain electronic monitoring; and

    f. require and explain the use of automatic or electronic notifications to alert local law enforcement of any security breaches.

The Company is not aware of any specific risks associated with providing administrative, consulting and operations services to licensed cannabis establishments in Nevada. To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Nevada. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF.

Massachusetts

Massachusetts Regulatory Landscape

The use of cannabis for medical use was legalized in Massachusetts by a voter approval of the Massachusetts Marijuana Initiative in 2012. The law took effect on January 1, 2013, eliminating criminal and civil penalties for the possession and use of up to a 60-day or ten (10) ounce supply of marijuana for medical use for patients possessing a State issued registration card.

On November 8, 2016, Massachusetts voters approved Question 4 or the Massachusetts Marijuana Legalization Initiative, which allowed for recreational or "adult use" cannabis in the Commonwealth. On September 12, 2017, the Cannabis Control Commission ("**CCC**") was established under Chapter 55 of the Acts of 2017 (the "**Massachusetts Act**") to implement and administer laws enabling access to medical and adult-use cannabis.

On November 16, 2018, the CCC issued the first notices for retail marijuana establishments to commence adult-use operations in Massachusetts.

Under the current program there are no State-wide limits on the total number of licenses permitted; however, no individual or entity shall be a controlling person over more than three licenses in a particular class of license. Similarly, no individual, corporation or other entity shall be in a position to control the decision making of more than three licenses in a particular class of license. In addition, all marijuana establishments are required to enter into host community agreements with the municipality in which they are located.

Licenses

The Company maintains two (2) adult-use cultivation licenses, one (1) adult-use product manufacturer license and one (1) adult-use transportation license in the Commonwealth of Massachusetts. In addition, the Company owns medical licenses that allow it to maintain three (3) medical marijuana dispensaries in the Commonwealth. These licenses permit the Company to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses.

Regulations

Under the terms of the marijuana cultivator license, the licensee may cultivate, process and package marijuana, to transfer and deliver marijuana products to marijuana establishments, but not to consumers. A marijuana product manufacturer is an entity authorized to obtain, manufacture, process and package marijuana and marijuana products, to deliver marijuana and marijuana products to marijuana establishments and to transfer marijuana and marijuana products to other marijuana establishments, but not to consumers. A marijuana retailer is an entity authorized to purchase and deliver marijuana and marijuana products from marijuana establishments and to sell or otherwise transfer marijuana and marijuana products to marijuana establishments and to consumers. A marijuana retailer provides a retail location which may be accessed by consumers 21 years of age or older or, if the retailer is co-located with a registered marijuana dispensary ("**RMD**") by individuals who are registered qualifying patients with the Medical Use of Marijuana Program with a registration card.

In order for a customer to be dispensed marijuana, they must present a valid government issued photo ID immediately upon entry of the retail facility. If the individual is younger than 21 years old but 18 years of age or older, he or she shall not be admitted unless he or she produces an active medical registration card issued by the CCC. If the individual is younger than 18 years old, he or she shall not be admitted unless he or she produces an active medical registration card and is accompanied by a personal caregiver with an active medical registration card. In addition to the medical registration card, registered qualifying patients 18 years of age and older and personal caregivers must also produce proof of identification.

Each recreational customer may be dispensed no more than one ounce of marijuana or five grams of marijuana concentrate per transaction as outlined in 935 CMR 500.140(4). Medical patients may be dispensed up to a 60-day supply of marijuana, or the equivalent amount of marijuana in marijuana infused products ("**MIPs**"), that a registered qualifying patient would reasonably be expected to need over a period of 60 calendar days for his or her personal medical use, which is ten ounces, subject to 105 CMR 725.010(I).

Allowable forms of marijuana in Massachusetts include smokable dried flower, dried flower for vaporizing, cannabis derivative products (i.e., vape pens, gel caps, tinctures, etc.) and medical cannabis-infused products, including edibles.

In the Commonwealth of Massachusetts, only cannabis that is grown and manufactured in the Commonwealth can be sold in the State. For adult-use, Massachusetts is not a vertically-integrated system. As a result, a marijuana retailer may purchase and transport marijuana products from marijuana establishments and transport, sell or otherwise transfer marijuana products to marijuana establishments and to consumers. Licensed cultivators and product manufacturers may cultivate, harvest, process, produce package and sell marijuana products to marijuana establishments.

Reporting Requirements

The CCC has selected METRC as the State's track-and-trace ("**T&T**") system used to track commercial cannabis activity and movement across the distribution chain ("**seed-to-sale**"). The system allows for other third-party system integration via API.

The Company is not aware of any specific risks associated with operating in Massachusetts. To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Massachusetts. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF.

Pennsylvania

Pennsylvania Regulatory Landscape

The Pennsylvania Medical Marijuana Act (the "**PAMMA**") was signed into law on April 17, 2016 and originally provided access to Pennsylvania residents with one of 17 qualifying conditions, including epilepsy, chronic pain, and post-traumatic stress disorder. Retail sales began in February 2018. The Commonwealth of Pennsylvania, which consists of nearly 13 million residents and qualifies as the fifth largest population in the U.S., operates as a high-barrier market with very limited market participation. The PAMMA authorizes only a maximum of 25 grower/processor permits and 50 dispensary permits. As part of "Phase 1" of the Commonwealth's permitting process in 2017, the Pennsylvania Department of Health (the "**PA DOH**") which administers the Commonwealth's Medical Marijuana Program, originally awarded only 12 grower/processor permits and 27 dispensary permits. Subsequently, in 2018, PA DOH conducted "Phase 2" of the permitting process, during which it awarded the remaining 13 grower/processor permits and 23 dispensary permits authorized under the PAMMA. In July of 2019, the PA DOH expanded the list of qualifying medical conditions to include anxiety disorders and Tourette syndrome, increasing the number of qualifying conditions to 23. As of May 2020, there were 297,317 patients registered in the Program.

Chapter 20 of the PAMMA established a marijuana research program whereby clinical registrants collaborate with medical schools and hospitals to design and implement a research plan. Chapter 20 authorizes PA DOH to issue grower/processor and dispensary permits to up to eight (8) clinical registrants. Under these permits, which are in addition to the 25 grower/processor and 50 dispensaries mentioned above, clinical registrants effectively operate as vertically integrated entities. Furthermore, the dispensary permits authorize clinical registrants to operate dispensaries at up to six (6) locations in any region of the Commonwealth. The dispensaries must dispense marijuana for the purpose of conducting research. As of August 2020, PA DOH selected the eight (8) final clinical registrants.

Pennsylvania Licenses

All dispensaries must register with the PA DOH. Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email and include a renewal form.

License and Regulations

Each retail dispensary license permits the holder to purchase marijuana and marijuana products from grower/processor facilities and allows the sale of marijuana and marijuana products to registered patients.

Site-Visits & Inspections

All licensed dispensary locations must be inspected and approved by the PA DOH before commencing live operations. Thereafter, dispensaries are subject to PA DOH inspection, whether with or without notice.

Reporting Requirements

The Commonwealth of Pennsylvania uses MJ Freeway as a T&T system for seed-to-sale reporting. Individual permittees are required to use MJ Freeway to push data to the Commonwealth to meet all reporting requirements. The Company uses MJ Freeway as its Pennsylvania subsidiary's in-house computerized seed-to-sale software, which integrates with the Commonwealth's MJ Freeway program and captures the required data points for cultivation, manufacturing and retail as required in the Pennsylvania medical marijuana laws and regulations.

Storage and Security

All dispensaries are required to have a locked limited access area for the storage of medical marijuana that is expired, damaged, deteriorated, mislabeled, contaminated, recalled or whose containers or packages have been opened or breached until such product is returned to the grower/processor.

The Company is not aware of any specific risks associated with operating in Pennsylvania. To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Pennsylvania. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors* –

Risks Related to Legality of Cannabis" in the AIF.

Ohio

Ohio Regulatory Landscape

House Bill 523, effective on September 8, 2016, legalized medical marijuana in Ohio. The Ohio Medical Marijuana Control Program ("**MMCP**") allows people with certain medical conditions, upon the recommendation of an Ohio-licensed physician certified by the State Medical Board, to purchase and use medical marijuana. House Bill 523 required that the framework for the MMCP would be in place no later than September 2018. This timeframe allowed for a deliberate process to ensure the safety of the public and to promote access to a safe product. Sales of medical marijuana in Ohio began in January 2019.

The following three state government agencies are responsible for the operation of the MMCP: (i) the Ohio Department of Commerce is responsible for overseeing medical marijuana cultivators, processors and testing laboratories; (ii) the State of Ohio Board of Pharmacy is responsible for overseeing medical marijuana retail dispensaries, the registration of medical marijuana patients and caregivers, the approval of new forms of medical marijuana and coordinating the Medical Marijuana Advisory Committee; and (iii) the State Medical Board of Ohio is responsible for certifying physicians to recommend medical marijuana and may add to the list of qualifying conditions for which medical marijuana can be recommended. Qualifying medical conditions for medical marijuana include: acquired immune deficiency syndrome, Amyotrophic lateral sclerosis (also known as Lou Gehrig's disease), Alzheimer's disease, cancer, chronic traumatic encephalopathy, Crohn's disease, epilepsy or other seizure disorder, fibromyalgia, glaucoma, hepatitis C, inflammatory bowel disease, multiple sclerosis (MS), pain (either chronic and severe, or intractable), Parkinson's disease, positive status for HIV, post-traumatic stress disorder, sickle cell anemia, spinal cord disease or injury, Tourette's syndrome, traumatic brain injury, ulcerative colitis or any other disease or condition added by the state medical board under section 4731.302 of the Ohio Revised Code. In order for a patient to be eligible to obtain medical marijuana, a physician must make the diagnosis of one of these conditions. The State of Ohio Board of Pharmacy is in the process of revising its regulations for dispensaries, for the forms and methods for administering medical marijuana, and for patients and caregivers.

Several forms of medical marijuana are legal in Ohio, these include: inhalation of marijuana through a vaporizer (not direct smoking), oils, tinctures, plant material, edibles, patches and any other forms approved by the State Board of Pharmacy (other than smoking or combustion).

Ohio Licenses

Neither the Company nor its subsidiaries currently hold any cannabis licenses in Ohio.

License and Regulations

To be considered for approval of a processing license, the applicant must complete all mandated requirements. To obtain a Certificate of Operation for a processing facility, the prospective licensee must be capable of operating in accordance with Chapter 3796 of the Ohio Revised Code, the Medical Marijuana Control Program. Certificates of Operation for a processing license must be renewed annually. A certificate of operation will expire on the date identified on the certificate. Following issuance of a Certificate of Operation, the Company will be authorized to manufacture and produce medical cannabis products. A processor licensee must submit its renewal application at least 30 days prior to the expiration date of the certificate of operation. If a licensee's renewal application is not filed prior to the expiration date of the certificate of operation, the certificate of operation will be suspended for a maximum of 30 days. After 30 days, if the licensee has not successfully renewed the certificate of operation, including the payment of all applicable fees, the certificate of operations will be deemed expired.

Reporting

Ohio uses the METRC system as its seed-to-sale tracking system. Licensees are required to use METRC to push data to the State to meet all of the reporting requirements. The Company intends to implement its seed-to-sale tracking system to comply with the State's tracking and reporting requirements.

Storage and Security

All licensees must have a security system that remains operational at all times and that uses commercial grade equipment to prevent and detect diversion, theft or loss of medical cannabis, including:

- Fencing and gates;
- A perimeter alarm;
- Approved safes, vaults, or any other approved equipment or areas used for processing or storing of plant material, medical marijuana extract, and medical marijuana products;
- Back-up alarm systems;
- Motion detectors; and
- Duress and panic alarms.

Video cameras must be installed at the processing facility and directed at all approved safes, approved vaults, cannabis sales areas, and any other area where plant material, medical cannabis extract, or medical cannabis products are being processed, stored or handled. Live feed video surveillance with motion active recording capabilities must be in place 24 hours a day, seven days a week. Recordings from all video cameras must be readily available for immediate review by regulating and law enforcement with jurisdiction upon request and must be retained for at least six months.

The Company is not aware of any specific risks associated with operating in Ohio. To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Ohio. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF.

Arizona

Arizona Regulatory Landscape

In 2010, Arizona passed Ballot Proposition 203, which amended Title 36 to the Arizona Revised Statutes. This amendment added Chapter 28.1, titled the Arizona Medical Marijuana Act (the "AMMA"). The AMMA is codified in Arizona Revised Statutes ("**ARS**") § 36-2801 et. seq. The AMMA also appointed the Arizona Department of Health Services ("**ADHS**") as the regulator for the program and authorized ADHS to promulgate, adopt and enforce regulations for the AMMA. These ADHS regulations are embodied in the Arizona Administrative Code Title 9 Chapter 17 (the "**Rules**"). ARS § 36-2801(12) defines a "nonprofit medical marijuana dispensary" as "a not-for-profit entity that acquires, possesses, cultivates, manufactures, delivers, transfers, transports, supplies, sells or dispenses marijuana or related supplies and educational materials to cardholders."

The ADHS established the medical marijuana program. To operate within the medical marijuana program, an entity must apply for, and receive from ADHS, a Medical Marijuana Dispensary Registration Certificate ("**Certificate**"). Each Certificate is vertically integrated and authorizes the entity that holds the Certificate to dispense and cultivate medical cannabis. Each Certificate allows the holding entity to operate one retail dispensary, one on-site cultivation facility located at the same location as the retail dispensary, and one off-site cultivation facility located anywhere within the State of Arizona. Prior to opening its dispensary and cultivation operations, the entity must apply for, and receive from ADHS, an Approval to Operate. The entity must then file an application with ADHS to renew its Certificate every two years and must also submit audited annual financial statements. The Rules prohibit an entity from transferring or assigning the Certificate; however, entities that hold a Certificate may contract with third parties to provide various services related to the ongoing operation, maintenance, and governance of its dispensary and/or cultivation facility, so long as such contracts do not violate the requirements of the AMMA or the medical marijuana program.

The ADHS had until April 2012 to establish a registration application system for patients and nonprofit marijuana dispensaries, as well as a web-based verification platform for use by officials and dispensaries to verify a patient's status. It also specified patients' rights, qualifying medical conditions, and allowed out-of-state medical marijuana patients to maintain their patient status (though not to purchase marijuana). To purchase medical marijuana, a patient must apply for, and receive from ADHS, a medical marijuana patient card. On December 6, 2012, Arizona's first licensed medical marijuana dispensary opened in Glendale, Arizona.

To qualify to use medical marijuana under the AMMA, a patient must have a qualifying medical condition. Qualifying

medical conditions include Human Immunodeficiency Virus ("**HIV**"), cancer, glaucoma, Acquired Immune Deficiency Syndrome ("**AIDS**"), Hepatitis C, Crohn's disease, agitation of Alzheimer's disease, Amyotrophic Lateral Sclerosis ("**ALS**"), Post-Traumatic Stress Disorder ("**PTSD**"), and a chronic or debilitating disease or medical condition, or the treatment for a chronic or debilitating disease or medical condition, that causes cachexia or wasting syndrome, severe and chronic pain, severe nausea, seizures, or severe or persistent muscle spasms.

In 2019, Arizona Governor Doug Ducey signed into law Senate Bill 1494, which, among other items, requires testing of medical marijuana and establishes biannual renewal of patient cards. Senate Bill 1494 also authorizes the ADHS to adopt rules for inspecting medical marijuana dispensaries and creates an independent testing regime for marijuana cultivated by a medical marijuana dispensary. Beginning in November 2020, before marijuana is sold, the entity holding a Certificate must test the marijuana for unsafe levels of microbial contamination, heavy metals, pesticides, herbicides, fungicides, growth regulators, and residual solvents. Senate Bill 1494 also authorizes civil penalties of up to $1,000 per violation (not to exceed $5,000 in a 30-day period) on medical marijuana dispensaries. Regulations implementing Senate Bill 1494 went into effect on August 27, 2019. In February 2020, the ADHS began an additional round of rulemaking designed to improve the regulations regarding independent testing, which remains an ongoing process.

On November 3, 2020, Arizona voters passed Proposition 207, known as the "Smart and Safe Arizona Act," which permits the lawful sale of marijuana to adults over 21 years old for recreational use. Proposition 207 directs ADHS to establish additional rules and regulations regarding the recreational sale of marijuana. Entities that hold a Certificate to sell medical marijuana have the right under Proposition 207 to obtain a Marijuana Establishment License to sell recreational marijuana. If ADHS does not issue Marijuana Establishment Licenses by April 5, 2021, entities that hold a Certificate may cultivate, produce, process, manufacture, transport, and test marijuana and marijuana products, and may sell marijuana and marijuana products to adult consumers, until ADHS issues Marijuana Establishment Licenses.

Arizona Licensing Requirements

In order for an applicant entity to receive a Certificate, it must: (i) fill out an application on the form proscribed by ADHS, (ii) submit the applicant's articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer and board member of the applicant for a background check to exclude certain felonies, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the dispensary will operate in compliance, and (v) designate an Arizona licensed physician as the Medical Director for the dispensary. Certificates are renewed every two years so long as the dispensary is in good standing with ADHS, pays the renewal fee, and submits an independent third party financial audit.

Once an applicant entity is issued a Certificate, it may establish one physical retail dispensary location, one cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning), and one additional off-site cultivation location. None of these sites can be operational, however, until the dispensary receives an Approval to Operate from ADHS for the applicable site. This Approval to Operate requires: (i) an application on the ADHS form, (ii) demonstration of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by ADHS of the applicable location to ensure compliance with the Rules and consistency with the dispensary's applicable policies and procedures.

With the passage of Senate Bill 1494, Certificates are renewed biennially. Before expiry, an entity holding a Certificate must submit a renewal application. While renewals are granted biennially, there is no ultimate expiry after which no renewals are permitted.

Arizona Security Requirements for Dispensary Facilities

Any dispensary facility (both retail and cultivation) must abide by the following security requirements: (i) ensure that access to the facilities is limited to authorized agents of the dispensary who are in possession of a dispensary agent identification card, and (ii) equip the facility with: (a) intrusion alarms and surveillance equipment, (b) exterior and interior lighting to facilitate surveillance, (c) at least one 19-inch monitor for surveillance and a video capable of printing a high resolution still image, (d) high resolution video cameras at all points of sale, entrances, exits, and limited access areas, both in and around the building, (e) 30 days' video storage, (f) failure notifications and battery backups for the security system, and (g) panic buttons inside each building.

Arizona Storage Requirements

Any dispensary facility (both retail and cultivation) must abide by the following requirements for the storage of product: (i) product must be stored in an area that is separate from areas used to store toxic and flammable materials, (ii) product must be stored in a manner that is clean and sanitary, (iii) product must be protected from flies, dust, dirt, and any other contamination, and (iv) surfaces and objects used in the handling and storage of product must be cleaned daily. Additionally, the Rules establish strict inventory protocols for tracking product from "seed to sale," which requires product to be traceable to the original plants used to grow the cannabis used in the product.

Arizona Transportation Requirements

Dispensaries may transport medical cannabis between their own sites, or between their sites and another dispensary's site, and must comply with the following Rules: (i) prior to transportation, the dispensary agent must complete a trip plan showing: (a) the name of the dispensary agent in charge of transporting the cannabis, (b) the date and start time of the trip, (c) a description of the cannabis, cannabis plants, or cannabis paraphernalia being transported, and (d) the anticipated route of transportation; (ii) during transport the dispensary agent shall: (a) carry a copy of the trip plan at all times, (b) use a vehicle with no medical cannabis identification, (c) carry a cell phone, and (d) ensure that no cannabis is visible; and (iii) dispensaries must maintain trip plan records.

ADHS Inspections and Enforcement

ADHS may inspect a facility at any time upon five (5) days' notice to the dispensary. However, if ADHS receives a complaint that a dispensary is not in compliance with the AMMA or the Rules, ADHS may conduct an unannounced inspection. ADHS will provide written notice to the dispensary via a Statement of Deficiencies of any violations found during any inspection, after which the dispensary has 20 working days to take corrective action and to provide ADHS with a written Plan of Correction.

ADHS shall revoke a Certificate if a dispensary: (i) operates before obtaining Approval to Operate a dispensary from ADHS, (ii) dispenses, delivers, or otherwise transfers cannabis to an entity other than another licensed dispensary, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, (iii) acquires usable cannabis or mature cannabis plants from any entity other than another licensed dispensary, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, or (iv) if a principal officer or board member has been convicted of an excluded felony offense.

Furthermore, ADHS may revoke a Certificate if a dispensary does not: (i) comply with the requirements of the AMMA or the Rules, or (ii) implement the policies and procedures or comply with the statements provided to ADHS with the dispensary's application.

The Company is not aware of any specific risks associated with operating in Arizona. To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Arizona. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF.

Compliance with State Regulatory Frameworks

Nevada Regulatory Compliance

Each of the Nevada-based cannabis establishments for which the Company provides administrative, consulting and operations services possesses licenses and operates cannabis facilities in compliance with applicable licensing requirements and the regulatory framework enacted by the State of Nevada in all material respects, and maintains the appropriate licenses for the cultivation, production, distribution and operation of dispensaries, as applicable.

None of the Nevada-based cannabis businesses for which the Company provides operational support has experienced any non-compliance which may have an impact on its licenses, business activities or operations which has not been remedied, nor are any of the Company's Nevada-based cannabis businesses subject to any outstanding notices of violation by the State of Nevada which may have an impact on its licenses, business activities or operations. As noted under "*Non-Compliance with State and Local Cannabis Laws*" below, on behalf of businesses for which it provides operational support, Ayr intends to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and, on behalf of businesses for which it provides operational support, Ayr intends to publicly disclose any non-

compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations.

Each of the Nevada-based cannabis businesses for which the Company provides operational support uses a seed-to-sale capable control system for tracking and tracing cannabis plants and products. Each of Leaflogix and Metrc are in use among the Company's Nevada-based businesses for which it provides operational support. These solutions have been specifically designed to satisfy the applicable reporting requirements associated with regulated cannabis activities.

In addition to these software-based control systems, each of the Nevada licensed cannabis establishments to which the Company provides operational support has designated a set of operating procedures, including employee training in respect of such procedures, to secure compliance.

Standard operating procedures in respect of regulatory compliance were developed by each of the Nevada licensed cannabis establishments to which the Company provides operational support and reviewed with the applicable regulators during each of the establishment's initial licensing processes and are reviewed on a continuous basis by virtue of ongoing inspections and reviews by the applicable regulatory authorities. Managers and employees at each of the Nevada licensed cannabis establishments to which the Company provides operational support are empowered to identify key business processes that should be formally documented to seek to assure safety and regulatory compliance.

Each of the Nevada licensed cannabis establishments to which the Company provides operational support has detailed standard operating procedures in respect of building security, cash management, security of financial instruments, security monitoring systems, security of information, and general security and safety.

Each of the Nevada licensed cannabis establishments to which the Company provides operational support utilizes a security system around the perimeter of each dispensary designed to prevent and detect diversion, theft or less of marijuana, utilizing commercial grade security and surveillance equipment in compliance with State regulatory requirements.

Additionally, each of the Nevada licensed cannabis establishments to which the Company provides operational support also has detailed standard operating procedures and protocols for inventory and storage processes, including responsibility for management, inventory limits, inventory counts and reviews, facility reporting, cannabis inventory receipts, a waste disposal plan, salvage and solid waste disposal.

Inventory Management Requirements: Each of the Nevada licensed cannabis establishments to which the Company provides operational support maintains policies and procedures and employs industry-specific software to track inventory and to seek to ensure strict regulatory compliance at both the retail and wholesale levels. These processes include:

- wholesale transfer;
- inventory intake;
- inventory management;
- retail transactions; and
- sales data tracking and reporting.

Procedures exist to ensure each of the applicable Nevada licensed cannabis establishments to which the Company provides operational support facility tracks its cumulative inventory of seeds, plants, and usable marijuana. Generally, these inventory control systems are designed to:

- establish and maintain a perpetual inventory system which adequately documents the flow of materials through the manufacturing process;
- establish procedures which reconcile the raw material used to the finished product on the basis of each job; and
- seek to ensure the absence of significant variances between system outputs and physical inventory counts.

For cultivation and production facilities, for each lot received at a facility, such inventory control systems are designed to document:

- the batch or lot number;
- the strain of the marijuana seeds or marijuana cuttings planted;
- the number of marijuana seeds or marijuana cuttings planted;
- the date on which the marijuana seeds or cuttings were planted;
- a log or schedule of chemical additives used in the cultivation, including nonorganic pesticides, herbicides and fertilizers;

- the number of marijuana plants grown to maturity;
- harvest information, including:
    - the date of harvest;
    - the final yield weight of processed usable marijuana; and
    - the name and agent registration card number of the agents responsible for the harvest;
- marijuana flowers in process in all locations;
- marijuana in storage by location;
- marijuana in locked containers awaiting disposal; and
- an audit trail of all material inventory adjustments.

Retail dispensaries maintain current and complete books and records and sales reports, including invoices that reflect all purchases and sales of marijuana made to and by the applicable dispensary, that are available from an electronic verification systems, point of sale systems, and/or inventory control systems (which may be separate systems or functionalities combined into a single system) and are stored in secure safe rooms. Such records include:

- in respect of dispensary inventory:
    - the date and time of delivery of each purchase or transfer from a cultivation or production facility;
    - the quantity, type and form and price of marijuana and infused or edible products purchased from a cultivation or production facility in each purchase as well as related products;
    - invoices and delivery documents, showing entry into the inventory control system; and
    - the quantity of marijuana still available for sale at the dispensary; and
- in respect of dispensary retail sales:
    - the date and time of each retail sale;
    - the quantity, type, form, and price of marijuana distributed or dispensed;
    - the price paid or consideration given for the marijuana;
    - identifying information of the purchaser (i.e., name and address, and card number in the case of medical marijuana transactions); and
    - identifying information of the employee conducting the transaction (i.e., the name, initials, or employee identification number of the person who dispensed or sold the marijuana).

All invoices and delivery documents must be systematically filed and maintained for a period of five years from date of delivery and must show a legible and complete statement of terms and conditions for each purchase.

Sales records must be compliant with all of the applicable policies and procedures according to applicable documented plans of the Nevada licensed cannabis establishments to which the Company provides operational support, State laws and regulations, and must include for regulatory authority reporting and internal tracking purposes:

- the date and time of each sale;
- the method of distribution (on-site or delivery);
- the quantity, form, and price marijuana and any other products dispensed;
- the consideration given;
- the name, address, and identification number of the marijuana as recorded on the electronic verification system; and
- the names, initials, or employee identification numbers of the individuals who packaged, dispensed, delivered, and sold the marijuana.

Disposal of Inventory: All marijuana waste, including waste composed of or containing finished marijuana, must be stored, secured, and managed in accordance with applicable State and local statutes, ordinances, and regulations. All waste disposed by the applicable Nevada licensed cannabis establishments to which the Company provides operational support is recorded in the relevant inventory control system, including:

- a description of and reason for the marijuana being disposed of, including, if applicable, the number of failed or other unusable marijuana plants;
- the date of disposal;
- confirmation that the marijuana was rendered unusable before disposal;
- the method of disposal; and
- the name and card number of the agents responsible for the disposal.

Only specifically authorized employees can destroy product. A list of authorized employees that may destroy product is required to be maintained at each such Nevada-based business facility. Permissions are defined by agent and password protected. The destroyed weight and the reason for destruction is required and recorded. The inventory control systems of the Nevada licensed cannabis establishments to which the Company provides operational support can generate reports on destroyed material at any point in the destruction process.

In addition to controls over inventory, State regulatory frameworks specify guidelines in respect of general security.

General Security Guidelines: The applicable Nevada-based business' general security guidelines include:

- background checks for current/new employees, particularly if the employee is to be accessing restricted areas;
- maintaining video surveillance of facilities;
- maintaining visitor logs;
- providing for and maintaining secure perimeters for facilities;
- requesting employees to watch for suspicious activities;
- keeping all access system credentials, access codes, access cards, passwords, etc., in a way that is designed to be secure and accessible only to specifically authorized personnel;
- retrieving keys and employment identification cards from an employee and changing computer access passwords when their employment ends;
- arranging for prompt and safe disposal of materials;
- all employees being required to be trained on emergency procedures; and
- posting emergency response numbers, including fire, law enforcement, and executive team in several locations in each facility.

Cash Management: As noted above, the Nevada licensed cannabis establishments to which the Company provides operational support have detailed standard operating procedures and protocols for cash management, including internal controls and cash security procedures. Examples of such standard operating procedures and protocols used by certain of the dispensaries of the Nevada licensed cannabis establishments to which the Company provides operational support include, without limitation:

- random review of cash register drawers by dispensary supervisors;
- random removal of cash from cash register drawers by dispensary supervisors and placement of such cash into a secure vault;
- insertion of all cash from cash registers drawers into a secure vault at the end of each day;
- recording of daily cash intake by supervisors on a "Register Close" sheet and daily reconciliation of such values against daily sales reports and the prior day's recording of total cash on-hand;
- recording of all disbursements on a disbursement form; and
- daily audits of total cash on hand and investigations in respect of any noted variances.

The Nevada licensed cannabis establishments to which the Company provides operational support have worked with internal personnel and advisors to help prescribe and/or implement measures designed to seek to ensure compliance with applicable State laws on an ongoing basis, including:

- correspondence and updates with regulators;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management; and
- appropriate employee training for all standard operating procedures.

The Nevada licensed cannabis establishments to which the Company provides operational support enlist their internal compliance personnel, whose responsibilities include monitoring the day-to-day activities, ensuring that the established standard operating procedures are being adhered to, identifying any non-compliance matters and putting into place the necessary modifications to seek to ensure compliance.

While the Nevada licensed cannabis establishments to which the Company provides operational support are compliant with State and local cannabis laws, their cannabis-related activities remain illegal under United States federal law. See "*Risk Factor*s" below and in the AIF, incorporated herein by reference.

Massachusetts Regulatory Compliance

The Company's Massachusetts-based business is in compliance with applicable licensing requirements and the regulatory framework enacted by the Commonwealth of Massachusetts, and maintains the appropriate licenses for the cultivation, production, distribution and operation of dispensaries, as applicable.

The Company's Massachusetts-based business has not experienced any non-compliance which may have an impact on its licenses, business activities or operations which has not been remedied, nor is such business subject to any outstanding notices of violation by the Commonwealth of Massachusetts which may have an impact on its licenses, business activities or operations. As noted under "*Non-Compliance with State and Local Cannabis Laws*" below, Ayr intends to cause its businesses to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and Ayr intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations. Given the stage of business of the Company's Massachusetts-based business, such business has, on an on-going basis, internally reviewed applicable Massachusetts laws and regulations relating to the cultivation, manufacture, distribution and sale of cannabis and cannabis products and has internally analyzed its exposure to U.S. federal law. The Company's Massachusetts-based business has enlisted internal compliance personnel to provide on-going advice on applicable U.S. federal and Massachusetts laws.

The Company's Massachusetts-based business currently possesses three registered marijuana dispensary registrations which allow the business to sell medical marijuana in Massachusetts directly to consumers, and which allow for the right to open three adult use dispensaries subject to local municipality and other marijuana regulatory approvals. The Massachusetts-based business currently possesses licenses to cultivate, manufacture and transport to other marijuana establishments in Massachusetts. No assurance can be given that the applicable regulatory approvals allowing for the opening of adult use dispensaries will be received.

In order to secure compliance with applicable regulatory frameworks, the Company's Massachusetts-based business employs a combination of software-based metric tracking and operational processes and procedures designed to comply with in-place regulatory requirements.

The Company's Massachusetts-based business uses Leaflogix, a seed-to-sale capable control system, for tracking and tracing cannabis plants and products. This solution has been specifically designed to satisfy the applicable reporting requirements associated with regulated cannabis activities.

In addition to the software-based control systems, the Company's Massachusetts-based business has designated a set of operating procedures, including employee training with respect to such procedures, to seek to secure compliance.

Standard operating procedures for regulatory compliance were developed by the Massachusetts-based business and reviewed with the applicable regulators during such business' initial licensing processes and are reviewed on a continuous basis by virtue of ongoing inspections and reviews by the applicable regulatory authorities. Managers and employees at the Company's Massachusetts-based business are empowered to identify key business processes that should be formally documented to seek to assure safety and regulatory compliance.

The Company's Massachusetts-based business has detailed standard operating procedures for building security, cash management, security of financial instruments, security monitoring systems, security of information, and general security and safety.

The Company's Massachusetts-based business utilizes a security system around the perimeter of each dispensary designed to prevent and detect diversion, theft or less of marijuana, utilizing commercial grade security and surveillance equipment in compliance with the Commonwealth's regulatory requirements.

Additionally, the Company's Massachusetts-based business also has detailed standard operating procedures and protocols for inventory and storage processes, including responsibility for management, inventory limits, inventory counts and reviews, facility reporting, cannabis inventory receipts, a waste disposal plan, salvage and solid waste disposal.

Inventory Management Requirements: The Company's Massachusetts-based business maintains policies and procedures and employs industry-specific software to track inventory and to seek to ensure strict regulatory compliance at both the retail and wholesale levels. These processes include:

- wholesale transfer;
- inventory intake;
- inventory management;

- retail transactions; and
- sales data tracking and reporting.

Procedures exist to ensure each applicable Massachusetts-based facility tracks its cumulative inventory of seeds, plants, and usable marijuana. Generally, these inventory control systems are designed to:

- establish and maintain a perpetual inventory system which adequately documents the flow of materials through the manufacturing process;
- establish procedures which reconcile the raw material used to the finished product on the basis of each job; and
- seek to ensure the absence of significant variances between system outputs and physical inventory counts.

For cultivation and production facilities, for each lot received at a facility, such inventory control systems are designed to document:

- the batch;
- the strain of the marijuana seeds or marijuana cuttings planted;
- the number of marijuana seeds or marijuana cuttings planted;
- the date on which the marijuana seeds or cuttings were planted;
- a log or schedule of chemical additives used in the cultivation, including nonorganic pesticides, herbicides and fertilizers;
- the number of marijuana plants grown to maturity;
- harvest information, including:
    - the date of harvest; and
    - the final yield weight of processed usable marijuana;
- marijuana flowers in process in all locations;
- marijuana in storage by location;
- marijuana in locked containers awaiting disposal; and
- an audit trail of all material inventory adjustments.

Retail dispensaries maintain current and complete books and records and sales reports, including invoices that reflect all purchases and sales of marijuana made to and by the applicable dispensary, that are available from the Massachusetts-based business' electronic verification systems, point of sale systems, and/or inventory control systems (which may be separate systems or functionalities combined into a single system) and are stored in secure safe rooms. Such records include:

- in respect of dispensary inventory:
    - the date and time of delivery of each purchase or transfer from a cultivation or production facility;
    - the quantity, type and form of marijuana and infused or edible products purchased from a cultivation or production facility in each purchase as well as related products;
    - invoices and delivery documents, showing entry into the inventory control system; and
    - the quantity of marijuana still available for sale at the dispensary; and

- in respect of dispensary retail sales:
    - the date and time of each retail sale;
    - the quantity, type, form, and price of marijuana distributed or dispensed;
    - the price paid or consideration given for the marijuana;
    - identifying information of the purchaser (i.e., name and address, and card number in the case of medical marijuana transactions); and
    - identifying information of the employee conducting the transaction (i.e., the name, initials, or employee identification number of the person who dispensed or sold the marijuana).

All invoices and delivery documents must be systematically filed and must show a legible and complete statement of terms and conditions for each purchase.

Sales records must be compliant with all applicable Ayr policies and procedures according to applicable documented plans, State laws and regulations, and must include for regulatory authority reporting and internal tracking purposes:

- the date and time of each sale;
- the method of distribution (on-site or delivery);

- the quantity, form, and price marijuana and any other products dispensed;
- the consideration given;
- the name, address, and identification number of the marijuana as recorded on the electronic verification system; and
- the names, initials, or employee identification numbers of the individuals who packaged, dispensed, delivered, and sold the marijuana.

Disposal of Inventory: All marijuana waste, including waste composed of or containing finished marijuana, must be stored, secured, and managed in accordance with applicable State and local statutes, ordinances, and regulations. All waste disposed of by the Massachusetts-based business is recorded in such business' inventory control system, including:

- a description of and reason for the marijuana being disposed of, including, if applicable, the number of failed or other unusable marijuana plants;
- the date of disposal;
- confirmation that the marijuana was rendered unusable before disposal; and
- the method of disposal.

In addition to controls over inventory, State regulatory frameworks specify guidelines in respect of general security.

General Security Guidelines: The Massachusetts-based business' general security guidelines include:

- background checks for current/new employees, particularly if the employee is to be accessing restricted areas;
- maintaining video surveillance of facilities;
- maintaining visitor logs;
- providing for and maintaining secure perimeters for facilities;
- requesting employees to watch for suspicious activities;
- keeping all access system credentials, access codes, access cards, passwords, etc., in a way that is designed to be secure and accessible only to specifically authorized personnel;
- retrieving keys and employment identification cards from an employee and changing computer access passwords when their employment ends;
- arranging for prompt and safe disposal of materials;
- all employees being required to be trained on emergency procedures; and
- posting emergency response numbers, including fire, law enforcement, and executive team in several locations in each facility.

Cash Management: As noted above, the Company's Massachusetts-based business has detailed standard operating procedures and protocols for cash management, including internal controls and cash security procedures. Examples of such standard operating procedures and protocols used by such business' dispensaries include, without limitation:

- random review of cash register drawers by dispensary supervisors;
- random removal of cash from cash register drawers by dispensary supervisors and placement of such cash into a secure vault;
- insertion of all cash from cash registers drawers into a secure vault at the end of each day;
- recording of daily cash intake by supervisors on a "Register Close" sheet and daily reconciliation of such values against daily sales reports and the prior day's recording of total cash on-hand;
- recording of all disbursements on a disbursement form; and
- daily audits of total cash on hand and investigations in respect of any noted variances.

The Company's Massachusetts-based business has worked with an internal advisor to help prescribe and/or implement measures designed to seek to ensure compliance with applicable State laws on an ongoing basis, including:

- correspondence and updates with regulators;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management; and
- appropriate employee training for all standard operating procedures.

In Massachusetts, Ayr enlists its management and compliance personnel, whose responsibilities include monitoring the day-to-day activities, ensuring that the established standard operating procedures are being adhered to, identifying any non-

compliance matters and putting into place the necessary modifications to seek to ensure compliance.

While the Company's Massachusetts-based business is compliant with State and local cannabis laws, its cannabis-related activities remain illegal under United States federal law. See "*Risk Factors*" below and in the AIF, incorporated herein by reference.

Pennsylvania Regulatory Compliance

The Company's Pennsylvania-based business is in compliance with applicable licensing requirements and the regulatory framework enacted by the Commonwealth of Pennsylvania, and maintains the appropriate licenses for the cultivation, manufacture and transport of medical cannabis, as applicable.

The Company's Pennsylvania-based business has not experienced any non-compliance which may have an impact on its licenses, business activities or operations which has not been remedied, nor is such business subject to any outstanding notices of violation by the Commonwealth of Pennsylvania which may have an impact on its licenses, business activities or operations. As noted under "*Non-Compliance with State and Local Cannabis Laws*" below, Ayr intends to cause its businesses to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and Ayr intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations. Given the stage of business of the Company's Pennsylvania-based business, such business has, on an on-going basis, internally reviewed applicable Pennsylvania laws and regulations relating to the cultivation, manufacture and transport of medical cannabis and has internally analyzed its exposure to U.S. federal law. The Company's Pennsylvania-based business has enlisted internal compliance personnel to provide on-going advice on applicable U.S. federal and Pennsylvania laws.

The Company's Pennsylvania-based business currently possesses a license to cultivate, manufacture and transport medical cannabis to other cannabis establishments in Pennsylvania. The Company's Pennsylvania-based business's license allows for unlimited cultivation with no cap on either canopy size or production volume.

In order to secure compliance with applicable regulatory frameworks, the Company's Pennsylvania-based business employs a combination of software-based metric tracking and operational processes and procedures designed to comply with in-place regulatory requirements.

The Company's Pennsylvania-based business uses MJ Freeway, a seed-to-sale capable control system, for tracking and tracing cannabis plants and products. This solution has been specifically designed to satisfy the applicable reporting requirements associated with regulated cannabis activities.

In addition to the software-based control systems, the Company's Pennsylvania-based business has designated a set of operating procedures, including employee training with respect to such procedures, to seek to secure compliance.

Standard operating procedures for regulatory compliance were developed by the Pennsylvania-based business and reviewed with the applicable regulators during such business' initial licensing processes and are reviewed on a continuous basis by virtue of ongoing inspections and reviews by the applicable regulatory authorities. Managers and employees at the Company's Pennsylvania-based business are empowered to identify key business processes that should be formally documented to seek to assure safety and regulatory compliance.

The Company's Pennsylvania-based business has detailed standard operating procedures for building security, security of financial instruments, security monitoring systems, security of information, and general security and safety.

The Company's Pennsylvania-based business utilizes a security system around the perimeter of its premises designed to prevent and detect diversion, theft or less of marijuana, utilizing commercial grade security and surveillance equipment in compliance with the Commonwealth's regulatory requirements.

Additionally, the Company's Pennsylvania-based business also has detailed standard operating procedures and protocols for inventory and storage processes, including responsibility for management, inventory limits, inventory counts and reviews, facility reporting, cannabis inventory receipts, a waste disposal plan, salvage and solid waste disposal.

Inventory Management Requirements: The Company's Pennsylvania-based business maintains policies and procedures and employs industry-specific software to track inventory and to seek to ensure strict regulatory compliance at both the retail and wholesale levels. These processes include:

- wholesale transfer;
- inventory intake;
- inventory management; and
- sales data tracking and reporting.

Procedures exist to ensure each applicable Pennsylvania-based facility tracks its cumulative inventory of seeds, plants, and usable marijuana. Generally, these inventory control systems are designed to:

- establish and maintain a perpetual inventory system which adequately documents the flow of materials through the manufacturing process;
- establish procedures which reconcile the raw material used to the finished product on the basis of each job; and
- seek to ensure the absence of significant variances between system outputs and physical inventory counts.

For each lot received at a cultivation/production facility, such inventory control systems are designed to document:

- the batch;
- the strain of the marijuana seeds or marijuana cuttings planted;
- the number of marijuana seeds or marijuana cuttings planted;
- the date on which the marijuana seeds or cuttings were planted;
- a log or schedule of chemical additives used in the cultivation, including nonorganic pesticides, herbicides and fertilizers;
- the number of marijuana plants grown to maturity;
- harvest information, including:
    - the date of harvest; and
    - the final yield weight of processed usable marijuana;
- marijuana flowers in process in all locations;
- marijuana in storage by location;
- marijuana in locked containers awaiting disposal; and
- an audit trail of all material inventory adjustments.

All invoices and delivery documents must be systematically filed and must show a legible and complete statement of terms and conditions for each purchase.

Disposal of Inventory: All marijuana waste, including waste composed of or containing finished marijuana, must be stored, secured, and managed in accordance with applicable State and local statutes, ordinances, and regulations. All waste disposed of by the Pennsylvania-based business is recorded in such business' inventory control system, including:

- a description of and reason for the marijuana being disposed of, including, if applicable, the number of failed or other unusable marijuana plants;
- the date of disposal;
- confirmation that the marijuana was rendered unusable before disposal; and
- the method of disposal.

In addition to controls over inventory, State regulatory frameworks specify guidelines in respect of general security.

General Security Guidelines: The Pennsylvania-based business' general security guidelines include:

- background checks for current/new employees, particularly if the employee is to be accessing restricted areas;
- maintaining video surveillance of facilities;
- maintaining visitor logs;
- providing for and maintaining secure perimeters for facilities;
- requesting employees to watch for suspicious activities;
- keeping all access system credentials, access codes, access cards, passwords, etc., in a way that is designed to be secure and accessible only to specifically authorized personnel;
- retrieving keys and employment identification cards from an employee and changing computer access passwords when their employment ends;
- arranging for prompt and safe disposal of materials;

- all employees being required to be trained on emergency procedures; and
- posting emergency response numbers, including fire, law enforcement, and executive team in several locations in each facility.

The Company's Pennsylvania-based business has worked to prescribe and/or implement measures designed to seek to ensure compliance with applicable State laws on an ongoing basis, including:

- correspondence and updates with regulators;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management; and
- appropriate employee training for all standard operating procedures.

In Pennsylvania, Ayr enlists its management and compliance personnel, whose responsibilities include monitoring the day-to-day activities, ensuring that the established standard operating procedures are being adhered to, identifying any non-compliance matters and putting into place the necessary modifications to seek to ensure compliance.

While the Company's Pennsylvania-based business is compliant with State and local cannabis laws, its cannabis-related activities remain illegal under United States federal law. See "*Risk Factor*s" below and in the AIF, incorporated herein by reference.

Non-Compliance with State and Local Cannabis Laws

From time to time, as with all businesses and all rules, it is anticipated that the Company, through its subsidiaries and establishments to which the Company provides operational support, may experience incidences of non-compliance with applicable rules and regulations, which may include minor matters such as:

- staying open slightly too late due to an excess of customers at stated closing time;
- minor inventory discrepancies with regulatory reporting software;
- missing fields in regulatory reports;
- cleaning schedules not available on display;
- educational materials and/or interpreter services not available in a sufficient number of languages;
- updated staffing plan not immediately available on site;
- improper illumination of external signage;
- marijuana infused product utensils improperly stored;
- labels out of compliance with most recent regulatory guidelines;
- partial obstruction of camera views; and
- onsite surveillance room used for any other function (i.e., storage).

In addition, either on an inspection basis or in response to complaints, such as from neighbours, customers or former employees, State or local regulators may among other things issue "show cause" letters, give warnings to or cite businesses which Ayr operates or for which Ayr provides operational support for violations, including those listed above. Such regulatory actions could lead to the requirement to remedy the situation, or, in more serious cases, lead to penalties and/or amendments, suspensions or revocations of licenses or otherwise have an impact on Ayr's licenses, business activities, operational support activities or operations.

Ayr has implemented regular compliance reviews to seek to ensure compliance with applicable State and local cannabis rules and regulations. Ayr intends to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and Ayr intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities, operational support activities or operations.

SECONDARY SALES

Securities may be sold under this Prospectus by way of secondary offering by or for the account of certain of our securityholders. The Prospectus Supplement that we will file in connection with any offering of Securities by selling securityholders will include the following information:

- the names of the selling securityholders;
- the number or amount of Securities owned, controlled or directed of the class being distributed by each selling securityholder;

- the number or amount of Securities of the class being distributed for the account of each selling securityholder;
- the number or amount of Securities of any class to be owned, controlled or directed by the selling securityholders after the distribution and the percentage that number, or amount represents of the total number of our outstanding Securities;
- whether the Securities are owned by the selling securityholders both of record and beneficially, of record only, or beneficially only;
- the Prospectus Supplement will contain, if applicable, the disclosure required by Item 1.11 of Form 44-101F1 – *Short Form Prospectus* ("**Form 41-101F1**"), and, if applicable, the selling securityholders will file a non-issuer's submission to jurisdiction form with the corresponding Prospectus Supplement; and
- all other information that is required to be included in the applicable Prospectus Supplement.

USE OF PROCEEDS

The net proceeds to the Company from any offering of Securities and the proposed use of those proceeds will be set forth in the applicable Prospectus Supplement relating to that offering of Securities. Among other potential uses, the Company may use the net proceeds from the sale of Securities for general corporate purposes, capital projects and potential future acquisitions and internal expansion. In addition, the Securities may be offered and issued in consideration for the acquisition of other businesses, assets or securities by the Company or one of its subsidiaries. The consideration for any such acquisition may consist of the Securities separately, a combination of Securities or any combination of, among other things, Securities, cash and assumption of liabilities. The Company will not receive any proceeds from any sale of any Securities by selling securityholders. Management of the Company will retain broad discretion in allocating the net proceeds of any offering of Securities by the Company under this Prospectus and the Company's actual use of the net proceeds will vary depending on the availability and suitability of investment opportunities and its operating and capital needs from time to time. All expenses relating to an offering of Securities and any compensation paid to underwriters, dealers or agents, as the case may be, will be paid out of the proceeds from the sale of Securities, unless otherwise stated in the applicable Prospectus Supplement, provided that certain expenses in any secondary offering may be paid by the Company. See "*Risk Factors – Discretion in the use of proceeds*".

The Company may, from time to time, issue securities (including Securities) other than pursuant to this Prospectus.

DESCRIPTION OF SECURITIES

The following describes the material terms of the Company's share capital and a brief summary of certain general terms and provisions of the Securities as at the date of this Prospectus. The summary does not purport to be complete, is indicative only and is qualified in its entirety by reference to the terms and provisions of our notice of articles and Articles, as amended. The specific terms of any Securities to be offered under this Prospectus, and the extent to which the general terms described in this Prospectus apply to such Securities, will be set forth in the applicable Prospectus Supplement. Moreover, a Prospectus Supplement relating to a particular offering of Securities may include terms pertaining to the Securities being offered thereunder that are not within the terms and parameters described in this Prospectus. The Securities will not include any novel derivatives or asset-backed securities as discussed under Part 4 of National Instrument 44-102 – *Shelf Distributions* ("**NI 44-102**").

The Company is currently authorized to issue an unlimited number of Subordinate Voting Shares, Restricted Voting Shares, Limited Voting Shares and Multiple Voting Shares. As of December 15, 2020, the Company had 26,303,096 Restricted Shares and 3,696,486 Multiple Voting Shares issued and outstanding. In addition, the following securities were issued and outstanding as of December 15, 2020 that are convertible, exchangeable or exercisable for Restricted Shares, as applicable: (i) 11,035,696 Listed Warrants to purchase Restricted Shares, which are listed on the CSE under the trading symbol "AYR.WT"; (ii) 1,428,288 rights ("**Rights**"), each of which entitles the holder to receive one-tenth (1/10) of a Restricted Share until May 24, 2021; (iii) 5,196,645 exchangeable shares of CSAC Acquisition Inc. ("**Exchangeable Shares**"), a wholly owned subsidiary of the Company, which are exchangeable, on a one-for-one basis, into Restricted Shares, at the option of the holder, and are designed to be economically equivalent (without taking into account tax consequences) to the Restricted Shares; and (iv) 4,237,150 restricted stock units ("**RSUs**") granted to acquire additional Exchangeable Shares. The Listed Warrants and Rights were issued to initial investors in the Company in connection with the IPO, the Exchangeable Shares were issued to the vendors of the Acquired Businesses (as such term is defined in the AIF) in connection with the Qualifying Transaction (as such term is defined in the AIF) or subsequent acquisitions and the RSUs were granted to employees as incentive compensation.

Restricted Shares and Multiple Voting Shares

As of December 15, 2020, (i) the Restricted Shares collectively represent approximately 91% of the Company's total issued and outstanding shares on an as-converted basis (including Rights, Exchangeable Shares and RSUs, but excluding Listed Warrants) and approximately 22% of the voting power attached to all of our issued and outstanding shares, and (ii) the Multiple Voting Shares collectively represent approximately 9% of our total issued and outstanding shares on an as-converted basis (including Rights, Exchangeable Shares and RSUs, but excluding Listed Warrants) and approximately 78% of the voting power attached to all of our issued and outstanding shares.

On December 3, 2020, the Company amended its constating documents to, among other things, (i) create and set the terms of the Restricted Voting Shares and Limited Voting Shares, including applying coattail terms to such shares similar to those applicable to the Subordinate Voting Shares as more particularly described below, and (ii) amend the terms of the existing Multiple Voting Shares and Subordinate Voting Shares, including by amending the requirements in respect of who may hold Subordinate Voting Shares. The Company implemented the Capital Structure Amendments in order to seek to maintain its FPI status under U.S. securities laws and thereby avoid a commensurate material increase in its ongoing costs. This has been accomplished by implementing a mandatory conversion mechanism in the Company's share capital to decrease the number of shares eligible to be voted for directors of the Company if the Company's FPI Threshold is exceeded. Each of the classes of Restricted Shares is, as further described below, economically identical and mandatorily inter-convertible (continuously and without formality) based on (i) the holder's status as a U.S. Person or Non-U.S. Person, and (ii) the status of the Company's FPI Threshold. The Capital Structure Amendments were approved at the Company's annual general and special meeting of shareholders on November 4, 2020 by, *inter alia*, a majority of the minority holders of Subordinate Voting Shares (i.e., other than those held by holders of Multiple Voting Shares and other persons not permitted to vote thereon under Ontario Securities Commission Rule 56-501 – *Restricted Shares* ("**OSC Rule 56-501**")).

Each of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares may be considered "restricted securities" or "restricted shares", as applicable ("**restricted securities**") under applicable securities legislation, respectively, as (i) there is another class of Shares (namely, the Multiple Voting Shares) that carries a disproportionate vote per share relative to each class of Restricted Shares, and (ii) the share terms of the Limited Voting Shares contain provisions that nullify certain of the voting rights attributable to the Limited Voting Shares (i.e., the Limited Voting Shares do not have votes in respect of the election of directors of the Company).

Under the Articles, the quorum for the transaction of business at a meeting of shareholders of the Company is two shareholders who are present in person or represented by proxy and who represent at least 25% of the applicable class or series of shares (and, for greater certainty, where more than one class or series of shares are voting together as if they were a single class of shares, at least 25% of the total issued and outstanding shares of such classes of series).

As of November 20, 2020, Senvest Master LP reported that it owned 626.367 Subordinate Voting Shares (approximately 3.3% of the issued and outstanding Subordinate Voting Shares as of such date) and 3,419,600 Listed Warrants (the "**Senvest Warrants**"), representing an aggregate of approximately 18.9% of the issued and outstanding Subordinate Voting Shares as of such date (assuming the exercise of the Senvest Warrants but excluding (i) the exercise of any other Listed Warrants outstanding as of such date), and (ii) any Subordinate Voting Shares issuable pursuant to the conversion, exchange or exercise, as applicable, of Rights, Exchangeable Shares and RSUs).

Restricted Shares

The following is a brief summary of certain general terms and provisions of the Restricted Shares that may be offered pursuant to this Prospectus. This summary does not purport to be complete.

Exercise of Voting Rights

The holders of each class of Restricted Shares will be entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they will not be able to vote (but will be entitled to receive notice of, to attend (if applicable, virtually) and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia), and except that holders of Limited Voting Shares will not be entitled to vote for the election of directors. The Subordinate Voting Shares and Restricted Voting Shares carry one vote per share on all matters. The Limited Voting Shares carry one vote per share on all matters except the election of directors, as the holders of Limited Voting Shares do not have any entitlement to vote in respect of the election for directors of the Company.

In connection with any Change of Control Transaction (as defined below) requiring approval of the holders of all classes of Shares under the BCBCA, holders of the Shares shall be treated equally and identically, on a per share basis, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of outstanding Subordinate Voting Shares, Restricted Voting Shares and/or Limited Voting Shares, as applicable, in respect of a resolution approving such Change of Control Transaction, voting separately as a class at a meeting of the holders of that class called and held for such purpose.

For purposes herein, a "**Change of Control Transaction**" means an amalgamation, arrangement, recapitalization, business combination or similar transaction of the Company, other than an amalgamation, arrangement, recapitalization, business combination or similar transaction that would result in (i) the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the continuing entity or its direct or indirect parent) more than fifty percent (50%) of the total voting power of the voting securities of the Company, the continuing entity or its direct or indirect parent, and more than fifty percent (50%) of the total number of outstanding shares of the Company, the continuing entity or its direct or indirect parent, in each case as outstanding immediately after such transaction, and (ii) the shareholders of the Company immediately prior to the transaction owning voting securities of the Company, the continuing entity or its direct or indirect parent immediately following the transaction in substantially the same proportions (vis-a-vis each other) as such shareholders owned the voting securities of the Company immediately prior to the transaction (provided that in neither event shall the exercise of any exchangeable shares of a subsidiary of the Company that are exchangeable into shares of the Company be taken into account in such determination).

Notwithstanding the foregoing, the holders of Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, as applicable, are each entitled to vote as a separate class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of the Articles, which would: (i) adversely affect the rights or special rights of the holders of Subordinate Voting Shares, Restricted Voting Shares and/or Limited Voting Shares, as applicable (including an amendment to the terms of the Articles which provide that any Multiple Voting Shares sold or transferred to a person that is not a Permitted Holder (as defined in Articles) shall be automatically converted into Subordinate Voting Shares and/or Restricted Voting Shares, as applicable); (ii) affect the holders of the Shares differently, on a per share basis; or (iii) except as otherwise set forth in the Company's articles, as amended, create any class or series of shares ranking equal to or senior to the Subordinate Voting Shares, Restricted Voting Shares and/or Limited Voting Shares, as applicable; and in each case such alteration, repeal or amendment shall not be effective unless a resolution in respect thereof is approved by a majority of the votes cast by holders of outstanding Subordinate Voting Shares, Restricted Voting Shares and/or Limited Voting Shares, as applicable.

Dividends

Holders of Restricted Shares are entitled to receive, as and when declared by the Board, dividends in cash or property of the Company. No dividend will be declared or paid on any class of Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on a per share basis) on all classes of Shares then issued and outstanding.. Each class of Restricted Shares shall rank equally with the other classes of Shares as to dividends on a share-for-share basis, without preference or distinction. In the event of the payment of a dividend in the form of shares, holders of Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares shall receive Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, respectively, unless otherwise determined by the Board, provided an equal number of shares is declared as a dividend or distribution on a per-share basis, without preference or distinction, in each case.

Subdivision or Consolidation

No subdivision or consolidation of any class of Restricted Shares shall occur unless simultaneously, all other classes of Shares are subdivided or consolidated or otherwise adjusted in the same manner so as to maintain and preserve the relative rights of the holders of each of the classes of Shares.

Liquidation, Dissolution or Winding-Up

In the case of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company for the purposes of a dissolution or winding-up of the Company, the holders of Restricted Shares are entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority

to the Restricted Shares, to receive the Company's remaining property and are entitled to share equally, on a share for share basis, with all other classes of Shares in all distributions of such assets.

Rights to Subscribe; Pre-Emptive Rights

The holders of Restricted 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 other securities of the Company now or in the future.

Conversion

For the purposes of the Restricted Shares, a "**U.S. Person**" means a U.S. person as defined in Regulation S (promulgated under the 1933 Act) in Section 902(k)(1) (as amended or replaced from time to time), and a "**Non-U.S. Person**" is any person who is not a U.S. Person. Under the Articles, where Subordinate Voting Shares are held, beneficially owned or controlled, directly or indirectly, or jointly by (a) one or more U.S. Persons and (b) one or more Non-U.S. Persons, such Subordinate Voting Shares shall be deemed to be held, beneficially owned or controlled by a U.S. Person. At the request of the Company, beneficial shareholders and actual or proposed transferees are required to respond to enquiries regarding their status as U.S. Persons or Non-U.S. Persons, and are required to provide declarations or other documents with respect thereto, as may be necessary or desirable, in the discretion of the Company, failing which they would, in the Company's discretion, be deemed to be U.S. Persons.

If, at any given time, the Subordinate Voting Shares are held, beneficially owned or controlled by U.S. Persons, they will be automatically converted, without further act or formality, on a one-for-one basis into Restricted Voting Shares. If, at any given time, the Restricted Voting Shares or the Limited Voting Shares are held, beneficially owned or controlled by Non-U.S. Persons, they will be automatically converted, without further act or formality, on a one-for-one basis into Subordinate Voting Shares.

Notwithstanding the foregoing, if, at any given time, the total number of Restricted Voting Shares represents a number equal to or in excess of the formulaic threshold set forth below (the "**FPI Threshold**"), then the minimum number of Restricted Voting Shares required to stay within the FPI Threshold will be automatically converted, without further act or formality, on a *pro rata* basis across all registered holders of Restricted Voting Shares (rounded up to the next nearest whole number of shares), on a one-for-one basis, into Limited Voting Shares:

(0.50 x Aggregate Number of Multiple Voting Shares, Subordinate Voting Shares and Restricted Voting Shares) – (Aggregate Number of Multiple Voting Shares held, beneficially owned or controlled by U.S. Persons)

If, at any given time, the total number of Restricted Voting Shares represents a number below the FPI Threshold, then a number of Limited Voting Shares will be automatically converted, without further act or formality, on a *pro rata* basis across all registered holders of Limited Voting Shares (rounded down to the next nearest whole number of shares), on a one-for-one basis, into Restricted Voting Shares, to the maximum extent possible such that the Restricted Voting Shares then represent a number of Shares that is one share less than the FPI Threshold.

The Company has received exemptive relief from the Canadian securities regulatory authorities such that, *inter alia*, each class of Restricted Shares may be aggregated for the purposes of certain securities law reporting thresholds, including in respect of certain take-over bid and issuer bid rules and the early warning requirements under National Instrument 62-104 – *Take-Over Bid and Issuer Bids* ("**NI 62-104**"). See "*Exemptions*".

If an offer is made to purchase any class of Shares (other than a class of Restricted Shares) and such offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which such Shares that are subject to the offer are then listed, to be made to all or substantially all the holders of such Shares in a given province of Canada to which these requirements apply (assuming that the offeree was a resident in Ontario), each Subordinate Voting Share, Restricted Voting Share and/or Limited Voting Share shall become convertible, at the option of the holder, on a one-for-one basis, into such class of Shares that are subject to the offer, at any time while such offer is in effect until the date prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to such offer. The conversion right may only be exercised in respect of Subordinate Voting Shares, Restricted Voting Shares

and/or Limited Voting Shares, as applicable, for the purpose of depositing the resulting Shares pursuant to the offer, and for no other reason, including with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning voting rights for Subordinate Voting Shares, Restricted Voting Shares and/or Limited Voting Shares, as applicable, notwithstanding their conversion. The transfer agent is required to deposit the resulting Shares pursuant to such offer on behalf of such holder.

Should the applicable Shares issued upon such conversion and tendered in response to such offer be withdrawn by shareholders of the Company or not taken up by the offeror, or should the offer be abandoned or withdrawn, then each Share resulting from such conversion shall be automatically reconverted, without any further act on the part of the Company or on the part of the holder, into one Subordinate Voting Share, Restricted Voting Share or Limited Voting Share, as applicable.

Constraints on Share Ownership

Subject to certain specified exceptions set out in the Company's articles, as amended, the Subordinate Voting Shares may only be owned or controlled by Non-U.S. Persons.

Renamed as Common Shares

At the effective time that there are no Multiple Voting Shares issued and outstanding (by the conversion of all Multiple Voting Shares, in accordance with their terms, into Subordinate Voting Shares or Restricted Voting Shares, as applicable), the Subordinate Voting Shares will henceforth be named and referred to as "Common Shares".

Multiple Voting Shares

Exercise of Voting Rights

The holders of Multiple Voting Shares will be entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they will not be able to vote (but will be entitled to receive notice of, to attend (if applicable, virtually) and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the BCBCA. The Multiple Voting Shares carry 25 votes per share (subject in the case of Mercer, to the terms of the Voting Agreement, which may be found on Ayr's profile on SEDAR at *www.sedar.com*).

In connection with any Change of Control Transaction requiring approval of the holders of Subordinate Voting Shares and Multiple Voting Shares under the BCBCA, holders of the Subordinate Voting Shares and Multiple Voting Shares shall be treated equally and identically, on a per share basis, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of outstanding Multiple Voting Shares or their proxyholders in respect of a resolution approving such Change of Control Transaction, voting separately as a class at a meeting of the holders of that class called and held for such purpose.

Notwithstanding the foregoing, the holders of Multiple Voting Shares shall be entitled to vote as a separate class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of the Articles which would: (i) adversely affect the rights or special rights of the holders of Multiple Voting Shares (including an amendment to the terms of the Articles which provide that any Multiple Voting Shares sold or transferred to a person that is not a Permitted Holder (as defined in the Articles) shall be automatically converted into Subordinate Voting Shares or Restricted Voting Shares); or (ii) affect the holders of the Multiple Voting Shares and Subordinate Voting Shares, Restricted Voting Shares and/or Limited Voting Shares, as applicable, differently, on a per share basis; or (iii) except as otherwise set forth in the Articles, create any class or series of shares ranking equal to or senior to the Multiple Voting Shares; and in each case such alteration, repeal or amendment shall not be effective unless a resolution in respect thereof is approved by a majority of the votes cast by holders of outstanding Multiple Voting Shares.

Dividends

Holders of Multiple Voting Shares shall be entitled to receive, as and when declared by the Board, dividends in cash or property of the Company. No dividend will be declared or paid on any class of Restricted Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on a per share basis) on the Multiple Voting Shares. The Multiple Voting Shares shall rank equally with the Restricted Shares as to dividends on a share-for-share basis, without preference or distinction. In the event of the payment of a dividend in the form of shares, holders of Multiple Voting Shares

shall receive Multiple Voting Shares, unless otherwise determined by the Board, provided an equal number of shares is declared as a dividend or distribution on a per-share basis, without preference or distinction, in each case.

Subdivision or Consolidation

No subdivision or consolidation of the Multiple Voting Shares shall occur unless simultaneously each class of Restricted Shares is subdivided or consolidated or otherwise adjusted in the same manner so as to maintain and preserve the relative rights of the holders of the Multiple Voting Shares and the Restricted Shares.

Liquidation, Dissolution or Winding-Up

In the case of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company for the purposes of a dissolution or winding-up of the Company, the holders of Multiple Voting Shares are entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Multiple Voting Shares, to receive the Company's remaining property and are entitled to share equally, on a share for share basis, with the Restricted Shares in all distributions of such assets.

Rights to Subscribe; Pre-Emptive Rights

The holders of Multiple Voting 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 other securities of the Company now or in the future.

Conversion

At the holder's option, the Multiple Voting Shares are convertible, on a one-for-one basis, into Subordinate Voting Shares or Restricted Voting Shares, as applicable. In addition, the Multiple Voting Shares will be automatically converted, without further act or formality, into Subordinate Voting Shares or Restricted Voting Shares, as applicable, on the earliest of (i) the fifth anniversary of May 24, 2019, (ii) the date on which such Multiple Voting Shares are held or controlled by a person who is not a Permitted Holder (as defined in the Articles) under the Articles, and (iii) the date on which the aggregate number of Multiple Voting Shares issued and outstanding represents less than one-third of the number of Multiple Voting Shares issued and outstanding at the close of business on the first date of issuance, being May 24, 2019.

Compliance Provisions

The Company's notice of articles and articles contain, in respect of the Restricted Shares and Multiple Voting Shares, certain provisions to facilitate compliance with applicable regulatory and/or licensing regulations (the "**Compliance Provisions**"). The Compliance Provisions include a combination of certain remedies such as an automatic suspension of voting and/or dividend rights, a discretionary right to force a share transfer to a third party and/or a discretionary redemption right in favour of Ayr, in each case to seek to ensure that Ayr and its subsidiaries are able to comply with applicable regulatory and licensing regulations. The purpose of the Compliance Provisions is to provide Ayr with a means of protecting itself from having a shareholder, or as determined by the Board, a group of shareholders acting jointly or in concert, with an ownership interest of, whether of record or beneficially (or having the power to exercise control or direction over) ("**Owning or Controlling**"), five percent (5%) or more of the issued and outstanding Shares, or such other number as is determined by the Board from time to time, and: (i) who a governmental authority granting licenses to, or otherwise governing the operations of, Ayr or its subsidiaries has determined to be unsuitable to own Shares; (ii) whose ownership of Shares may reasonably result in the loss, suspension or revocation (or similar action) with respect to any licenses or permits relating to Ayr's or its subsidiaries' conduct of business (being the conduct of any activities relating to the cultivation, manufacturing and dispensing of cannabis and cannabis-derived products in the United States, which include the owning and operating of cannabis licenses) or in Ayr being unable to obtain any new licenses or permits in the normal course, all as determined by the Board; or (iii) who have not been determined by the applicable regulatory authority to be an acceptable person or otherwise have not received the requisite consent of such regulatory authority to own the Shares, in each case within a reasonable time period acceptable to the Board or prior to acquiring any Shares (in each case, an "**Unsuitable Person**"). The ownership restrictions in Ayr's notice of articles and articles are also subject to an exemption for applicable depositaries and clearing houses as well as underwriters (as defined in the *Securities Act* (Ontario)) in the course of a distribution of securities of Ayr.

Notwithstanding the foregoing, the Compliance Provisions provide that any shareholder (or group of shareholders acting jointly or in concert) proposing to Own or Control five percent (5%) or more of the issued and outstanding Shares (or such

other number as is determined by the Board from time to time) will be required to provide not less than 30 days' advance written notice to Ayr by mail sent to Ayr's registered office to the attention of the Jonathan Sandelman, the Company's corporate secretary (the "**Corporate Secretary**"), and to obtain all necessary regulatory approvals. Upon any such shareholder(s) Owning or Controlling five percent (5%) or more of the issued and outstanding Shares (or such other number as is determined by the Board from time to time), and having not received the requisite approval of any applicable regulatory authority to own the Shares, the Compliance Provisions will provide: (i) that such shareholder(s) may, in the discretion of the Board, be prohibited from exercising any voting rights and/or receiving any dividends from Ayr, unless and until all requisite regulatory approvals are obtained; and (ii) Ayr with a right, but not the obligation, at its option, upon notice to the Unsuitable Person, to: (A) redeem any or all Shares directly or indirectly held by an Unsuitable Person; and/or (B) forcibly transfer any or all Shares directly or indirectly held directly or indirectly by an Unsuitable Person to a third party. Such rights are required in order for Ayr to comply with regulations in various jurisdictions where Ayr or its subsidiaries conduct business or are expected to conduct business.

Upon receipt by the holder of a notice to redeem or to transfer any or all of its Shares, the holder will be entitled to receive, as consideration therefor, no less than 95% of the lesser of: (i) the closing price of the Restricted Shares on the CSE (or the then principal exchange on which Ayr's securities are quoted for trading) on the trading day immediately prior to the closing of the redemption or transfer (or the average of the last bid and last asking prices if there was no trading on the specified date); and (ii) the five-day volume weighted average price of the Restricted Shares on the CSE (or the then principal exchange on which CSAC's securities are quoted for trading) for the five trading days immediately prior to the closing of the redemption or transfer (or the average of the last bid and last asking prices if there was no trading on the specified dates).

Further, a holder of Shares is prohibited from acquiring five percent (5%) or more of the issued and outstanding Shares, directly or indirectly, in one or more transactions, without providing 30 days' advance written notice to Ayr by mail sent to Ayr's registered office to the attention of the Corporate Secretary. The foregoing restriction will not apply to the ownership, acquisition or disposition of Shares as a result of: (i) transfer of Shares occurring by operation of law including, *inter alia*, the transfer of Shares to a trustee in bankruptcy, (ii) an acquisition or proposed acquisition by one or more underwriters who hold Shares for the purposes of distribution to the public or for the benefit of a third party provided that such third party is in compliance with the foregoing restriction, or (iii) conversion, exchange or exercise of securities issued by Ayr or a subsidiary into or for Shares in accordance with their respective terms. If the Board reasonably believes that any such holder of the Shares may have failed to comply with the foregoing restrictions, Ayr may apply to the Supreme Court of British Columbia, or any other court of competent jurisdiction, for an order directing that such shareholder disclose the number of Shares directly or indirectly held.

Ayr may not be able to exercise such rights in full or at all, including its redemption rights. Under the BCBCA, a corporation may not make any payment to redeem shares if there are reasonable grounds for believing that the company is unable to pay its liabilities as they become due in the ordinary course of its business or if making the payment of the redemption price or providing the consideration would cause the company to be unable to pay its liabilities as they become due in the ordinary course of its business. Furthermore, Ayr may become subject to contractual restrictions on its ability to redeem its Shares by, for example, entering into a secured credit facility subject to such restrictions. In the event that restrictions prohibit Ayr from exercising its redemption rights in part or in full, Ayr will not be able to exercise its redemption rights absent a waiver of such restrictions, which Ayr may not be able to obtain on acceptable terms or at all.

Warrants

As of December 15, 2020, there were 11,035,696 issued and outstanding Listed Warrants to purchase Subordinate Voting Shares, which are listed on the CSE under the trading symbol "AYR.WT". Such outstanding Listed Warrants were issued in connection with the IPO. The Company may issue additional Warrants, separately or together with Restricted Shares, Subscription Receipts, Debt Securities, Convertible Securities or Units, or any combination thereof, as the case may be.

The following is a brief summary of certain general terms and provisions of the Warrants that may be offered pursuant to this Prospectus. This summary does not purport to be complete.

The Warrants may be issued under a warrant agreement. The applicable Prospectus Supplement will include details of the warrant agreement, if any, governing the Warrants being offered. The Company will file a copy of the warrant agreement, if any, relating to an offering of Warrants with the relevant securities regulatory authorities in Canada after it has been entered into by the Company.

The specific terms and provisions that will apply to any Warrants that may be offered by us pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the number of Warrants offered;
- the price or prices, if any, at which the Warrants will be issued;
- the currency at which the Warrants will be offered and in which the exercise price under the Warrants may be payable;
- upon exercise of the Warrant, the events or conditions under which the amount of Securities may be subject to adjustment;
- the date on which the right to exercise such Warrants shall commence and the date on which such right shall expire;
- if applicable, the identity of the Warrant agent;
- whether the Warrants will be listed on any securities exchange;
- whether the Warrants will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Warrants are to be issued in registered form, "book-entry only" form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Warrants and any other Securities to be issued upon exercise of the Warrants;
- any other rights, privileges, restrictions and conditions attaching to the Warrants and the Securities to be issued upon exercise of the Warrants; and
- any other material terms or conditions of the Warrants and the Securities to be issued upon exercise of the Warrants.

The terms and provisions of any Warrants offered under a Prospectus Supplement may differ from the terms described above and may not be subject to or contain any or all of the terms described above.

Prior to the exercise of any Warrants, holders of such Warrants will not have any of the rights of holders of the Securities purchasable upon such exercise, including the right to receive payments of dividends or the right to vote such underlying securities.

Subscription Receipts

As of the date of this Prospectus, the Company has no Subscription Receipts outstanding. The Company may issue Subscription Receipts, separately or together, with Restricted Shares, Warrants, Debt Securities, Convertible Securities or Units or any combination thereof, as the case may be. The particular terms and provisions of the Subscription Receipts as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Subscription Receipts, and the extent to which the general terms and provisions described below may apply to such Subscription Receipts will be described in the applicable Prospectus Supplement.

The following is a brief summary of certain general terms and provisions of the Subscription Receipts that may be offered pursuant to this Prospectus. This summary does not purport to be complete.

The Subscription Receipts may be issued under a subscription receipt agreement. The applicable Prospectus Supplement will include details of the subscription receipt agreement, if any, governing the Subscription Receipts being offered. The Company will file a copy of the subscription receipt agreement, if any, relating to an offering of Subscription Receipts with the relevant securities regulatory authorities in Canada after it has been entered into by the Company.

The specific terms and provisions that will apply to any Subscription Receipts that may be offered by us pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the number of Subscription Receipts offered;
- the price or prices, if any, at which the Subscription Receipts will be issued;
- the manner of determining the offering price(s);
- the currency at which the Subscription Receipts will be offered and whether the price is payable in installments;
- the Securities into which the Subscription Receipts may be exchanged;

- conditions to the exchange of Subscription Receipts into other Securities and the consequences of such conditions not being satisfied;
- the number of Securities that may be issued upon the exchange of each Subscription Receipt and the price per Security or the aggregate principal amount and the events or conditions under which the amount of Securities may be subject to adjustment;
- the dates or periods during which the Subscription Receipts may be exchanged;
- the circumstances, if any, which will cause the Subscription Receipts to be deemed to be automatically exchanged;
- provisions applicable to any escrow of the gross or net proceeds from the sale of the Subscription Receipts plus any interest or income earned thereon, and for the release of such proceeds from such escrow;
- if applicable, the identity of the Subscription Receipt agent;
- whether the Subscription Receipts will be listed on any securities exchange;
- whether the Subscription Receipts will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Subscription Receipts are to be issued in registered form, "book-entry only" form, non- certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Subscription Receipts and the Securities to be issued upon exchange of the Subscription Receipts;
- any other rights, privileges, restrictions and conditions attaching to the Subscription Receipts and the Securities to be issued upon exchange of the Subscription Receipts; and
- any other material terms or conditions of the Subscription Receipts and the Securities to be issued upon exchange of the Subscription Receipts.

The terms and provisions of any Subscription Receipts offered under a Prospectus Supplement may differ from the terms described above and may not be subject to or contain any or all of the terms described above.

Prior to the exchange of any Subscription Receipts, holders of such Subscription Receipts will not have any of the rights of holders of the Securities for which the Subscription Receipts may be exchanged, including the right to receive payments of dividends or the right to vote such underlying securities.

Debt Securities

The Company may issue Debt Securities, separately or together, with Restricted Shares, Warrants, Subscription Receipts, Convertible Securities or Units or any combination thereof, as the case may be. The particular terms and provisions of the Debt Securities as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Debt Securities, and the extent to which the general terms and provisions described below may apply to such Debt Securities will be described in the applicable Prospectus Supplement.

The following is a brief summary of certain general terms and provisions of the Debt Securities that may be offered pursuant to this Prospectus. This summary does not purport to be complete.

Debt Securities may be offered separately or in combination with one or more other Securities. The Company may, from time to time, issue debt securities and incur additional indebtedness other than through the issuance of Debt Securities pursuant to this Prospectus.

Except as otherwise specified in the applicable Prospectus Supplement, the Debt Securities will constitute the direct, unconditional and unsecured obligations of the Company and shall rank *pari passu* and ratably without preference among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Company.

The Debt Securities may be issued in one or more series under one or more indentures or other agreements between the Company and one or more counterparties. The Company will file a copy of the trust indenture or any other applicable agreement relating to an offering of Debt Securities with the relevant securities regulatory authorities in Canada after it has been entered into by the Company.

The specific terms and provisions that will apply to any Debt Securities that may be offered by us pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the title of the Debt Securities;
- any limit on the aggregate principal amount of the Debt Securities and, if no limit is specified, the Company will have the right to re-open such series for the issuance of additional Debt Securities from time to time;
- the date or dates, or the method by which such date or dates will be determined or extended, on which the principal (and premium, if any) of the Debt Securities of the series is payable;
- the rate or rates at which the Debt Securities of the series will bear interest, if any, or the method by which such rate or rates will be determined, whether such interest will be payable in cash or additional Debt Securities of the same series or will accrue and increase the aggregate principal, as well as the date(s) on which such interest shall be due and payable;
- amount outstanding of such series, the date or dates from which such interest will accrue, or the method by which such date or dates will be determined;
- the place or places the Company will pay principal, premium and interest, if any, and the place or places where Debt Securities can be presented for registration of transfer, exchange or conversion;
- the period or periods within which, the price or prices at which, the currency in which, and other terms and conditions upon which Debt Securities of the series may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option;
- whether the Company will be obligated to redeem, repay or repurchase the Debt Securities pursuant to any sinking or other provision, or at the option of a holder and the terms and conditions of such redemption, repayment or repurchase;
- the denominations in which the Company will issue any Debt Securities;
- the applicability of, and any changes or additions to, the provisions for defeasance;
- whether the holders of any series of Debt Securities have special rights if specified events occur;
- any deletions from, modifications of or additions to the events of default or covenants;
- whether the Company will issue the Debt Securities as unregistered securities, registered securities or both;
- the terms, if any, for any conversion or exchange of the Debt Securities for any other securities;
- whether payment of the Debt Securities will be guaranteed by any other person;
- whether the payment of principal, interest and premium, if any, on the Debt Securities will be the Company's senior, senior subordinated or subordinated obligations; and
- any other terms, conditions, rights and preferences (or limitations on such rights and preferences).

For greater certainty, Debt Securities may be secured, in which case the applicable security provided by the Company in connection therewith will be described in the applicable Prospectus Supplement.

Convertible Securities

The Company may issue Convertible Securities, separately or together, with Restricted Shares, Warrants, Subscription Receipts, Debt Securities or Units or any combination thereof, as the case may be. The particular terms and provisions of the Convertible Securities as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Convertible Securities, and the extent to which the general terms and provisions described below may apply to such Convertible Securities will be described in the applicable Prospectus Supplement.

The following is a brief summary of certain general terms and provisions of the Convertible Securities that may be offered pursuant to this Prospectus. This summary does not purport to be complete.

The Convertible Securities will be convertible or exchangeable into Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as applicable, and/or other Securities. The Convertible Securities convertible or exchangeable into Restricted Shares and/or other Securities may be offered separately or together with other Securities, as the case may be. The applicable Prospectus Supplement will include details of the agreement, indenture or other instrument to which such Convertible Securities will be created and issued. The Company will file a copy of any applicable agreement relating to an offering of Convertible Securities with the relevant securities regulatory authorities in Canada after it has been entered into by the Company, and the applicable Prospectus Supplement will include details of any such agreement governing the Convertible Securities being offered.

The specific terms and provisions that will apply to any Convertible Securities that may be offered by us pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the number of such Convertible Securities offered;
- the price at which such Convertible Securities will be offered;
- the procedures for the conversion or exchange of such Convertible Securities into or for Restricted Shares and/or other Securities;
- the number of Restricted Shares and/or other Securities that may be issued upon the conversion or exchange of such Convertible Securities;
- the period or periods during which any conversion or exchange may or must occur;
- the designation and terms of any other Convertible Securities with which such Convertible Securities will be offered, if any;
- the gross proceeds from the sale of such Convertible Securities;
- whether the Convertible Securities will be listed on any securities exchange;
- whether the Convertible Securities are to be issued in registered form, "book-entry only" form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- certain material Canadian tax consequences of owning the Convertible Securities; and
- any other material terms and conditions of the Convertible Securities.

Units

As of the date of this Prospectus, the Company has no Units outstanding. The Company may issue Units, separately or together, with Restricted Shares, Warrants, Subscription Receipts, Debt Securities or Convertible Securities or any combination thereof, as the case may be. Each Unit would be issued so that the holder of the Unit is also the holder of each Security comprising the Unit. Thus, the holder of a Unit will have the rights and obligations of a holder of each applicable Security. The Company will file a copy of any applicable agreement relating to an offering of Units with the relevant securities regulatory authorities in Canada after it has been entered into by the Company, and the applicable Prospectus Supplement will include details of any such agreement governing the Units being offered.

The specific terms and provisions that will apply to any Units that may be offered by us pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the number of Units offered;
- the price or prices, if any, at which the Units will be issued;
- the manner of determining the offering price(s);
- the currency at which the Units will be offered;
- the Securities comprising the Units and whether such Securities (or the Units themselves) will be listed and/or quoted on a stock exchange;
- whether the Units will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Units and the Securities comprising the Units are to be issued in registered form, "book-entry only" form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Units or the Securities comprising the Units;
- any other rights, privileges, restrictions and conditions attaching to the Units or the Securities comprising the Units; and
- any other material terms or conditions of the Units or the Securities comprising the Units, including whether and under what circumstances the Securities comprising the Units may be held or transferred separately.

The terms and provisions of any Units offered under a Prospectus Supplement may differ from the terms described above and may not be subject to or contain any or all of the terms described above.

MATERIAL CONTRACTS

As of the date hereof, the following are the material contracts of Ayr, other than contracts entered into in the ordinary course of business:

(a) the warrant agency agreement dated December 21, 2017 between the Company and Odyssey Trust Company ("**Odyssey**"), as warrant agent, as amended;

(b) the rights agreement dated December 21, 2017 between the Company and Odyssey, as rights agent, as amended;

(c) the definitive agreements, as may have been amended, in respect of the acquisitions of Sira, Washoe Wellness, LLC ("**Washoe**"), The Canopy NV LLC ("**Canopy**"), LivFree and CannaPunch of Nevada, LLC in connection with the Qualifying Transaction;

(d) the Services Agreements (as defined below);

(e) the Operations Agreement (as defined below); and

(f) the Exchange Rights Agreements (as defined below).

To the extent that cannabis-related licenses could also be considered to be material contracts, see the licenses which individually account for 10% or more of the consolidated revenue of the Company for the nine-months ended September 30, 2020 (excluding the license held by DocHouse, which was acquired by the Company subsequent to the Q3 Interim Financial Statements) listed under "*Ayr Strategies Inc. – Licenses*".

During the nine months ended September 30, 2020, the Corporation had no leases representing over 10% of its revenues, to the extent that such contracts would be considered to be material contracts entered into outside of the ordinary course of business for the purposes of this Prospectus.

The following are brief summaries of the terms and conditions of each of (i) the Services Agreements, (ii) the Operations Agreement, and (iii) the Exchange Rights Agreements, Support Agreements (as defined below) and Exchangeable Share Provisions (as defined below). These summaries in each case do not purport to be complete, are indicative only and are qualified in their entirety by reference to the respective agreements, which are available for inspection at the Company's offices during ordinary business hours and which are available on Ayr's SEDAR profile at www.sedar.com.

Services Agreements

Ayr provides administrative, consulting, and operations services to licensed cannabis establishments in the State of Nevada, specifically to the businesses of Washoe, Canopy and LivFree through separate services and operations agreements governed by Nevada law (collectively, the "**Services Agreements**"). As at the date hereof, Washoe, Canopy, and LivFree have not yet received regulatory approval to transfer licenses to the Company.

Washoe is a Nevada-based cannabis company with cultivation, extraction, processing, manufacturing and distribution capabilities. Washoe operates in both the medical and adult-use segments of the Nevada cannabis market. Washoe's cultivation activities include the growing of raw cannabis from clones, including breeding, genetics and hybridization activities. Washoe's extraction activities include the processing of cannabis plant material into cannabis oil and refined extract products. Washoe's manufacturing/production activities include the finishing of dried/cured cannabis into finished flower, pre-rolls and other dried plant products, as well as the manufacturing of infused products such as edibles, tinctures and topicals. Washoe's distribution activities include selling Washoe's flower, oil and cannabis consumer goods into the Nevada wholesale market.

Canopy is a leading owner and operator of cannabis dispensaries in Nevada, with an established footprint in Reno, NV. Canopy operates its dispensaries in both the medical and adult-use recreational markets under the MYNT Cannabis dispensary brand.

LivFree is a leading Nevada-based cannabis company with retail dispensary operations in Las Vegas and Reno, Nevada. LivFree operates in both the medical and adult-use segments of the Nevada cannabis market. LivFree operates three retail dispensaries where it sells products purchased in the wholesale market.

The Services Agreements set out the terms by which an Ayr affiliate (the "**Service Company**") will, as an independent contractor, provide services that are necessary for the day-to-day administration and management of the Canopy, Washoe and LivFree cannabis business operations. The Services Agreement for LivFree relates to cannabis business operations in Washoe County and the City of Reno only. The Service Company acts as an agent for Canopy, Washoe and LivFree in connection with billing, collection, banking, appointment and removal of officers and directors of Canopy, Washoe and LivFree and the other services provided under the applicable Services Agreement. The Service Company provides assistance with respect to personnel matters, training, cultivation, regulatory compliance, insurance, accounting, tax matters, financial and bank reporting, budgets, expenditures, contract negotiation, billing and collections (including the right to

endorse checks in the name of Canopy, Washoe and LivFree, respectively, and to make deposits to their accounts), support services, real estate leases, construction and build-out, litigation management, marketing, advertising and public relations, information technology and computer systems, and supplies, as applicable.

Subject to the terms of the respective Services Agreement, Canopy, Washoe and LivFree have ultimate authority over their operations, including from a regulatory perspective. Under the respective Services Agreement, Canopy, Washoe and LivFree require the Service Company's consent to the issuance, transfer or pledge of any equity of Canopy, Washoe and LivFree, distributions to members, any consolidation, conversion, merger or membership exchange, any sale, pledge, lease, encumbrance, transfer or other distribution of assets, any purchase of assets at an aggregate cost of more than $1,000, any incurrence of debt of more than $1,000, any reclassification or recapitalization of membership interests, any redemption or purchase of membership interests, any dissolution or liquidation, the engagement, modification or termination of any employment or independent contractor relationship with compensation in excess of $5,000 per year, the entering into any contract with payment greater than $1,000, the creation of any indebtedness or other obligations to or from members, any act outside the ordinary course of business, or the engagement of any other person to provide services of the type to be provided by the Service Company under the Services Agreement.

Pursuant to the Services Agreements, Canopy's, Washoe's and LivFree's applicable revenues are allocated in the following order: (i) first, to its direct costs and operating expenses, (ii) second, to the Service Company's direct and indirect expenses, and (iii) third, to a monthly management fee payable to the Service Company. The Service Company prepares annual budgets for each of Canopy's, Washoe's and LivFree's approval, not to be unreasonably withheld, delayed or conditioned. To the extent the Service Company has funds available, it will loan them to Canopy, Washoe and/or LivFree under a credit and security agreement to make up any shortfalls in working capital, for budgeted capital expenditures and for budgeted expansion. Each of the applicable companies to which certain licenses, associated inventory and other related assets of Canopy, Washoe and LivFree are to be transferred, subject to consent from regulatory authorities ("**Canopy NewCo**", "**Washoe NewCo**" and "**LivFree NewCo**", respectively), licenses its intellectual property and other assets to Canopy, Washoe and LivFree, respectively, so that each of them may continue its applicable cannabis business operations, to which the Service Company provides administrative, consulting and operations services under the Services Agreement.

Unless terminated early in accordance with its terms, each of the Services Agreements has a 20-year term with automatic five-year renewals. The Service Company may terminate the Services Agreement upon: the conviction of Canopy, Washoe or LivFree (as applicable), or any member or anyone employed or engaged by any of them (as applicable), of any crime punishable as a felony under federal or State law; any transfer of Canopy, Washoe or LivFree membership interests (as applicable) without the approval of the Service Company; any merger, consolidation, reorganization, conversion, sale, liquidation, dissolution or disposition or substantially all membership interests or assets of Canopy, Washoe or LivFree (as applicable) without the approval of the Service Company; any failure to timely pay the management fee; any change in scope of operations without the approval of the Service Company; any breach by Canopy, Washoe or LivFree (as applicable) of the Services Agreement; or any failure to obtain regulatory consent for a license transfer or change of control. Each of the Services Agreements may also be terminated by mutual consent, by either party upon a bankruptcy filing or insolvency of the other party, by either party for the other party's material breach that is not cured within 60 days or if a non-monetary breach not capable of cure within 60 days, failure to commence a cure within 60 days and continuation of that cure. All service fees become due upon termination.

Enforcement of Ayr's protections under the Services Agreements and other related agreements is dependent on continuing validity and enforceability of those agreements. If such agreements are found to be invalid or unenforceable, or are terminated by the counterparty, this could have a material adverse effect on Ayr's business, prospects, financial condition, and operating results.

Operations Agreement

An operations agreement governed under Nevada law (the "**Operations Agreement**") was entered into by LivFree and LivFree NewCo, an Ayr affiliate, for operations in the City of Henderson, unincorporated Clark County and the City of Las Vegas. Under the Operations Agreement, LivFree provides the services that are necessary for the day-to-day administration and management of LivFree cannabis business operations in the City of Henderson, unincorporated Clark County and the City of Las Vegas. LivFree has granted LivFree NewCo discretion regarding removal and replacement of officers and managers of LivFree. In the unlikely event that the license transfer approvals in Nevada are ultimately not able to be obtained, Ayr would not become entitled to such income in question and could be materially adversely affected.

Subject to the terms of the Operations Agreement, LivFree has been granted ultimate authority over its operations. However, under the Operations Agreement, LivFree requires LivFree NewCo's consent to the issuance, transfer or pledge of any

equity of LivFree, distributions to members, any consolidation, conversion, merger or membership exchange, any sale, pledge, lease, encumbrance, transfer or other distribution of assets, any purchase of assets at an aggregate cost of more than $1,000, any incurrence of debt of more than $1,000, any reclassification or recapitalization of membership interests, any redemption or purchase of membership interests, any dissolution or liquidation, the engagement, modification or termination of any employment or independent contractor relationship with compensation in excess of $5,000 per year, the entering into any contract with payment greater than $1,000, the creation of any indebtedness or other obligations to or from members, any act outside the ordinary course of business, or the engagement of any other person to provide services of the type to be provided by LivFree under the Operations Agreement.

Pursuant to the Operations Agreement, LivFree prepares annual budgets for LivFree NewCo's approval. To the extent LivFree NewCo or any Ayr affiliate has funds available, it may choose to loan them to LivFree under a credit and security agreement to make up any shortfalls in working capital, for budgeted capital expenditures and for budgeted expansion. LivFree NewCo licenses its intellectual property and other assets to LivFree so that LivFree may continue its cannabis business operations under the Operations Agreement.

Unless terminated early in accordance with its terms, the Operations Agreement has a 20-year term with automatic five-year renewals. LivFree NewCo may terminate the Operations Agreement upon: the conviction of LivFree, or any member or anyone employed or engaged by LivFree, of any crime punishable as a felony under federal or State law; any transfer of LivFree membership interests without the approval of LivFree NewCo; any merger, consolidation, reorganization, conversion, sale, liquidation, dissolution or disposition or substantially all membership interests or assets of LivFree without the approval of LivFree NewCo; any change in scope of operations without the approval of LivFree NewCo; any breach by LivFree of the Operations Agreement; or any failure to obtain regulatory consent for a license transfer or change of control. The Operations Agreement may also be terminated by mutual consent, by either party, upon a bankruptcy filing or insolvency of the other party, by either party for the other party's material breach that is not cured within 60 days or if a non-monetary breach not capable of cure within 60 days, failure to commence a cure within 60 days and the continuation of that cure.

Enforcement of Ayr's protections under the Operations Agreement and other related agreements is dependent on continuing validity and enforceability of those agreements. If such agreements are found to be invalid or unenforceable, or are terminated by the counterparty, this could have a material adverse effect on Ayr's business, prospects, financial condition, and operating results.

Exchangeable Shares and Exchange Rights Agreements

For tax reasons, rather than receiving Subordinate Voting Shares, the sellers of the Acquired Businesses in connection with the Qualifying Transaction received as part of their consideration, Exchangeable Shares which, pursuant to the applicable Exchange Rights Agreements, are exchangeable on a one-for-one basis into Subordinate Voting Shares.

The Exchangeable Shares entitle their holders to dividends and other rights that are, as nearly as practical, economically equivalent (without taking into account tax consequences) to those rights attaching to the Subordinate Voting Shares. Until its Exchangeable Shares are exchanged for the applicable Subordinate Voting Shares pursuant to the Exchange Rights Agreements, or the Exchangeable Share Provisions, holders of Exchangeable Shares will not have the right to vote at meetings of shareholders of Ayr or at meetings of the shareholders of Ayr's wholly owned subsidiary in Nevada, CSAC Acquisition Inc. ("**CSAC AcquisitionCo**"), except that they may vote at meetings of the shareholders of CSAC AcquisitionCo with respect to altering the rights of holders of any of the Exchangeable Shares, or if CSAC AcquisitionCo decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares will be exchangeable at any time, on a one-for-one basis, for Subordinate Voting Shares, at the option of the holder. Certain ancillary rights, as further described below, have been provided to the holders of the Exchangeable Shares pursuant to the terms and conditions of the Exchange Rights Agreements.

Exchangeable Share Procedures

In connection with each definitive agreement (as amended) pursuant to Ayr's Qualifying Transaction, Ayr entered into the corresponding support agreement (each, a "**Support Agreement**", and collectively, the "**Support Agreements**") as well as exchange rights agreements with CSAC AcquisitionCo and the respective holders of the Exchangeable Shares (each, an "**Exchange Rights Agreement**", and collectively, the "**Exchange Rights Agreements**") for the benefit of the sellers under each definitive agreement, whereby Ayr has agreed to make certain covenants in favor of the sellers to protect their rights as holders of Exchangeable Shares. Ayr agrees to reserve an amount of applicable Subordinate Voting Shares for issuance upon exchange of the Exchangeable Shares, and ensure such shares remain protected from pre-emptive and other rights.

Upon notice to Ayr and CSAC AcquisitionCo, Ayr will issue such number of applicable Subordinate Voting Shares to a holder of Exchangeable Shares in exchange for the Exchangeable Shares of such holder, subject to the terms specified in the Exchange Rights Agreements. Additionally, Ayr has an overriding liquidation call right under the Exchange Rights Agreements to purchase all, but not less than all, of the Exchangeable Shares from the holders thereof upon a proposed liquidation, dissolution or winding-up of CSAC AcquisitionCo, as well as a redemption call right and retraction call right on the Exchangeable Shares, in each case for the consideration set forth in such agreements.

General

The ancillary rights, consisting of the Automatic Exchange Right (as defined below) and the Exchangeable Shareholders' Put Right (as defined below), are rights established for the benefit of the holders of Exchangeable Shares pursuant to the Exchange Rights Agreements and are intended to ensure that such holders have the right to receive the applicable Subordinate Voting Shares in the event of: (i) a Liquidation Event (as defined below) (by the operation of the Automatic Exchange Right); or (ii) an Insolvency Event (as defined below) (by the operation of the Exchangeable Shareholders' Put Right).

In connection with the issuance of the Exchangeable Shares, Call Rights (as defined below) are provided in favour of Ayr, which are triggered in certain circumstances. The Call Rights, consisting of the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right (in each case, as defined below) (collectively, the "**Call Rights**"), are rights established in favour of Ayr to allow it to purchase Exchangeable Shares: (i) in the event of the liquidation, dissolution or winding-up of CSAC AcquisitionCo (by the operation of the Liquidation Call Right); or (ii) that would otherwise be redeemed by CSAC AcquisitionCo (by the operation of the Redemption Call Right or the Retraction Call Right). The consideration received by a holder of Exchangeable Shares will be the same whether such holder's Exchangeable Shares are redeemed by CSAC AcquisitionCo or purchased by Ayr.

Dividend Rights

Holders of Exchangeable Shares will be are entitled to receive, subject to applicable law, dividends economically equivalent to all dividends paid on the Subordinate Voting Shares. The Support Agreements restrict Ayr from declaring or paying dividends on the Subordinate Voting Shares unless economically equivalent dividends are declared and paid on the Exchangeable Shares, subject to applicable law. Cash dividends on the Exchangeable Shares are payable in an amount equal to and in the currency of the corresponding cash dividend payable on Subordinate Voting Shares, or the U.S. dollar equivalent. Stock dividends declared on the Subordinate Voting Shares to be paid in Subordinate Voting Shares will be satisfied for each Exchangeable Share by the issue or transfer of such number of Exchangeable Shares as is equal to the number of Subordinate Voting Shares to be paid on each Subordinate Voting Share (or by way of an economically equivalent stock split). Dividends declared on Subordinate Voting Shares in property, other than cash or Subordinate Voting Shares, will be satisfied by such type and amount of property for each Exchangeable Share as is the same as, or economically equivalent to, the type and amount of property declared as a dividend on each Subordinate Voting Share. The declaration date, record date and payment date for dividends on the Exchangeable Shares will be the same as the relevant date for the corresponding dividends on the Subordinate Voting Shares.

The record date for the determination of the holders of Exchangeable Shares entitled to receive payment of, and the payment date for, any dividend or distribution declared on the Exchangeable Shares shall be the same dates as the record date and payment date, respectively, for the corresponding dividend or distribution declared on the Subordinate Voting Shares.

Any dividend which should have been declared or paid on the Exchangeable Shares but was not so declared or paid due to the provisions of applicable law shall be declared and paid by CSAC AcquisitionCo as soon as payment of such dividend is permitted by such law.

If, on any payment date for any dividends or distributions declared on the Exchangeable Shares, the dividends or distributions are not paid in full on all of the Exchangeable Shares then outstanding, any such dividends or distributions that remain unpaid shall be paid on the first subsequent date or dates determined by the CSAC AcquisitionCo board of directors on which CSAC AcquisitionCo shall have sufficient moneys, assets or other property properly applicable to the payment of such dividend or distribution.

The CSAC AcquisitionCo board of directors shall determine, in good faith and acting reasonably (with the assistance of such reputable and qualified independent financial advisors and/or other experts as it may require), economic equivalence for these purposes, and shall provide the holders of the Exchangeable Shares ("**Exchangeable Shareholders**") with a copy of a written determination of economic equivalence and the underlying calculations supporting such determination and the

final version of any written report provided by such financial advisors and/or other experts supporting such determination, if requested. For greater certainty, the CSAC AcquisitionCo board of directors shall not be under any obligation to procure any such assistance in support of their determination of economic equivalence for these purposes.

Ranking and Liquidation Rights

Except for the exchange features and related rights of the Exchangeable Shares and the fact that the Exchangeable Shares are non-voting (except as described herein), the Exchangeable Shares rank pari passu with the CSAC AcquisitionCo common shares. Subject to applicable law and the due exercise by Ayr of its Liquidation Call Right, in the event of the liquidation, dissolution or winding-up of CSAC AcquisitionCo, a holder of Exchangeable Shares shall be entitled to receive in respect of each Exchangeable Share held by such holder on the effective date of such liquidation, dissolution or winding-up (the "**Liquidation Date**"), before any distribution of any part of the assets of CSAC AcquisitionCo among the holders of the common shares of CSAC AcquisitionCo or any other shares in CSAC AcquisitionCo, an amount per Exchangeable Share equal to the Exchangeable Share Consideration applicable on the last business day prior to the Liquidation Date (the "**Liquidation Amount**").

On or promptly after the Liquidation Date, and subject to the exercise by Ayr of its Liquidation Call Right in accordance with the terms of the Exchange Rights Agreement, CSAC AcquisitionCo shall cause to be delivered to the holders of the Exchangeable Shares the Liquidation Amount for each such Exchangeable Share upon presentation and surrender of the certificates representing such Exchangeable Shares and a document (in the case of a holder who is a U.S. Resident (as defined below)) containing a representation and warranty that the holder is a U.S. Resident, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under applicable law and the articles and by-laws of CSAC AcquisitionCo at the registered office of CSAC AcquisitionCo. Upon such payment of the total Liquidation Amount, the holders of the Exchangeable Shares (other than any holder which is an Ayr affiliate (as such term is defined in the Exchange Rights Agreement)) shall thereafter be considered and deemed for all purposes to be holders of the Subordinate Voting Shares delivered to them as part or all of the Exchangeable Share Consideration notwithstanding that the certificate or certificates representing such Exchangeable Shares have not been delivered by the holder or holders thereof to Ayr, and such holders shall not be entitled, in respect of the Exchangeable Shares, to share in any further distribution of the assets of CSAC AcquisitionCo.

For the purposes hereof, a "**U.S. Resident**" means a person who is a resident of the United States for purposes of the Internal Revenue Code of 1986, as amended or, if a partnership, all of whose partners are U.S. Residents, and the "**Exchangeable Share Consideration**" per Exchangeable Share means one Subordinate Voting Share and any unpaid dividend entitlements, less applicable withholding taxes.

Exchange of Exchangeable Shares for Subordinate Voting Shares

Subject to the exercise by Ayr of its Retraction Call Right, a holder of Exchangeable Shares is entitled to retract (meaning require CSAC AcquisitionCo to redeem) any or all of the Exchangeable Shares held by such holder for a retraction price per share equal to the then Retraction Price (as defined below). A holder of Exchangeable Shares may affect such retraction by presenting: (i) a certificate or certificates to CSAC AcquisitionCo or Odyssey, acting as Ayr's transfer agent (or any successor thereto), representing the number of Exchangeable Shares the holder desires to retract, duly endorsed in blank; (ii) a duly executed request (a "**Retraction Request**") indicating the number of Exchangeable Shares the holder desires to retract (the "**Retracted Shares**") and the date of retraction (the "**Retraction Date**") and acknowledging the Retraction Call Right; and (iii) such other documents as may be required to effect the retraction of the Retracted Shares.

When a holder requests CSAC AcquisitionCo to redeem Exchangeable Shares, Ayr will have an overriding Retraction Call Right to purchase on the Retraction Date all but not less than all of the Retracted Shares, at a purchase price per share equal to the then Retraction Price. Upon receipt of a Retraction Request, CSAC AcquisitionCo is required to immediately notify Ayr in writing of the Retraction Request. Ayr must then advise CSAC AcquisitionCo and the Exchangeable Shareholder within five business days as to whether the Retraction Call Right will be exercised. If Ayr advises CSAC AcquisitionCo that Ayr will exercise the Retraction Call Right within such five business day period, then provided the Retraction Request is not validly revoked by the holder, the Retraction Request shall be considered to be an offer by the holder to sell the Retracted Shares to Ayr in accordance with the Retraction Call Right.

On and after the close of business on the Retraction Date, the holder of the Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive the Retraction Price, unless upon presentation and surrender of certificates in accordance with the foregoing provisions, payment of the total Retraction Price payable to such holder shall not be made, in which case the rights of such

holder shall remain unaffected until the total Retraction Price has been paid in the manner hereinbefore provided. On and after the close of business on the Retraction Date, provided that presentation and surrender of certificates and payment of the total Retraction Price has been made in accordance with the foregoing provisions, the holder of the Retracted Shares so redeemed by CSAC AcquisitionCo shall thereafter be considered and deemed for all purposes to be a holder of the Subordinate Voting Shares delivered to such holder.

Notwithstanding the foregoing, CSAC AcquisitionCo shall not be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent that such redemption of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law. If CSAC AcquisitionCo believes that on any Retraction Date it would not be permitted by any of such provisions to redeem the Retracted Shares tendered for redemption on such date, CSAC AcquisitionCo shall only be obligated to redeem Retracted Shares to the extent of the maximum number that may be so redeemed (rounded down to the next whole number of shares) as would not be contrary to such provisions. In any case in which the redemption by CSAC AcquisitionCo of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law, and more than one holder has duly delivered a Retraction Request, CSAC AcquisitionCo shall redeem Retracted Shares on a pro-rata basis. Provided that the Retraction Request is not revoked by the holder, the holder of any such Retracted Shares not redeemed by CSAC AcquisitionCo as a result of solvency requirements or other provisions of applicable law shall be deemed by giving the Retraction Request to require Ayr to purchase such Retracted Shares from such holder on the Retraction Date or as soon as practicable thereafter on payment by Ayr to such holder of the Retraction Price for each such Retracted Share.

For the purposes hereof, the "**Retraction Price**" per Exchangeable Share means one Subordinate Voting Share and any unpaid dividend entitlements, less applicable withholding taxes.

Upon exchange of the Exchangeable Shares into Subordinate Voting Shares and any other event requiring the issuance of Subordinate Voting Shares, CSAC Holdings Inc., the parent company of CSAC AcquisitionCo, will be issued an equivalent number of voting common shares of CSAC AcquisitionCo.

Redemption Rights

Subject to applicable law, and provided that Ayr has not exercised the Redemption Call Right or an Exchangeable Shareholder has not exercised the Exchangeable Shareholders' Put Right pursuant to the Exchange Rights Agreement, upon the occurrence of a Redemption Event (as defined below), CSAC AcquisitionCo shall have the right to redeem all but not less than all of the then outstanding Exchangeable Shares for an amount per Exchangeable Share equal to the Exchangeable Share Consideration on the last business day prior to the Redemption Date (the "**Redemption Price**"). "**Redemption Date**" means the date for redemption as established in accordance with the terms of the Exchangeable Shares.

In the case of a proposed redemption by CSAC AcquisitionCo of Exchangeable Shares, CSAC AcquisitionCo shall:

(a) at least 15 days before the Redemption Date (other than a Redemption Date established in connection with a Control Transaction (as defined below)), notify Ayr in writing (the "**Redemption Notice**") of the intention of CSAC AcquisitionCo to redeem the Exchangeable Shares; and

(b) at least 10 days before the Redemption Date (other than a Redemption Date established in connection with a Control Transaction), send or cause to be sent to Ayr and each holder of Exchangeable Shares a notice in writing (the "**Shareholder Redemption Notice**") of the proposed redemption by CSAC AcquisitionCo of the Exchangeable Shares held by such holder.

In the case of a Redemption Date established in connection with a Control Transaction, the Redemption Notice and the Shareholder Redemption Notice must be sent on or before the Redemption Date, on as many days prior written notice as may be determined by the CSAC AcquisitionCo board of directors, to be reasonably practicable in the circumstances (provided that at least ten business days' notice is given). In any such case, such notice shall set out the Redemption Date.

On the Redemption Date and subject to the exercise by Ayr of the Redemption Call Right or the exercise of the Exchangeable Shareholders' Put Right pursuant to the Exchange Rights Agreement, CSAC AcquisitionCo shall cause to be delivered to the holders of the Exchangeable Shares to be redeemed the Exchangeable Share Consideration representing the full Redemption Price for each such Exchangeable Share, upon presentation and surrender at the registered office of CSAC AcquisitionCo of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the applicable law and (in the case of a holder who is a U.S. Resident) a representation and warranty by such holder of Exchangeable Shares to be redeemed that

such holder is a U.S. Resident. On and after the Redemption Date, the holders of the Exchangeable Shares called for redemption shall cease to be holders of such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive their proportionate part of the total Redemption Price, unless payment of the total Redemption Price delivered to a holder for such Exchangeable Shares shall not be made upon presentation and surrender of share certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Redemption Price has been paid in the manner hereinbefore provided. Upon such payment of the total Redemption Price, the holders of the Exchangeable Shares shall thereafter be considered and deemed for all purposes to be holders of the Subordinate Voting Shares delivered to them.

For the purposes hereof, a "**Redemption Event**" means (a) the occurrence of a Control Transaction, (b) the occurrence of an Insolvency Event, (c) the day upon which U.S. tax legislation is amended and becomes effective such that all U.S. Resident holders of Exchangeable Shares may receive Subordinate Voting Shares in exchange for their Exchangeable Shares on a tax-deferred basis for U.S. income tax purposes, or (d) the seventh anniversary of the closing or any date thereafter; a "**Control Transaction**" means any of the following: (i) any person or group of persons acting jointly or in concert (within the meaning of National Instrument NI 62-104 – *Take-Over Bid and Issuer Bids* ("**NI 62-104**")) acquires, directly or indirectly, control (as defined in NI 62-104) of Ayr; (ii) the shareholders of Ayr shall have approved merger, consolidation, recapitalization or reorganization of Ayr, or, if shareholder approval is not sought or obtained, any such transaction shall have been consummated, in either case other than any such transaction which would result in at least 50% of the total voting power represented by the voting securities of the resulting entity outstanding immediately after such transaction being beneficially owned by holders of outstanding voting securities of Ayr immediately prior to the transaction, with the voting power of each such continuing holder relative to such other continuing holders being not altered substantially in the transaction; or (iii) the shareholders of Ayr shall approve an agreement for the sale or disposition by Ayr of all or substantially all of Ayr's assets; and an "**Insolvency Event**" means the institution by CSAC AcquisitionCo of any proceeding to be adjudicated a bankrupt or insolvent or to be liquidated, dissolved or wound-up, or the consent of CSAC AcquisitionCo to the institution of bankruptcy, insolvency, liquidation, dissolution or winding up proceedings against it, or the filing of a petition, answer or consent seeking liquidation, dissolution or winding up under any bankruptcy, insolvency or analogous laws in any jurisdiction, and the failure by CSAC AcquisitionCo to contest in good faith any such proceedings instituted by any person other than CSAC AcquisitionCo commenced in respect of CSAC AcquisitionCo within 30 days of becoming aware thereof, or the consent by CSAC AcquisitionCo to the filing of any such petition or to the appointment of a receiver, or the making by CSAC AcquisitionCo of a general assignment for the benefit of creditors, or the admission in writing by CSAC AcquisitionCo of its inability to pay its debts generally as they become due, or CSAC AcquisitionCo not being permitted, pursuant to solvency requirements of applicable law, to purchase any Retracted Shares (as defined below).

Purchase for Cancellation

Subject to applicable law, CSAC AcquisitionCo may at any time and from time to time purchase for cancellation all or any part of the Exchangeable Shares by private contract with any holder of Exchangeable Shares at any price agreed to between CSAC AcquisitionCo and such holder of Exchangeable Shares.

Amendments and Approval

The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares in the Exchange Rights Agreements may be added to, changed or removed but only with the approval of Ayr and the holders of the Exchangeable Shares given as hereinafter specified.

Any approval given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable law subject to a minimum requirement that such approval be evidenced by resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of holders of Exchangeable Shares duly called and held at which the holders of at least 50% of the outstanding Exchangeable Shares at that time are present or represented by proxy. If at any such meeting the holders of at least 50% of the outstanding Exchangeable Shares at that time are not present or represented by proxy within one-half hour after the time appointed for such meeting, then the meeting shall be adjourned to such date not less than five days thereafter and to such time and place as may be designated by the Chairman of such meeting. At such adjourned meeting the holders of Exchangeable Shares present or represented by proxy thereat shall form a quorum and may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of not less than two-thirds of the votes cast on such resolution at such meeting shall constitute the approval or consent of the holders of the Exchangeable Shares.

Certain Restrictions

So long as any of the Exchangeable Shares are outstanding, CSAC AcquisitionCo shall not at any time without, but may at any time with, the approval of the holders of the Exchangeable Shares by special resolution: (i) amend the articles of CSAC AcquisitionCo; or (ii) initiate the voluntary liquidation, dissolution or winding-up of CSAC AcquisitionCo, nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of CSAC AcquisitionCo.

Grant of Exchange Rights

Subject to Ayr's Call Rights under the Exchange Rights Agreement, Ayr grants to each of the Exchangeable Shareholders the right, exercisable upon the occurrence and during the continuance of: (i) an Insolvency Event, or (ii) subject to the Liquidation Call Right and Redemption Call Right, any event causing the automatic exchange of the Exchangeable Shares for Subordinate Voting Shares or requiring the Exchangeable Shareholders to exchange their Exchangeable Shares for Subordinate Voting Shares to require Ayr to purchase from such Exchangeable Shareholder all or any part of the Exchangeable Shares held by such Exchangeable Shareholder, all in accordance with the provisions of the Exchange Rights Agreement and the share terms of CSAC AcquisitionCo governing the Exchangeable Shares (the "**Exchangeable Share Provisions**") (the "**Exchangeable Shareholders' Put Right**").

The purchase price payable by Ayr for each Exchangeable Share to be purchased by Ayr upon the exercise of the Exchangeable Shareholders' Put Right shall be an amount per Exchangeable Share equal to the Exchangeable Share Consideration.

Ayr will also grant the Automatic Exchange Right to the Exchangeable Shareholders.

Automatic Exchange Right on Liquidation of Ayr

Ayr will give each Exchangeable Shareholder written notice of each of the following events (each a "**Liquidation Event**") at the time set forth below:

(a) in the event of any determination by the Board to institute voluntary liquidation, dissolution or winding-up proceedings with respect to Ayr or to affect any other distribution of assets of Ayr among its stockholders for the purpose of winding up its affairs, at least 30 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution; and

(b) as soon as practicable following the earlier of:

(i) receipt by Ayr of notice of; and

(ii) Ayr's otherwise becoming aware of any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Ayr or to affect any other distribution of assets of Ayr among its stockholders for the purpose of winding up its affairs, in each case where Ayr has failed to contest in good faith any such proceeding commenced in respect of Ayr within 30 days of becoming aware thereof.

Such notice shall include a brief description of the automatic exchange of Exchangeable Shares for Subordinate Voting Shares (the "**Automatic Exchange Right**").

In order for the Exchangeable Shareholders to participate on a pro-rata basis with the holders of the Subordinate Voting Shares in the distribution of assets of Ayr in connection with a Liquidation Event, immediately prior to the effective date of a Liquidation Event (the "**Liquidation Event Effective Date**"), subject to each of the Liquidation Call Right and Exchangeable Shareholders' Put Right (if applicable) not having been exercised, each of the then outstanding Exchangeable Shares shall be automatically exchanged for Subordinate Voting Shares. To effect such automatic exchange, Ayr shall be deemed to have purchased each Exchangeable Share outstanding on the Liquidation Event Effective Date held by Exchangeable Shareholders, and each Exchangeable Shareholder shall be deemed to have sold the Exchangeable Shares held by it at such time to Ayr, for an amount per share equal to the Exchangeable Share Consideration applicable on the business day prior to the Liquidation Event Effective Date.

Liquidation Call Right

Ayr shall have the overriding right (the "**Liquidation Call Right**"), in the event of and notwithstanding the proposed liquidation, dissolution or winding-up of Ayr and notwithstanding the Exchangeable Share Provisions, to purchase from all, but not less than all, of the Exchangeable Shareholders (other than any Exchangeable Shareholder which is an affiliate of Ayr) on the Liquidation Date all, but not less than all, of the Exchangeable Shares held by each such Exchangeable Shareholder on payment by Ayr to each such Exchangeable Shareholder an amount per Exchangeable Share equal to the Exchangeable Share Consideration applicable on the business day prior to the Liquidation Date (the "**Liquidation Call Purchase Price**"). In the event of the exercise of the Liquidation Call Right by Ayr, each Exchangeable Shareholder (other than any Exchangeable Shareholder which is an affiliate of Ayr) shall be obligated to sell all the Exchangeable Shares held by such Exchangeable Shareholder to Ayr on the Liquidation Date on payment by Ayr to the Exchangeable Shareholder of the Liquidation Call Purchase Price, less any applicable withholding taxes, for each such Exchangeable Share and CSAC AcquisitionCo shall have no obligation to pay the Liquidation Amount to the holders of such Exchangeable Shares so purchased by Ayr.

Redemption Call Right

Upon the receipt of a Redemption Notice, Ayr shall have the overriding right (the "**Redemption Call Right**"), notwithstanding the proposed redemption of the Exchangeable Shares by Ayr pursuant to the Exchangeable Share Provisions, to purchase from all but not less than all of the Exchangeable Shareholders (other than any Exchangeable Shareholder which is an affiliate of Ayr) on the Redemption Date or, if the Exchangeable Shares have not otherwise been redeemed or retracted by such date, any date following the Redemption Date (the "**Later Redemption Date**"), all but not less than all of the Exchangeable Shares held by each such holder on payment by Ayr to each Exchangeable Shareholder an amount per Exchangeable Share (the "**Redemption Call Purchase Price**") equal to the Exchangeable Share Consideration on the last business day prior to the Redemption Date or the Later Redemption Date, as applicable. In the event of the exercise of the Redemption Call Right by Ayr, each Exchangeable Shareholder shall be obligated to sell all the Exchangeable Shares held by the Exchangeable Shareholder to Ayr on the Redemption Date or the Later Redemption Date, as applicable, on payment by Ayr to the Exchangeable Shareholder of the Redemption Call Purchase Price for each such Exchangeable Share, and CSAC AcquisitionCo shall have no obligation to redeem such Exchangeable Shares so purchased by Ayr.

Retraction Call Right

Upon receipt by Ayr of a Retraction Request, CSAC AcquisitionCo shall immediately notify Ayr in writing thereof (a "**Retraction Call Notice**") and shall provide to Ayr a copy of the Retraction Request. Upon receipt by Ayr of a Retraction Call Notice, Ayr shall have the right (the "**Retraction Call Right**"), notwithstanding the Exchangeable Share Provisions, to purchase from each such Exchangeable Shareholder that has delivered a Retraction Request, on the Retraction Date, all but not less than all of the Exchangeable Shares held by such holder on payment by Ayr to each such Exchangeable Shareholder an amount per Exchangeable Share equal to the Exchangeable Share Consideration on the last business day prior to the Retraction Date.

CONSOLIDATED CAPITALIZATION

Since September 30, 2020, the date of the Q3 Interim Financial Statements, there have been no material changes to the Company's share and loan capitalization on a consolidated basis as of December 16, 2020 except the following:

- the issuance of 7,876 Subordinate Voting Shares pursuant to the conversion of 78,760 Rights;
- the issuance of 875,272 Subordinate Voting Shares pursuant to the conversion of 861,130 Exchangeable Shares;
- the issuance of 4,950,016 Subordinate Voting Shares pursuant to the exercise of 4,950,016 Listed Warrants;
- the issuance of 128,265 Subordinate Voting Shares in connection with the acquisition of DocHouse (see "*Ayr Strategies Inc. – Recent Developments – Pennsylvania*"); and
- the issuance of US$110 million aggregate principal amount of 12.5% senior secured notes due 2024, bearing 12.5% interest per annum, payable semi-annually, in equal instalments, with a maturity date 48 months from the issue

date (see "*Documents Incorporated by Reference*" and "*Ayr Strategies Inc. – Recent Developments – Senior Secured Notes*").

The applicable Prospectus Supplement will describe any material change, and the effect of such material change, on the share and loan capitalization of the Company that will result from the issuance of Securities pursuant to such Prospectus Supplement.

EARNINGS COVERAGE RATIOS

The applicable Prospectus Supplement will provide, if required, the earnings coverage ratios with respect to the issuance of Securities pursuant to such Prospectus Supplement.

PLAN OF DISTRIBUTION

We may offer and sell Securities directly to one or more purchasers through agents or through underwriters or dealers designated by us from time to time. We may distribute the Securities from time to time in one or more transactions at fixed prices (which may be changed from time to time), at market prices prevailing at the times of sale, at varying prices determined at the time of sale, at prices related to prevailing market prices or at negotiated prices. A description of such pricing will be disclosed in the applicable Prospectus Supplement. We may offer Securities in the same offering, or we may offer Securities in separate offerings. The sale of Restricted Shares may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102, including sales made directly on the CSE or other existing trading markets for the Restricted Shares, and as set forth in the Prospectus Supplement for such purpose.

This Prospectus may also, from time to time, relate to the offering of our Securities by certain selling securityholders. The selling securityholders may sell all or a portion of our Securities beneficially owned by them and offered thereby from time to time directly or through one or more underwriters, broker-dealers or agents. Our Securities may be sold by the selling securityholders in one or more transactions at fixed prices (which may be changed from time to time), at market prices prevailing at the time of the sale, at varying prices determined at the time of sale, at prices related to prevailing market prices or at negotiated prices.

A Prospectus Supplement will describe the terms of each specific offering of Securities, including: (i) the terms of the Securities to which the Prospectus Supplement relates, including the type of Security being offered; (ii) the name or names of any agents, underwriters or dealers involved in such offering of Securities; (iii) the name or names of any selling securityholders; (iv) the purchase price of the Securities offered thereby (or the manner of determination thereof if offered on a non-fixed price basis, including sales in transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102) and the proceeds to, and the portion of expenses borne by, the Company from the sale of such Securities; (v) any agents' commission, underwriting discounts and other items constituting compensation payable to agents, underwriters or dealers; and (vi) any discounts or concessions allowed or re-allowed or paid to agents, underwriters or dealers. The Securities may be offered and issued in consideration for the acquisition of other businesses, assets or securities by the Company or one of its subsidiaries. The consideration for any such acquisition may consist of the Securities separately, a combination of Securities or any combination of, among other things, Securities, cash and assumption of liabilities.

The Securities may be sold in transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102, including sales made directly on the CSE or other existing trading markets for the Subordinate Voting Shares.

If underwriters are used in an offering, the Securities offered thereby may be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase Securities, if applicable, will be subject to the conditions precedent agreed upon by the parties.

The Securities may also be sold (i) directly by the Company or the selling securityholders at such prices and upon such terms as agreed to, or (ii) through agents designated by the Company or the selling securityholders from time to time. Any agent involved in the offering and sale of the Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by the Company and/or selling securityholder to such agent will be set forth, in the Prospectus

Supplement. Unless otherwise indicated in the Prospectus Supplement, any agent is acting on a "best efforts" basis for the period of its appointment.

We and/or the selling securityholders may agree to pay the underwriters, broker-dealers or agents a commission for various services relating to the issue and sale of any Securities offered under any Prospectus Supplement. Underwriters, broker-dealers or agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Company and/or the selling securityholders to indemnification by the Company and/or the selling securityholders against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Any public offering price and any discounts or concessions allowed or re-allowed or paid to underwriters, broker-dealers or agents may be changed from time to time.

Each class or series of Warrants (other than the Listed Warrants), Subscription Receipts, Debt Securities, Convertible Securities and Units will be, unless specified in the applicable Prospectus Supplement, a new issue of Securities with no established trading market and, unless otherwise specified in the applicable Prospectus Supplement, none of the Warrants (other than the Listed Warrants), Subscription Receipts, Debt Securities, Convertible Securities or Units will be listed on any securities or stock exchange. Unless otherwise specified in the applicable Prospectus Supplement, there is no market through which the Warrants (other than the Listed Warrants), Subscription Receipts, Debt Securities, Convertible Securities or Units (other than constituent Restricted Shares and/or Listed Warrants) may be sold and purchasers may not be able to resell Warrants (other than Listed Warrants), Subscription Receipts, Debt Securities, Convertible Securities or Units (other than constituent Restricted Shares and/or Listed Warrants) purchased under this Prospectus or any Prospectus Supplement. This may affect the pricing of the Warrants (other than the Listed Warrants), Subscription Receipts, Debt Securities, Convertible Securities or Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. Subject to applicable laws, certain dealers may make a market in the Warrants, Subscription Receipts, Debt Securities, Convertible Securities or Units, as applicable, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any dealer will make a market in the Warrants, Subscription Receipts, Debt Securities, Convertible Securities or Units or as to the liquidity of the trading market, if any, for the Warrants, Subscription Receipts, Debt Securities, Convertible Securities or Units.

Sales of Restricted Shares under an "at-the-market distribution", if any, may be made pursuant to an accompanying Prospectus Supplement. Sales of Restricted Shares under any "at-the-market" program will be made in transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102. The volume and timing of any "at-the-market distributions" will be determined at the Company's sole discretion.

In connection with any offering of Securities, unless otherwise specified in a Prospectus Supplement, underwriters, broker-dealers or agents may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of Securities offered at levels other than those which might otherwise prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time. No underwriter, broker-dealer or agent involved in an "at-the-market distribution" under this Prospectus, no affiliate of such underwriter, broker-dealer or agent, and no person or company acting jointly or in concert with such underwriter, broker-dealer or agent will over-allot Securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the Securities.

Unless stated to the contrary in any Prospectus Supplement, the Securities have not been and will not be registered under the 1933 Act or any state securities laws and may not be offered, sold or delivered within the United States or to U.S. persons within the meaning of Regulation S under the 1933 Act, except in certain transactions that are exempt from the registration requirements of the 1933 Act. In addition, until 40 days after the commencement of an offering of Securities, an offer or sale of the Securities within the United States or to U.S. persons by any dealer, whether or not participating in the offering, may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the 1933 Act.

PRIOR SALES

Information in respect of prior sales of Restricted Shares or other Securities distributed under this Prospectus and for securities that are convertible or exchangeable into Restricted Shares or such other Securities within the previous 12-month period will be provided, as required, in a Prospectus Supplement with respect to the issuance of Restricted Shares or other Securities pursuant to such Prospectus Supplement.

TRADING PRICE AND VOLUME

The Restricted Shares and Listed Warrants are currently listed on the CSE under the trading symbols "AYR.A", "AYR.WT" and "AYR.RT", respectively. Trading prices and volumes in respect of the Restricted Shares and Listed Warrants will be provided, as required, in each Prospectus Supplement.

DIVIDENDS

The Company has no dividend record and does not currently anticipate paying any dividends on the in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

TAX CONSIDERATIONS

Owning any of the Securities may subject holders to tax consequences. The applicable Prospectus Supplement may describe certain Canadian federal income tax considerations generally applicable to an investor acquiring, owning and disposing of any of the Securities offered thereunder, including, in the case of an investor who is not a resident of Canada, Canadian non-resident withholding tax considerations. Prospective investors should consult their own tax advisors prior to deciding to purchase any of the Securities.

RISK FACTORS

Before making an investment decision, prospective purchasers of Securities should carefully consider the information described in this Prospectus and the documents incorporated by reference herein, including the AIF and any applicable Prospectus Supplement. Additional risk factors relating to a specific offering of Securities may be described in the applicable Prospectus Supplement. Some of the risk factors described herein and in the documents incorporated by reference herein, including the applicable Prospectus Supplement, 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 your investment in the Securities could be materially adversely affected. Additional risks and uncertainties of which we currently are unaware or that are unknown or that we currently deem to be immaterial could have a material adverse effect on our business, financial condition and results of operation. We cannot assure you that we will successfully address any or all of these risks.

In addition to the risk factors described elsewhere herein and in the documents incorporated by reference herein, prospective investors should carefully consider the risks below together with the other information provided elsewhere in this Prospectus and the applicable Prospectus Supplement. Prospective investors should consult with their professional advisors to assess any investment in the Company.

Risks Related to the Company's Securities

Return on Securities is not guaranteed

There is no guarantee that the Securities will earn any positive return in the short-term or long-term. A holding of Securities 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 Securities is appropriate only for holders who have the capacity to absorb a loss of some or all of their holdings.

Discretion in the use of proceeds

Management of the Company will have broad discretion with respect to the timing and application of net proceeds received by the Company from the sale of Securities under this Prospectus or a future Prospectus Supplement and may spend such proceeds in ways that do not improve the Company's results of operations or enhance the value of the Restricted Shares or its other securities issued and outstanding from time to time. As a result, purchasers will be relying on the ongoing judgment of management as determined from time to time for the application of the proceeds of any such offering. The results and the effectiveness of the application of the net proceeds are uncertain. Any failure by management to apply these funds effectively could result in financial losses that could have a material adverse effect on the Company's business or cause the price of the securities of the Company issued and outstanding from time to time to decline. The Company will not receive any proceeds from any sale of any Securities by selling securityholders in a secondary offering.

Dilution

The offering price of Restricted Shares or other Securities that are convertible or exchangeable into Restricted Shares may significantly exceed the net tangible book value per share of the Restricted Shares. Accordingly, a purchaser of Restricted Shares or other Securities that are convertible or exchangeable into Restricted Shares may incur immediate and substantial dilution of his, her or its investment. If outstanding options and warrants to purchase Restricted Shares are exercised or securities convertible into Restricted Shares are converted, additional dilution will occur. The Company may sell additional Restricted Shares or other securities that are convertible or exchangeable into Restricted Shares in subsequent offerings or may issue additional Restricted Shares or other securities to finance future acquisitions. The Company cannot predict the size or nature of future sales or issuances of securities or the effect, if any, that such future sales and issuances will have on the market price of the Restricted Shares. Sales or issuances of substantial numbers of Restricted Shares or other securities that are convertible or exchangeable into Restricted Shares, or the perception that such sales or issuances could occur, may adversely affect prevailing market prices of the Restricted Shares. With any additional sale or issuance of Restricted Shares or other securities that are convertible or exchangeable into Restricted Shares, investors will suffer dilution to their voting power and economic interest in the Company. Furthermore, to the extent holders of the Company's stock options or other convertible securities convert or exercise their securities and sell the Restricted Shares they receive, the trading price of the Restricted Shares on the CSE and OTCQX Best Market may decrease due to the additional amount of Restricted Shares available in the market.

Liquidity

There is currently no market through which the Securities, other than the Restricted Shares and Listed Warrants, may be sold and, unless otherwise specified in the applicable Prospectus Supplement, none of the Warrants (other than Listed Warrants), Subscription Receipts, Debt Securities, Convertible Securities or Units (other than in respect of constituent Restricted Shares and/or Listed Warrants) will be listed on any securities or stock exchange or any automated dealer quotation system. As a consequence, purchasers may not be able to resell Warrants (other than Listed Warrants), Subscription Receipts, Debt Securities, Convertible Securities or Units purchased under this Prospectus or any Prospectus Supplement. This may affect the pricing of the Securities, other than the Restricted Shares and Listed Warrants, in the secondary market, the transparency and availability of trading prices, the liquidity of these securities and the extent of issuer regulation. There can be no assurance that an active trading market for the Securities, other than the Restricted Shares and Listed Warrants, will develop or, if developed, that any such market, including for the Restricted Shares and Listed Warrants, will be sustained.

Impact on resales into the United States

The Restricted Shares have not been, and may never be, registered under the 1933 Act. As such, the Restricted Shares may be offered only to non-U.S. persons (as defined in Regulation S under the 1933 Act) outside the United States in transactions exempt from the registration requirements of the 1933 Act in reliance on Regulation S, to qualified institutional buyers (as defined in Rule 144A under the 1933 Act) in the United States pursuant to Rule 144A under the 1933 Act, or otherwise in transactions that are exempt from the registration requirements set forth under the 1933 Act. Accordingly, the Restricted Shares may be "restricted securities" as defined in Rule 144 under the 1933 Act. The Restricted Shares may not be able to be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the transfer is registered under the 1933 Act. The Company has no current intention to register the Restricted Shares under the 1933 Act. If the Company does not register the Restricted Shares under the 1933 Act, its shareholders will face restrictions in re-sale of the Restricted Shares, particularly in the United States or to U.S. persons. The Restricted Shares may bear a legend describing restrictions on transfer to U.S. persons and prohibiting hedging transactions in the Restricted Shares unless in compliance with the 1933 Act.

Non-compliance with Regulation S under the 1933 Act

Restricted Shares may be offered and sold in an offshore transaction pursuant to Rule 902 under the 1933 Act, and such Restricted Shares may qualify as Category 1 securities under Rule 903 of Regulation S. Should the U.S. Securities Exchange Commission ("**SEC**") determine that the Company did not comply with the requirements of Regulation S in respect of such an offering, the secondary market in the Restricted Shares could be adversely affected. In such case, the Company may be required to register its Restricted Shares with the SEC, which would entail significant expense to the Company and a significant amount of time on behalf of the Company's directors and senior management. Furthermore, the Company and its directors could also be subject to criminal, civil or administrative proceedings.

INTERESTS OF EXPERTS

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

MNP LLP is the auditor of the Company. MNP LLP has confirmed that it is independent of the Company within the meaning of the Chartered Professional Accountants of Ontario Code of Professional Conduct.

LEGAL MATTERS

Unless otherwise specified in a Prospectus Supplement relating to any Securities offered, certain legal matters relating to an offering of Securities will be passed upon by Stikeman Elliott LLP on behalf of the Company. As at the date hereof, the partners and associates of Stikeman Elliott LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Shares.

In addition, certain legal matters in connection with any offering of Securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters, dealers or agents, as the case may be.

AUDITORS, REGISTRAR AND TRANSFER AGENT

Our auditors are MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, Ontario, Canada M5H 2G4. MNP LLP is independent with respect to the Company within the meaning of the Chartered Professional Accountants of Ontario Code of Professional Conduct.

The transfer agent and registrar of the Company is Odyssey, located at 702, 67 Yonge Street, Toronto, Ontario, Canada M5E 1J8.

PURCHASERS' STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus or a Prospectus Supplement relating to the securities purchased by a purchaser and any amendments thereto. In several of the provinces and territories, the securities legislation further provides the purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus or a Prospectus Supplement relating to the securities purchased by a purchaser and any amendments thereto contain a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

In addition, original purchasers of convertible, exchangeable or exercisable Securities (unless the Securities are reasonably regarded by the Company as incidental to the applicable offering as a whole) may be granted a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of the convertible, exchangeable or exercisable Security. This contractual right of rescission will, if granted, be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario) (the "**Securities Act**") and is in addition to any other right or remedy available to original Canadian purchasers under Section 130 of the Securities Act or otherwise by law.

The contractual right of rescission will, if granted, be further described in any applicable Prospectus Supplement, but will, in general, entitle such original purchasers to receive the amount paid for the applicable convertible, exchangeable or exercisable Security (and any additional amount paid upon conversion, exchange or exercise) upon surrender of the underlying Securities acquired thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable Security under this Prospectus, and (ii) the right of rescission is

exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable Security under this Prospectus.

In an offering of convertible, exchangeable or exercisable Subscription Receipts, Convertible Securities or Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the Prospectus is limited, in certain provincial securities legislation, to the price at which convertible, exchangeable or exercisable Subscription Receipts, Convertible Securities or Warrants are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon the conversion, exchange or exercise of the Security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces and/or territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

The Company's directors and officers, namely Jonathan Sandelman, Brad Asher, Jennifer Drake, Jason Griffith, Jamie Mendola, Charles Miles, Chris R. Burrgraeve, Louis F. Karger, Steve Menzies and Glenn Isaacson reside outside of Canada. Each of these persons has appointed 152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario M5L 1B9, as agent for service of process.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

PROMOTER

Mercer, the controlling shareholder of the Company, is considered a promoter of the Company within the meaning of Canadian securities legislation. As of the date hereof, Mercer owns, of record and beneficially, (i) 3,677,626 Multiple Voting Shares, representing approximately 99.5% of the issued and outstanding Multiple Voting Shares, (ii) 2,621,870 Listed Warrants, representing 24% of the issued and outstanding Listed Warrants, and (iii) 262,188 Rights, representing 18% of the issued and outstanding Rights, which were acquired by Mercer in connection with the IPO.

EXEMPTIONS

On December 3, 2020, the Company received exemptive relief from the Canadian securities regulatory authorities such that:

(a) an offer to acquire outstanding Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares which would constitute a take-over bid under applicable securities legislation as a result of the securities subject to the offer to acquire, together with the offeror's securities, representing in the aggregate 20% or more of the outstanding Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, at the date of the offer to acquire, be exempt from the requirements set out in Part 2 of NI 62-104 applicable to take-over bids (the "**TOB Relief**"); *provided that* the securities subject to the offer to acquirer, together with the offeror's securities, would not represent in the aggregate 20% or more of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, as the case may be, calculated using (i) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, determined in accordance with subsection 1.8(2) of NI 62-104 on a combined basis, as opposed to a per-class basis, and (ii) a numerator including as offeror's securities all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, as applicable, that constitute offeror's securities;

(b) an acquiror who acquires, during a take-over bid or an issuer bid, beneficial ownership of, or control or direction over, Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, that, together with the acquiror's securities of that class, would constitute 5% or more of the outstanding Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, be exempt from the requirement to issue and file a news release set out in section 5.4 of NI 62-104 (the "**News Release Relief**"); *provided that* the Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, that the acquiror acquires beneficial ownership of, or control or direction over, when added to the acquiror's securities of that class, would not constitute 5% or more of the outstanding Subordinate Voting Shares, Restricted

Voting Shares or Limited Voting Shares, as the case may be, calculated using (i) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, determined in accordance with subsection 1.8(2) of NI 62-104 on a combined basis, as opposed to a per-class basis, and (ii) a numerator including as acquiror's securities, all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares that constitute acquiror's securities;

(c) an acquiror who triggers the disclosure and filing obligations pursuant to the early warning requirements contained in applicable securities legislation with respect to the Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, be exempt from such requirements (the "**Early Warning Relief**"); *provided that* (i) the acquiror complies with the early warning requirements, except that, for the purpose of determining the percentage of outstanding Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, that the acquiror has acquired or disposed of beneficial ownership, or acquired or ceased to have control or direction over, the acquiror calculates the percentage using (A) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, determined in accordance with subsection 1.8(2) of NI 62-104, on a combined basis, as opposed to a per-class basis, and (B) a numerator including, as acquiror's securities, all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, as applicable, that constitute acquiror's securities, or (ii) in the case of an acquiror that is an eligible institutional investor, the acquiror complies with the requirements of the alternative monthly reporting system set out in Part 4 of National Instrument 62-103 – *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* ("**NI 62-103**") to the extent it is not disqualified from filing reports thereunder pursuant to section 4.2 of NI 62-103, except that, for purposes of determining the acquiror's securityholding percentage, the acquiror calculates its securityholding percentage using (A) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares determined in accordance with subsection 1.8(2) of NI 62-104 on a combined basis, as opposed to a per-class basis, and (B) a numerator including all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, as applicable, beneficially owned or controlled by the eligible institutional investor;

(d) an issuer bid made by the Company in the normal course on a published market, other than a designated exchange, with respect to Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, as the case may be, be exempt from the requirements set out in Part 2 of NI 62-104 applicable to issuer bids (the "**NCIB Relief**" and together with the TOB Relief, the News Release Relief and the Early Warning Relief, the "**Bid Relief**"); *provided that* the Company complies with the conditions in subsection 4.8(3) of NI 62-104, except that: (i) the bid is for not more than 5% of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares on a combined basis, as opposed to a per-class basis, and (ii) the aggregate number of Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares acquired by the Company in reliance on the NCIB Relief and any person acting jointly or in concert with the Company within any 12-month period does not exceed 5% of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares on a combined basis, as opposed to a per-class basis, at the beginning of such 12-month period;

(e) the Company be exempt (the "**Alternative Disclosure Relief**", and together with the Bid Relief, the "**Aggregation Relief**") from the disclosure requirements in Item 6.5 of Form 51-102F5 – *Information Circular* ("**Form 51-102F5**"); *provided that* the Company provides the disclosure required by Item 6.5 of Form 51-102F5 except that for purposes of determining the percentage of voting rights attached to the Subordinate Voting Shares, Restricted Voting Shares or Limited Voting Shares, the Company calculates the voting percentage using (i) a denominator comprised of all of the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares on a combined basis, as opposed to a per-class basis, and (ii) a numerator including all of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, by any person who, to the knowledge of the Company's directors or executive officers, beneficially owns, controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the outstanding Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares on a combined basis, as opposed to a per-class basis.

The Company also received exemptive relief from: (i) subsections 12.2(3) and 12.2(4) of NI 41-101; (ii) Item 1.13(1) of Form 41-101F1; (iii) Item 1.12(1) of Form 44-101F1 – *Short Form Prospectus* (including in respect of any equivalent disclosure in a prospectus or prospectus supplement filed pursuant to National Instrument 44-102 – *Shelf Distributions*); (iv) subsection 10.1(a), 10.1(4) and 10.1(6) of National Instrument 51-102 – *Continuous Disclosure Obligations*; and (iv) subsections 2.3(1)(1.), 2.3(1)(3.) and 2.3(2) of Ontario Securities Commission Rule 56-501 – *Restricted Shares*, in each

case relating to the use of restricted security terms; *provided that* the Limited Voting Shares are referred to as "Limited Voting Shares" (the "**Nomenclature Relief**", and together with the Aggregation Relief, the "**Exemptive Relief**").

In addition, the Exemptive Relief requires that the Company disclose the Exemptive Relief and its terms and conditions in each of its annual information forms and management information circulars filed on SEDAR and in any other filing where the characteristic of the Shares are described.

CERTIFICATE OF AYR STRATEGIES INC. AND PROMOTER

Dated: December 17, 2020

This short form prospectus, together with the documents incorporated in this Prospectus by reference, will, as of the date of the last supplement to this Prospectus relating to the securities offered by this Prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus and the supplement(s) as required by the securities legislation of each of the provinces and territories of Canada.

(Signed) *JONATHAN SANDELMAN*
Jonathan Sandelman
Chairman, Chief Executive Officer and Corporate Secretary

(Signed) *BRAD ASHER*
Brad Asher
Chief Financial Officer

On behalf of the Board of Directors

(Signed) *LOUIS F. KARGER*
Louis F. Karger
Director

(Signed) *CHARLES MILES*
Charles Miles
Director

MERCER PARK CB, L.P., by its general partner,
MERCER PARK CB GP, LLC, as Promoter

By: (Signed) *JONATHAN SANDELMAN*
Jonathan Sandelman
Member