UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

x ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020 **Commission File Number 333-253466**

AYR WELLNESS INC.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada
(Province or other jurisdiction of incorporation or organization)

2833
(Primary Standard Industrial Classification Code Number (if applicable))

98-1500584
(I.R.S. Employer Identification Number (if applicable))

199 Bay Street, Suite 5300
Toronto, Ontario, M5L 1B9
(949) 574-3860
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
1015 15th Street N.W., Suite 1000
Washington, DC 20005
(202) 572-3133
(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act: Subordinate Voting Shares, no par value.
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: Not applicable.
For annual reports, indicate by check mark the information filed with this Form:

x Annual information form x Audited annual financial statements

Number of outstanding shares of each of the issuer's classes of
capital or common stock as of December 31, 2020:
28,873,641 Subordinate Voting Shares, no par value

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ¨ No x

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act. Emerging growth company x

If an emerging growth company that prepares is financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ¨

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ¨

EXPLANATORY NOTE

Ayr Wellness Inc. (the "**Corporation**" or the "**Registrant**") is a Canadian issuer that is permitted, under the multijurisdictional disclosure system adopted in the United States, to prepare this Annual Report on Form 40-F (this "**Annual Report**") pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), in accordance with Canadian disclosure requirements, which are different from those of the United States. The Corporation is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act and Rule 405 under the Securities Act of 1933, as amended. Equity securities of the Corporation are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 thereunder.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report, including any documents incorporated by reference herein, contains forward-looking statements within the meaning of applicable securities laws ("**forward-looking statements**"), including, but not limited to, those statements relating to the Corporation and their financial capacity and availability of capital and other statements that are not historical facts. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including experience of the Corporation, as applicable, and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "pro forma", "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "seeks", "likely" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the parties' control, could affect operations, business, financial condition, performance and results of the parties that may be expressed or implied by such forward-looking statements and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, the following:

- the extent of the impact of COVID-19, including government and/or regulatory responses to the outbreak;
- assumptions and expectations described in the Corporation's critical accounting policies and estimates;
- the adoption and impact of certain accounting pronouncements;
- the number of users of cannabis or the size of the regulated cannabis market in the United States;
- the potential time frame for the implementation of legislation to legalize and regulate medical or adult-use cannabis (and the consumer products derived from each of the foregoing) in the United States, and the potential form the legislation and regulations will take;
- the Corporation's future financial and operating performance and anticipated profitability;
- future performance, results and terms of strategic initiatives, strategic agreements and supply agreements;

- the market for the Corporation's current and proposed products and services, as well as the Corporation's ability to capture market share;
- the benefits and applications of the Corporation'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 Corporation operates and the Corporation's market expertise;
- the Corporation's ability to secure further equity or debt financing, if required;
- consistent or increasing pricing of various cannabis products;
- the level of demand for cannabis products, including the Corporation's and third-party products sold by the Corporation;

- the Corporation's ability to mitigate risks relating to the cannabis industry, the larger economy, breaches of and unauthorized access to the Corporation's systems and related cybersecurity risks, money laundering, costly litigation, and health pandemics;
- the ability to gain appropriate regulatory approvals for announced acquisitions in the timeframe anticipated;
- the application for additional licenses and the grant of licenses or renewals of existing licenses that have been applied for;
- 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; and
- other events or conditions that may occur in the future.

In making these statements, in addition to those described above and elsewhere herein, the parties have made assumptions with respect to expected cash provided by continuing operations, future capital expenditures, including the amount and nature thereof, trends and developments in the industry, business strategy and outlook, expansion and growth of business and operations, accounting policies, credit risks, anticipated acquisitions, opportunities available to or pursued by the parties, and other matters.

This list is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. Although the Corporation believes its expectations are based upon reasonable assumptions and have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. See the section entitled "Risk Factors" in the Annual Information Form of the Registrant for the year ended December 31, 2020 (the "**AIF**"), attached as Exhibit 99.1 to this Annual Report, for additional risk factors that could cause results to differ materially from forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements. The forward-looking statements contained herein are made as of the date of this Annual Report and, accordingly, are subject to change after such date. The Corporation disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

NOTE TO UNITED STATES READERS - DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Registrant is permitted, under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the "**SEC**"), to prepare this Annual Report in accordance with Canadian disclosure requirements, which differ from those of the United States. The Corporation has prepared its financial statements, which are filed as Exhibit 99.2 to this Annual Report and incorporated by reference herein, in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and they are not comparable to financial statements of United States companies.

CURRENCY

Unless otherwise indicated, all dollar amounts in this Annual Report on Form 40-F are in United States dollars.

ANNUAL INFORMATION FORM

The Registrant's Annual Information Form for the fiscal year ended December 31, 2020 is filed as Exhibit 99.1 to this Annual Report and is incorporated by reference herein.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Registrant for the years ended December 31, 2020 and 2019, including the report of the independent auditor thereon, are filed as Exhibit 99.2 to this Annual Report and are incorporated by reference herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Registrant's Management's Discussion and Analysis (the "**MD&A**") dated March 9, 2021 for the year ended December 31, 2020, is filed as Exhibit 99.3 to this Annual Report and is incorporated by reference herein.

TAX MATTERS

Purchasing, holding, or disposing of the Corporation's securities may have tax consequences under the laws of the United States and Canada that are not described in this Annual Report.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report, the Corporation carried out an evaluation, under the supervision of the Corporation's Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), of the effectiveness of the Corporation's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Corporation's CEO and CFO have concluded that, as of the end of the period covered by this Annual Report, the Corporation's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act is (i) recorded,

processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to the Corporation's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

While the Corporation's principal executive officer and principal financial officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Corporation's disclosure controls and procedures or internal control over financial reporting will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management's Annual Report on Internal Control over Financial Reporting

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies.

Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include an attestation report of the Corporation's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

During the period covered by this Annual Report, no change occurred in the Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that Charlie Miles qualifies as financial expert (as defined in Item 407 (d)(5)(ii) of Regulation S-K under the Exchange Act), has financial management expertise (pursuant to section 303A.07 of the NYSE Listed Company Manual) and is independent (as determined under Exchange Act Rule 10A-3).

The SEC has indicated that the designation or identification of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liability on such person that are greater than those imposed on members of the audit committee and the board of directors who do not carry this designation or identification, or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PROVIDED BY INDEPENDENT AUDITOR

The Audit Committee Charter sets out responsibilities regarding the provision of non-audit services by the Company's external auditors and requires the Audit Committee to pre-approve all permitted non-audit services to be provided by the Company's external auditors, in accordance with applicable law.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information provided under the heading "*Audit Committee – External Auditor Service Fees*" contained in the AIF, filed as Exhibit 99.1 hereto, is incorporated by reference herein.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

CODE OF ETHICS

The Corporation has adopted a Code of Business Conduct and Ethics that applies to directors, officers and employees of, and consultants to, the Corporation (the "**Code**"). The Corporation undertakes to provide copies of the Code without charge. Requests for copies of the Code should be sent to IR@AyrWellness.com. The Code meets the requirements for a "code of ethics" within the meaning of that term in General Instruction 9(b) of the Form 40-F.

All waivers of the Code with respect to any of the employees, officers or directors covered by it will be promptly disclosed as required by applicable securities rules and regulations. During the fiscal year ended December 31, 2020, the Corporation did not waive or implicitly waive any provision of the Code with respect to any of the Corporation's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

As at December 31, 2020, the Corporation had the following contractual obligations:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Trade payables and accrued liabilities	$ 17,606,599	$ -	$ -	$ -	$ 17,606,599
Lease obligations	4,307,052	8,514,850	8,079,018	41,707,890	62,608,810
Purchase consideration	9,053,057	-	-	-	9,053,057
Income tax payable	21,585,523	-	-	-	21,585,523
Debt Payable	8,644,633	17,058,218	37,809,549	-	63,512,400
Contingent consideration	-	27,500,000	-	-	27,500,000
Senior secured notes	-	110,000,000	-	-	110,000,000
Accrued interest payable	-	-	3,301,155	-	3,301,155
	$ 61,196,864	**$ 163,073,068**	**$ 49,189,722**	**$ 41,707,890**	**$ 315,167,544**

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Corporation sent during the year ended December 31, 2020 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

MINE SAFETY DISCLOSURE

Not applicable.

UNDERTAKING

The Corporation undertakes to make available, in person or by telephone, representatives to respond to inquiries made by SEC staff, and to furnish promptly, when requested to do so by SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Corporation has previously filed with the SEC a written consent to service of process on Form F-X. Any change to the name or address of the Corporation's agent for service shall be communicated promptly to the SEC by amendment to the Form F-X referencing the file number of the Corporation.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

DATED this 25th day of March, 2021.

AYR WELLNESS INC.

By: /s/ Jonathan Sandelman
Name: Jonathan Sandelman
Title: Chief Executive Officer

EXHIBIT INDEX

The following documents are being filed with the SEC as Exhibits to this Form 40-F:

Exhibit Number	Description
99.1	Annual Information Form dated March 17, 2021 for the fiscal year ended December 31, 2020
99.2	Audited Consolidated Financial Statements for the years ended December 31, 20 20 and 2019
99.3	Management's Discussion and Analysis dated March 9, 2021 for the three months and years ended December 31, 20 20 and 2019
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended

99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended
99.6	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Consent of MNP LLP
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* To be filed by amendment.

Exhibit 99.1

AYR WELLNESS INC.

ANNUAL INFORMATION FORM

As at and for the Financial Year Ended December 31, 2020

Dated March 17, 2021

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APPENDIX A A-1

Ayr Wellness Inc. (the "Corporation" or "Ayr" or "we" or "us") derives a substantial portion of its revenues from the cannabis industry in certain states ("States", each a "State") of the United States of America ("U.S." or "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 Florida. Currently, through its operating companies, 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 in the adult-use and/or medicinal cannabis marketplace in the States of Massachusetts, Pennsylvania and Florida 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), which places controlled substances, including marijuana (defined as all parts of the plant Cannabis sativa L. containing more than 0.3 percent tetrahydrocannabinol ("THC")), in a schedule. Marijuana (also referred to as Cannabis) is classified as a Schedule I drug. Under United States 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 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 federal Controlled Substances Act, 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.

Under President Barack Obama, the U.S. administration attempted to address the inconsistencies between federal and state regulation of cannabis in a memorandum sent by then-Deputy Attorney General James Cole to all United States Attorneys in August 2013 (the "Cole Memorandum"). The Cole Memorandum acknowledged 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 20, 2021, Joseph R. Biden Jr. was sworn in as the new President of the United States. During his campaign, he stated a policy goal to decriminalize possession of cannabis at the federal level. However, he has not publicly supported the full legalization of cannabis. It is unclear how much of a priority decriminalization may be for President Biden's administration. President Biden has nominated federal judge Merrick Garland to serve as his Attorney General. During his confirmation hearings in the Senate on February 22, 2021, Attorney General nominee Garland confirmed that he would not prioritize pursuing cannabis prosecutions in states that have legalized and that are regulating the use of cannabis, both for medical and adult use.

It is unclear what impact, if any, the new administration will have on U.S. federal government enforcement policy on cannabis. Nonetheless, there is no guarantee that the position of the Department of Justice will not change.

There is no guarantee that State laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of State laws within their respective jurisdictions. Unless and until the United States Congress amends the Controlled Substances Act 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 Target Business, results of operations, financial condition and prospects and Ayr would be materially adversely affected. See "*U.S. Federal Enforcement Priorities*".

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 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*".

EXPLANATORY NOTES

Unless otherwise indicated, the information appearing in this annual information form (" **AIF**") is stated as of December 31, 2020, and all amounts are in United States dollars.

FORWARD-LOOKING INFORMATION

This AIF 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 AIF and the documents incorporated by reference herein, including estimates, plans, expectations, opinions, forecasts, projections, targets and guidance, constitutes forward-looking information. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "pro forma", "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "seeks", "likely" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the parties' control, could affect operations, business, financial condition, performance and results of the parties that may be expressed or implied by such forward-looking statements and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, the following:

- 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 Corporation after the date hereof, 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 Corporation's business, and anticipated profitability including new revenue streams;
- the completion and integration of contemplated acquisitions by the Corporation 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 Corporation;

- the potential time frame for the implementation of legislation to legalize and regulate medical or recreational cannabis (and the consumer products derived from each of the foregoing) in the United States, if any, and the potential form any such legislation and regulations will take;
- the number of users of cannabis or the size of the regulated cannabis market in the United States;
- the market for the Corporation's current and proposed products and services, as well as the Corporation's ability to capture market share;
- the benefits and applications of the Corporation'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 Corporation operates and the Corporation's market expertise;
- the Corporation'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 Corporation's products and third-party products sold by the Corporation;
- the Corporation's ability to mitigate risks relating to the cannabis industry, the larger economy, breaches of and unauthorized access to the Corporation's systems and related cybersecurity risks, money laundering, costly litigation, and health pandemics;
- 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; and
- other events or conditions that may occur in the future.

See "*Risk Factors*" for further details. No assurance can be given that these expectations will prove to be correct and such forward-looking information included in this AIF should not be unduly relied upon, and the Corporation does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law. In making these statements, in addition to those described above and elsewhere herein, the parties have made assumptions with respect to, 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 Corporation's and its subsidiaries' operations, and no unplanned materially adverse changes to its facilities, assets, customer base and the economic conditions affecting the Corporation's current and proposed operations. These assumptions, although considered reasonable by the Corporation at the time of preparation, may prove to be incorrect. In addition, the Corporation 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 Corporation will remain compliant in the future with all State and local laws, regulations and rules imposed upon it by law. The Corporation's forward-looking information is expressly qualified in its entirety by this cautionary statement.

MARKET AND INDUSTRY DATA

This AIF includes market and industry data that has been obtained from third-party sources, including industry publications. The Corporation 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 Corporation has not independently verified any of the data from third-party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation (formerly known as "Cannabis Strategies Acquisition Corp." and "Ayr Strategies Inc.", respectively) was incorporated on July 31, 2017 under the *Business Corporations Act* (Ontario). Ayr continued on May 24, 2019 into British Columbia under the *Business Corporations Act* (British Columbia) ("**BCBCA**"), changed its name to "Ayr Strategies Inc.", and amended its financial year-end from September 30 to December 31 in connection with its Qualifying Transaction. The Corporation changed its name to "Ayr Wellness Inc." on February 11, 2020. The registered office of the Corporation is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of the Corporation is located at 590 Madison Avenue, 26th Floor, New York, New York, United States 10022.

The subordinate voting shares, restricted voting shares and limited voting shares of the Corporation (the " **Subordinate Voting Shares**", "**Restricted Voting Shares**" and "**Limited Voting Shares**", respectively, and collectively, the " **Equity Shares**"), which trade under a single symbol, warrants of the Corporation (the "**Warrants**"), and rights of the Corporation (the " **Rights**") are trading on the Canadian Stock Exchange (the "**CSE**"), under the symbols "AYR.A", "AYR.WT" and "AYR.RT", respectively. The Equity Shares and Warrants are also trading on the Over-the-Counter Market in the United States under the symbols "AYRWF" and "CNBQF", respectively. The multiple voting shares of the Corporation (the "**Multiple Voting Shares**", and together with the Equity Shares, the " **Shares**") are unlisted.

Intercorporate Relationships

The following is an organizational summary of the Corporation as of February 26, 2021 (the closing date of the Corporation's acquisition of Liberty (as defined below)):

Subsidiaries	State of operation	Purpose
Ayr Wellness Inc.	Canada	Parent Company
CSAC Holdings Inc.	NV	Corporate - Holding Company
CSAC Acquisition Inc. (2)	NV	Corporate - Holding Company
CSAC Acquisition MA Corp	NV	Corporate - Holding Company
CSAC Acquisition FL Corp (3)	NV	Corporate - Holding Company
Sira Naturals, Inc. (4)	MA	Cultivation, Production, and Retail
CannaPunch of Nevada LLC	NV	Production
LivFree Wellness, LLC (1)(5)	NV	Managed Services - Retail
Washoe Wellness, LLC (1)(6)	NV	Managed Services - Cultivation and Production
The Canopy NV LLC (7)	NV	Managed Services - Retail
DocHouse, LLC	PA	Cultivation and Production
CannTech PA, LLC (8)	PA	Cultivation, Production, and Retail
Liberty Health Sciences Florida Ltd. (3)	FL	Cultivation, Production, and Retail

Notes:

(1) Entered into an Equity Purchase Agreement with CSAC AcquisitionCo pending regulatory approval for the license transfers by the Nevada Cannabis Compliance Board.
(2) CSAC AcquisitionCo includes the following wholly-owned subsidiaries:
    (a) Holding entities: CSAC Acquisition NJ Corp, CSAC Acquisition PA Corp ("CSAC PA"), CSAC Acquisition AZ Corp, Ayr NJ LLC, CSAC LLC, CSAC Ohio LLC, CSAC-LivFree LLC, CSAC-Washoe Wellness, LLC and CSAC-The Canopy LLC.
        i. CSAC-Washoe Wellness, LLC includes the wholly-owned subsidiary DWC Investments, LLC.
    (b) Payroll entities: Mercer Strategies PA, LLC, Parker Solutions PA, LLC.
    (c) Real estate entity: Parker RE MA, LLC,
(3) CSAC Acquisition FL Corp. includes the wholly-owned subsidiaries 242 Cannabis LLC, DJMMJ Investments LLC dba Liberty Health Florida Ltd., and Parker Solutions FL LLC.
(4) Sira Naturals, Inc includes the wholly-owned subsidiary Parker Solutions MA, LLC.
(5) LivFree includes the wholly-owned subsidiary BP Solutions LLC.
(6) Washoe includes the wholly-owned subsidiaries Klymb Project Management, Inc, Tahoe-Reno Botanicals, LLC, Tahoe-Reno Extractions, LLC.
(7) Canopy includes wholly-owned subsidiaries Kynd-Strainz, LLC and Lemon Aide, LLC.
(8) CSAC Acquisition PA Corp. is the parent company of CannTech PA, LLC (" **CannTech**").

On September 12, 2018, Ayr incorporated a wholly-owned subsidiary in Nevada, United States, named CSAC Holdings Inc., to facilitate the Qualifying Transaction (as defined below). On September 17, 2018, CSAC Holdings Inc. incorporated a wholly-owned subsidiary in Nevada, United States, named CSAC Acquisition Inc. ("**CSAC AcquisitionCo**"). On May 24, 2019, the Corporation completed its acquisitions of control of the target businesses of: (i) Washoe Wellness, LLC ("**Washoe**"), a Nevada limited liability company, (ii) The Canopy NV, LLC (" **Canopy**"), a Nevada limited liability company, (iii) Sira Naturals, Inc. ("**Sira**"), a Massachusetts corporation, (iv) LivFree Wellness, LLC (" **LivFree**"), a Nevada limited liability company, and (v) CannaPunch of Nevada LLC, a Nevada limited liability company ("**CannaPunch**"), and entered into either a services agreement or operations agreement with Washoe, Canopy and LivFree pending regulatory approval for the consummation of the transaction, which collectively constituted its qualifying transaction (collectively, the "**Qualifying Transaction**"). Subsequent to the Qualifying Transaction, the Corporation acquired DocHouse LLC ("**DocHouse**"), a Pennsylvania limited liability company and CannTech, a Pennsylvania limited liability company, and Liberty Health Sciences Inc., a British Columbia corporation, which expanded the Corporation's operations into the States of Pennsylvania and Florida, respectively. See "*General Development of the Business – Three-Year History – Subsequent Developments*".

Ayr's principal shareholder, Mercer Park CB, L.P. (" **Mercer**"), is a limited partnership formed under the laws of the State of Delaware, of which Mercer Park CB GP, LLC is the general partner, and which is indirectly controlled by Jonathan Sandelman. Mercer is a privately-held family office based in New York, United States, the executive leadership and entrepreneurial expertise, investment and deal experience and network of which have been a critical component of Ayr's success to date. Mercer Park, L.P., the parent of Mercer, provides services to the Corporation pursuant to a services agreement.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year Summary

Initial Public Offering

On December 21, 2017, the Corporation completed its initial public offering (the " **Offering**").

Concurrent with the completion of the Offering, Mercer, Kamaldeep Thindal and Charles Miles (or persons or companies controlled by them) (collectively with Mercer, the "**Founders**") purchased an aggregate of 3,434,298 Class B shares of the Corporation (each, a " **Class B Share**") (such Class B Shares issued to the Founders referred to as the "**Founders' Shares**"), consisting of 3,415,438 Class B Shares purchased by Mercer, 9,430 Class B Shares purchased by Kamaldeep Thindal, and 9,430 Class B Shares purchased by Charles Miles. In addition, Mercer purchased an aggregate of 262,188 Class B units of the Corporation (each, a "**Class B Unit**") at C$10.00 per Class B Unit and 2,621,870 warrants (the "**Founders' Warrants**") at C$1.00 per Founders' Warrant. Each Class B Unit consisted of one Class B Share, one Warrant and one Right. The Founders' Warrants were subject to the same terms and conditions as the Warrants underlying the Class A Restricted Voting units of the Corporation (the "**Class A Restricted Voting Units**") and Class B Units. The Rights underlying the Class B Units were subject to the same terms and conditions as the Rights underlying the Class A Restricted Voting Units.

Qualifying Transaction

On May 24, 2019, Ayr completed its acquisitions which qualified as its Qualifying Transaction, the businesses of which are briefly summarized below under "*Ayr's Businesses*". The Corporation's businesses operate in the cultivation, manufacturing, branding and/or retail, as applicable, of cannabis products in the states of Massachusetts and Nevada.

The aggregate purchase price consideration for the Qualifying Transaction payable by Ayr was comprised of a combination of cash, debt and the issuance of non-voting Exchangeable Shares of CSAC AcquisitionCo (the "**Exchangeable Shares**") to the vendors thereof, which are exchangeable, on a one-for-one basis, into Subordinate Voting Shares, at the option of the holder, and are designed to be economically equivalent (without taking into account tax consequences) to the Subordinate Voting Shares.

Any summary information of certain material terms from definitive agreements, as may have been amended, in respect of the acquisitions of Washoe, Canopy, Sira, LivFree, and CannaPunch (collectively the "**Definitive Agreements**") is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at *www.sedar.com.*

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.

In connection with each Definitive Agreement, Ayr entered into the corresponding support agreement as well as an exchange rights agreements with CSAC AcquisitionCo and the respective holders of the Exchangeable Shares (collectively, the "**Exchange Rights Agreements**") for the benefit of the sellers under each Definitive Agreement, whereby Ayr agreed to make certain covenants in favor of the sellers to protect their rights as holders of Exchangeable Shares. Among other things, Ayr agreed to reserve an amount of applicable Subordinate Voting Shares for issuance upon exchange of the Exchangeable Shares, and 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.

The description of the Service Agreements and the Exchange Rights Agreement is not exhaustive and qualified in its entirety by reference to the terms of such agreements, which may be found on Ayr's profile on SEDAR at *www.sedar.com.*

Subsequent Developments

Recent Acquisitions

Pennsylvania Acquisitions

On November 19, 2020, Ayr acquired 100% of the membership interests in 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 $20.8 million, including $16.7 million of cash, $2.1 million in stock and $2.0 million in seller notes.

On December 23, 2020, Ayr acquired 100% of the membership interests in CannTech, a Pennsylvania-licensed cannabis operator, for total purchase consideration of $57.4 million. The purchase consideration was paid as to $27.2 million in cash, $15 million in Exchangeable Shares (as defined below) and $15.2 million in notes. The acquisition included 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 June 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 New Castle, PA, in October 2020 and in Plymouth Meeting, PA in February 2021. Ayr expects to open a third in the second quarter of 2021, followed by the remaining three throughout the rest of the year. CannTech also has a research program in collaboration with a local medical school.

Florida Acquisition

On February 26, 2021, Ayr acquired 100% of licensed Liberty Health Sciences Inc. (" **Liberty**") in a stock-for-stock combination pursuant to a Plan of Arrangement under the *Business Corporations Act* (British Columbia). Liberty shareholders received 0.03683 Equity Shares for each Liberty share held (subject to certain collars described in the purchase agreement that is filed under the Corporation's profile on SEDAR), equating to the issuance approximately 13.1 million new Equity Shares on closing. The total purchase price was equivalent to approximately $290 million based on the closing price of the Equity Shares as of December 21, 2020.

The assets acquired from Liberty include (i) a 387-acre cultivation campus in Gainesville, FL with over 300,000 sq. ft. of current production facilities in operation, (ii) 28 open retail dispensaries, (iii) seven (7) completed and ready-to-open dispensaries, and (iv) seven (7) dispensaries currently under construction. Liberty currently employs 335 people, all of whom are expected to be retained by Ayr. As of March 1, 2021, Liberty had 31 operational stores in the State of Florida.

Ayr plans to spend approximately $15-$20 million in capital expenditures in 2021 to improve and expand the Gainesville cultivation campus, as well as expand Liberty's dispensary footprint.

Proposed Acquisitions

Massachusetts Acquisition

On February 26, 2020, the Corporation entered a binding term sheet to acquire 100% of the membership interests in a Massachusetts LLC. Pursuant to the term sheet, the Corporation will be acquiring rights to legally open and operate a recreational cannabis licensed retail store in the Commonwealth of Massachusetts. The Corporation has agreed to pay a purchase price consisting of cash and non-voting interest in the net profits of the Massachusetts LLC. The term sheet is a binding agreement with respect to the terms and conditions and intended to serve as an outline of the proposed principal terms and conditions to be included in the final membership interest purchase agreement documents. The closing of the acquisition will be subject to, among other things, regulatory approval.

Ohio Acquisition

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 $18.2 million of cash. 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.

New Jersey Acquisition

On December 22, 2020, Ayr announced that it had entered into a binding agreement to acquire licensed operator Garden State Dispensary ("**GSD**"), one of the 12 existing vertical license holders in New Jersey and one of the state's original six (6) alternative treatment centers. GSD has three (3) open dispensaries, the largest footprint of any operator in New Jersey, at heavily trafficked highway locations throughout the central region of the state, as well as 30,000 sq. ft. of cultivation and production facilities in operation. An additional 75,000 sq. ft. is currently under construction. GSD currently employs 110 people, all of whom are expected to be retained by Ayr. Total up-front consideration of $101 million includes $41 million in cash, $30 million in stock and $30 million in the form of a promissory note. 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. The GSD acquisition is subject to final due diligence, customary closing conditions and regulatory approvals.

Arizona Acquisition

On January 27, 2021, Ayr entered into a definitive agreement to acquire Oasis, a vertically integrated cannabis operation in the State of Arizona, 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 $75.4 million, made up of $9.5 million in cash, $37.4 million in Exchangeable Shares (representing approximately 2.57 million Equity Shares, and priced at the 10-day VWAP prior to announcement, namely $14.55) and $28.5 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 $110 million aggregate principal amount of 12.5% senior secured notes due 2024. The notes were sold at an issue price of $985 per $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.

Warrant Incentive Programs

On November 23, 2020, Ayr announced incentive exercise rights available on a short-term basis to the holders of the Warrants, pursuant to which the holders of Warrants received a temporary C$0.50 incentive for the cash exercise of up to an aggregate of three million Warrants. On December 9, 2020, Ayr announced that it completed an oversubscribed incentive cash exercise of three million Warrants under such incentive program, resulting in gross proceeds to the Corporation of over $25 million.

See "*Description of Share Capital – Warrants*".

Equity Share Offering

On January 14, 2021, Ayr announced the closing of an overnight marketed offering of an aggregate of 4,600,000 Equity Shares at a price of C$34.25 per share for total gross proceeds of approximately C$157,550,000, which included the exercise in full of the over-allotment option granted to the underwriters, before deducting the underwriters' fees and estimated offering expenses.

Name Change

Effective February 12, 2021, the Corporation changed its name from "Ayr Strategies Inc." to "Ayr Wellness Inc.".

U.S. Registration Statement

On February 24, 2021, the Corporation filed an amended and restated short form base shelf prospectus, amending and restating the short form base shelf prospectus dated December 17, 2020, and simultaneously filed a registration statement on Form F-10 with the United States Securities and Exchange Commission under the U.S. / Canada Multijurisdictional Disclosure System, which allows the Corporation to offer, issue and sell, from time to time: subordinate voting shares; restricted voting shares; limited voting shares; warrants; subscription receipts; debt securities; convertible securities; units; or any combination of such securities for up to an aggregate offering price of C$500,000,000 (or its equivalent).

DESCRIPTION OF THE BUSINESS

Ayr is a vertically-integrated multi-State operator in the U.S. cannabis sector, with a portfolio of licensed operations in the States of Massachusetts, Pennsylvania and Florida and of 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 States of Massachusetts, Pennsylvania and Florida and provides administrative, consulting and operations services to licensed establishments in the State of Nevada.

In Massachusetts, Pennsylvania and Florida, Ayr is vertically-integrated with cultivation, extraction, production, manufacturing, distribution and medical retail dispensary operations. The medical dispensaries in Massachusetts 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 operational 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.

Strategy

The Corporation's business strategy is to evaluate each market opportunity pursuant to the relevant local competitive and regulatory landscape, supply/demand dynamics, and growth potential. The Corporation evaluates the economic viability of each opportunity before making capital allocation decisions and may decide to participate in one or more facets of the supply chain based on the dynamics mentioned above. The Corporation targets best-in-class assets in relevant markets with large addressable populations in limited license states that are either currently or soon expected to be approved for adult-use. By establishing a substantial presence in markets that have the greatest growth potential, the Corporation expects to be well-positioned to have a first-mover advantage for future growth in adult-use cannabis as the market continues to expand.

Growth

The Corporation remains focused on pursuing acquisition opportunities in limited license markets that complement the existing portfolio while expanding its presence in current markets. The Corporation's financial capacity will help the Corporation emerge as an even stronger player in this distressed industry. The Corporation plans to implement its growth strategy by targeting acquisition opportunities in limited license jurisdictions, applying for de novo licenses and expanding its presence in current markets.

As of December 31, 2020, 100% the Corporation's business was directly derived from U.S. cannabis-related activities. As such, the Corporation's balance sheet and operating statement exposure to U.S. cannabis related activities is 100%.

Targeting acquisition opportunities in limited licenses jurisdictions. The Corporation is pursuing acquisition opportunities in limited license markets with high barriers to entry.

Applying for de novo licenses. The Corporation is actively seeking additional avenues of growth in its existing markets and other key markets. The Corporation is in the process of evaluating, preparing to enter, or has submitted applications for municipal cannabis licenses in New Jersey and Illinois. Ayr was recently awarded two additional dispensary licenses in the greater Las Vegas market, one in Clark County and one in Henderson, and opened the additional Clark County dispensary on February 27, 2021.

Expanding its presence in current markets. The Corporation currently operates in limited license markets where State-level restrictions limit the number of cannabis licenses awarded, resulting in high barriers to entry, limited market participants, and long-term competitive advantages.

Current Operations

Cultivation & Production

The Corporation provides operational support to licensed Nevada establishments engaging in cultivation and production operations in Nevada under services and operations agreements and has cultivation and production operations in Massachusetts, Pennsylvania and Florida. Pursuant to its licenses and services and operations agreements, the Corporation currently supports approximately 514,000 square feet of cultivation and production facilities across seven sites. Engaging in cultivation and production operations allows for meaningful penetration of markets via vertically integrated operations. The Corporation has developed a suite of products with hundreds of SKUs across its brands of flower, extracts and edibles.

Product Selection and Brands

The Corporation prides itself on its best-in-class grow facilities producing high quality products along with dependable and reliable distribution. In Nevada, the licensed establishments to which Ayr provides operational support, produce premium cannabis flower, pre-rolls, vape pens, concentrates, and edibles, and also operate a production facility where cannabis oil is sourced to manufacture a variety of cannabis-infused products, including beverages, gummies, and vaporizer pens. The top branded products in Nevada include Kynd flower, Tumbleweed vape pens, Cannapunch beverages, Highly Edible and Kanji gummies, Dutch Girl edibles and Nordic Goddess balm. In Nevada, the licensed establishments to which Ayr provides operational support sell their branded products through the wholesale channel as well as the five (5) dispensaries referenced above. Under the services and operations agreements, Ayr provides operational support to three (3) dispensaries under the “The Dispensary” brand and two (2) dispensaries under the MYNT brand, which was named Best Dispensary in Reno in 2018.

In Massachusetts, Ayr’s retail and wholesale products include premium cannabis flower and cannabis products, including concentrates, edibles, and vaporizer products. Its top branded products in Massachusetts include Entourage vaporize pens, Wicked Sour gummies, Jimmy’s Choice flower, Nantucket Nuggets flower and Root 90 flower. In Massachusetts, the Corporation sells in-house products at its medical dispensaries under the Sira Naturals brand, which is actively seeking licenses to operate adult-use cannabis retail establishments.

This wide variety of products across Ayr’s portfolio provides customers and patients the ability to select from numerous high-quality products. By sharing brands across Nevada, Massachusetts, Pennsylvania and Florida, Ayr has further expanded the variety offered to customers and patients while expanding brand visibility. The Corporation maintains strict brand and quality assurance standards and implements standard operating procedures across its cultivation, processing and production facilities to ensure product continuity and customer experiences across operating markets. This includes the centrally-managed procurement of all equipment and supplies.

Sales and Distribution

With respect to cannabis retail locations, the Corporation targets highly visible locations adjacent or near heavily trafficked roads. For cultivation, production and other forms of industrial activity, the Corporation targets locations with immediate capabilities as well as future expansion potential. The Corporation uses an internal team for the selection of real estate, as well as a broad network of real estate brokers.

The Corporation makes its determination to purchase or lease its underlying real estate on a case-by-case basis. The Corporation plans to expand its network of cannabis retail locations in select markets. The Corporation has developed key indicators to identify attractive sites based on existing competition, population, real estate, parking, traffic and regulatory market attractiveness.

Principal Markets & Competition

The Corporation competes against other businesses across the various State markets in which it operates. The Corporation aims to minimize competitive risk in these markets by picking strategic locations, with defensible buffers naturally built in through local regulations and local dispensaries laws.

With respect to cultivation and production, the Corporation expects to compete with both multi-State operator ("**MSOs**") and local operators in the States in which it operates. The Corporation expects to compete with larger MSOs that may have access to public markets, experienced management teams, or be further along in terms of reaching scale. The Corporation is positioning itself to minimize all of the above risks through accretive acquisitions, superior execution, and strong operating talent.

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 Corporation as of February 26, 2021 (the closing date of the Corporation's acquisition of Liberty).

Entity	Address Attached to License	Type	License	Certificate/License	Summary
LivFree Wellness LLC	3900 Ponderosa Way, Las Vegas, NV 89118	Certificate	State of Nevada Medical Marijuana Cultivation Registration Certificate – Department of Taxation	74378723704914675084	Cultivation - Medical
		License	State of Nevada Marijuana Cultivation Facility License – Department of Taxation	68096361433916615303	Cultivation - Recreational
		Certificate	State of Nevada Medical Marijuana Production Registration Certificate – Department of Taxation	52864127312203226338	Production - Medical
		License	State of Nevada Marijuana Product Manufacturing License – Department of Taxation	59998657224967428496	Manufacturing - Recreational
		License	Clark County Unincorporated - Marijuana Production Facility License	2000178.MMR-301	Production - Medical/Rec
	8605 S Eastern Ave Las Vegas, NV 89123	License	State of Nevada Adult-Use Retail Store License - Cannabis Compliance Board	64345737726226352455	Retail - Recreational

Entity	Address Attached to License	Type	License	Certificate/License	Summary
The Dispensary	5347 S. Decatur, Las Vegas, NV 89118	Certificate	State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	60215712221216816750	Retail - Medical
		License	State of Nevada Retail Marijuana Store License – Department of Taxation	71224329369156133247	Retail - Recreational
		License	State of Nevada Retail Marijuana Distributor License – Department of Taxation	14504799651148975256	Distribution - Recreational
		License	Clark County – Marijuana Master License Retail Store/Distribution Medical/Dispensary	2000118.MMR-301	Retail - Recreational
	50 N. Gibson, Henderson, NV 89014	Certificate	State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	54403159919762505142	Retail - Medical
		License	State of Nevada Retail Marijuana Store License – Department of Taxation	08792343110299625005	Retail - Recreational
		License	City of Henderson – Medical Marijuana Dispensary License	2017305992	Retail - Medical

Entity	Address Attached to License	Type	License	Certificate/License	Summary
		License	City of Henderson – Marijuana Distributor License	2017306144	Distribution - Recreational
		License	City of Henderson – Marijuana Establishment – Retail Marijuana Store License	2017305994	Retail - Recreational
	100 W. Plumb Lane, Reno, NV 89509	Certificate	State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	04186481440349513323	Retail - Medical
		License	State of Nevada Retail Marijuana Store License – Department of Taxation	71702389611437559364	Retail - Recreational
		License	City of Reno – Medical Marijuana Dispensary License	R101848Q	Retail - Medical
		License	City of Reno – Marijuana Establishment – Retail Marijuana Store License	R145282Q	Retail - Recreational
	435 Eureka Avenue, Reno, NV 89512	Certificate	State of Nevada Medical Marijuana Cultivation Registration Certificate – Department of Taxation	96804690721657828547	Cultivation - Medical

Entity	Address Attached to License	Type	License	Certificate/License	Summary
		Certificate	State of Nevada Medical Marijuana Production Registration Certificate – Department of Taxation	18668881888004789228	Production - Medical
		License	State of Nevada Marijuana Cultivation Facility License – Department of Taxation	94104154254817748080	Cultivation - Recreational
		License	State of Nevada Marijuana Product Manufacturing License – Department of Taxation	56693629355290417097	Manufacturing - Recreational
		License	City of Reno – Medical Marijuana Production Facility	R145364Q	Production - Medical
		License	City of Reno – Medical Marijuana Cultivation Facility	R145363Q	Cultivation - Medical
		License	City of Reno – Marijuana Establishment	R145362A	Misc.
		License	City of Reno – Marijuana Establishment	R145361A	Misc.
		License	City of Reno – Marijuana Establishment Product - Manufacturing	R145418Q	Manufacturing - Recreational
		License	City of Reno – Marijuana Establishment Cultivation	R145417Q	Cultivation - Recreational

Entity	Address Attached to License	Type	License	Certificate/License	Summary
Kynd Cannabis Company	1645 Crane Way, Sparks, NV 89431	Certificate	State of Nevada Medical Marijuana Cultivation Registration Certificate – Department of Taxation	82842542964915513809	Cultivation - Medical
		License	State of Nevada Marijuana Cultivation Facility License – Department of Taxation	20856188563796491040	Cultivation - Recreational
		Certificate	State of Nevada Medical Marijuana Production Registration Certificate – Department of Taxation	12078072637090304628	Production - Medical
		License	State of Nevada Marijuana Product Manufacturing License – Department of Taxation	76163748746660781629	Manufacturing - Recreational
		License	The State of Nevada Marijuana Distributor License – Department of Taxation	77027711033924812731	Distribution - Medical/Rec
Tahoe-Reno Botanicals LLC		License	City of Sparks - Marijuana Cultivation - Adult Use Quarterly License	S080844Q-LIC	Cultivation - Medical/Rec
Tahoe-Reno Extractions LLC		License	City of Sparks: Marijuana Production Facility License	S080842Q-LIC	Production - Medical/Rec

Entity	Address Attached to License	Type	License	Certificate/License	Summary
		License	City of Sparks: Retail Marijuana Distributor License	S080843Q-LIC	Distribution - Medical/Rec
		Certificate	Industrial Hemp Handler Certificate - Department of Agriculture	202042H	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	Retail - Medical
		License	State of Nevada Retail Marijuana Store License – Department of Taxation	46934338604709544132	Retail - Recreational
		License	City of Reno – Medical Marijuana Dispensary License	R101872Q	Retail - Medical
		License	City of Reno – Marijuana Establishment – Retail Marijuana Store License	R145321Q	Retail - Recreational
Lemon Aide, LLC	340 Lemmon Drive, Reno, 89506	Certificate	State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	80994578239784321818	Retail - Medical
		License	State of Nevada Retail Marijuana Store License – Department of Taxation	13244303247046007918	Retail - Recreational
		License	Washoe County Marijuana License (Issued to Lemon Aide LLC dba MYNT Cannabis Dispensary)	W000013ME-LIC	Retail - Medical/Recreational

Entity	Address Attached to License	Type	License	Certificate/License	Summary
Sira Naturals, Inc.	1001 Massachusetts Avenue, Cambridge, MA 02138	License	Registered Marijuana Dispensary Registration	RMD-325	Retail - Medical
	240 Elm Street, Somerville, MA 02114	License	Registered Marijuana Dispensary Registration	RMD-245	Retail - Medical
	29 Franklin Street, Needham, MA 02492	License	Registered Marijuana Dispensary Registration	RMD-625	Retail - Medical
	13 Commercial Way, Milford, MA 01757	License	Marijuana Establishment License (Cultivation/Tier 3 – Indoor)	MC281252	Cultivation
		License	Marijuana Establishment License (Product Manufacturer)	MP281303	Production
		License	Marijuana Establishment License (Transporter with Other Existing ME License)	MX281310	Transportation
	1 Industrial Way, Milford MA 01751	License	Marijuana Establishment License (Cultivation/Tier 3 – Indoor)	MC282015	Cultivation
CannTech PA, LLC	535 Keystone Drive, Warrendale, PA 15086	Permit	Clinical Registrant License - Grower/Processor Permit	CR04-GP20-5701	Cultivation - Medical

Entity	Address Attached to License	Type	License	Certificate/License	Summary
	809 Sampson Street, New Castle, PA 16101	Permit	Clinical Registrant License - Dispensary Permit	CR04-D20-6701	Retail - Medical
	505 W. Germantown Pike, Plymouth Meeting, PA 19462	Permit	Clinical Registrant License - Dispensary Permit	CR04-D20-6701	Retail - Medical
	3805 Neshaminy Blvd., Bensalem PA 19020	Permit	Clinical Registrant License - Dispensary Permit	CR04-D20-6701	Retail - Medical
	112 Northtowne Square, Gibsonia PA 15044	Permit	Clinical Registrant License - Dispensary Permit	CR04-D20-6701	Retail - Medical
DocHouse LLC	740 Ann St Pottsville, PA 17901	Permit	Medical Marijuana Grower/Proces sor Permit	GP18-1002	Cultivation - Medical

Intangible Assets

As of December 31, 2020, intangible assets had a net book value of $252 million (excluding goodwill) and consisted of the following: Licenses, Right-to-use Licenses, Host community agreements and Trade name / brand which have useful lives of 15, 15, 15, and 5 years, respectively. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired.

Employees

As of December 31, 2020, the Corporation had approximately 750 employees. The Corporation seeks to attract, hire and promote the most qualified and diverse candidates for each position. Based on both acquisitions and hires, the Corporation leverages experience from multiple individuals that have been in the regulated cannabis market. The Corporation draws upon this knowledge base and proven training program to develop and educate employees. With policies and procedures that have successfully been rolled out in multiple markets, the Corporation uses these proven policies and procedures where applicable to other businesses in order to meet the operational expectations for each market. The Corporation seeks to ensure that staff are appropriately trained and ensure the safety and welfare of employees at Company facilities. Leveraging existing operations in legal adult use States, all new employees receive true hands-on training prior to starting in their new market. Setting the tone from the top, the Corporation’s executive team goes above and beyond to seek to ensure that all individuals within the Corporation are held to the highest standards, particularly with respect to compliance.

Foreign Operations

The Corporation does not currently have any foreign operations outside of the United States. Neither the Corporation nor any reportable segment of the Corporation has any dependence upon foreign operations outside of the United States.

Investment Policies

The Corporation may provide working capital facilities to its acquisition targets in order to fund development of assets prior to completion of the acquisitions, where it is to the benefit of the Corporation to do so.

No Bankruptcy Proceedings

There are presently no bankruptcy, receivership, or similar proceedings against the Corporation or any of its subsidiaries, including voluntary bankruptcy, receivership, or similar proceedings, nor have there been any such proceedings within the three (3) most recently completed financial years.

CANNABIS MARKET OVERVIEW

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 Corporation's existing operations in Nevada, Massachusetts, Pennsylvania and Florida, 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 Corporation's business activities are believed to be compliant in all material respects 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 AIF 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	AIF 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.	- Description of the Business
	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 - Risk Factors – The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined
	Outline related risks including, among others, the risk 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.	- Risk Factors – Service providers could suspend or withdraw service - Risk Factors - While legal under applicable U.S. State law, Ayr's business activities are illegal under U.S. federal law

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross-Reference
	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 - Risk Factors – Ayr may be subject to restricted access to banking in the United States and Canada - Risk Factors – Ayr's investments in the U.S. are subject to applicable anti-money laundering laws and regulations
	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 Corporation 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 Corporation 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 – Massachusetts - Cannabis Market Overview – Pennsylvania - Cannabis Market Overview – Florida - Cannabis Market Overview – 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 States of Massachusetts, Pennsylvania and Florida and provides administrative, consulting and operations services to licensed establishments in the State of Nevada, and has entered into a binding term sheet with the intention to expand into the States of Ohio, New Jersey 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 material known occurrences of non-compliance with applicable State and local cannabis rules and regulations, and Ayr intends to publicly disclose any material 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 December 31, 2020, 100% of the businesses was directly derived from United States cannabis-related activities. As such, the Corporation'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 Corporation 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 Corporation 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 Corporation's operations, to the Corporation's knowledge, are in compliance with applicable State laws, regulations and licensing requirements in all material respects. Additionally, the Corporation 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 Corporation's knowledge, the facilities that the Corporation operates are in compliance with applicable State laws, regulations and licensing requirements in all material respects. Nonetheless, for the reasons described above and risks described under the *"Forward-Looking Information"*, but not limited to these reasons, there are significant risks associated with the business of the Corporation. Readers are strongly encouraged to carefully read all the risk factors contained herein.

The following sections entitled "– *Nevada*" and "– *Massachusetts*" and " – *Pennsylvania*" describe the legal and regulatory landscape in respect of the States in which the Corporation currently operates, in the cases of Nevada and Massachusetts, and where it intends to operate, in the case of Pennsylvania.

While the Corporation's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the Corporation'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 Corporation and have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

As a result of the November 2020 U.S. federal election, a new presidential administration is now in office. There can be no assurance as to the position any new administration may take on marijuana and the new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Corporation 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 United 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*".

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*".

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* ".

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 Corporation provides operational support for facilities in Nevada cities or counties with clearly defined marijuana programs. Currently, the Corporation provides operational support to facilities located in the Clark County, Henderson, Reno and Washoe County jurisdictions.

Licenses

The Corporation provides operational support 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 operational support, 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 Corporation 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 Corporation 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.

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 Corporation 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 Corporation owns medical licenses that allow it to maintain three (3) medical marijuana dispensaries in the Commonwealth. These licenses permit the Corporation 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.

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. To date, PA DOH has issued permits to seven (7) 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 liver 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 Corporation's subsidiaries use MJ Freeway as its 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.

Florida

Florida Regulatory Landscape

In 2014, the Florida Legislature passed the Compassionate Use Act (§381.986, Fla. Stat.), 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 and epilepsy. In 2016, the Florida 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. This initiative 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 ("**FDOH**"), physicians, dispensing organizations, and patients are currently subject to regulations provided for in Article X Section 29 of the Florida Constitution (the constitutional provision created by Amendment 2), §381.986 of the Florida Statutes, and administrative rules adopted by the FDOH. 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. As amended, §381.986 provides licenses to operate as Medical Marijuana Treatment Centers ("**MMTCs**") to all entities that held an active, unrestricted licenses to cultivate, process, transport, and dispense low-THC cannabis or medical cannabis before July 1, 2017, as well as an additional 10 entities. The law also provides for another four licenses to be issued for every 100,000 patients added to the state's medical marijuana registry and allows MMTCs to open an unlimited number of dispensaries.

Licenses

Subsection 381.986(8)(a) of the Florida Statutes provides a vertically-integrated regulatory framework that requires each MMTC to cultivate, process and dispense their own medical cannabis. Licenses issued by the FDOH may be renewed biennially so long as the license meets the requirements of the law and the license holder pays a renewal fee.

The license permits the sale of medical cannabis to qualified patients to treat certain medical conditions. In Florida, there is no state-imposed limitation on the permitted size, or number, of cultivation or processing facilities, nor is there a limit on the number of plants that may be grown. Dispensaries may be located in any location throughout Florida as long as the local government has not prohibited MMTC dispensaries in their respective municipality. Provided there is not a ban, a dispensary may be located in any site that meets applicable zoning requirements, and such zoning requirements cannot be more strict than the requirements applicable to a pharmacy. Additionally, the location must be greater than 500 feet from public or private elementary, middle, and secondary schools.

Licensing Requirements

Licenses issued by the FDOH are renewed biennially so long as the licensee meets requirements of the law and pays a renewal fee. 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 applicable license, a licensee would expect to receive the applicable renewed license in the ordinary course of business.

An MMTC license applicant must demonstrate that: (i) they have been registered to do business in Florida for the previous five years, (ii) they possess a valid certificate of nursery registration issued by the Florida Department of Agriculture and Consumer Services, (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 FDOH, (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 FDOH, (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 FDOH, the applicant must post a performance bond of up to US$5,000,000, which may be reduced to US$2,000,000 by meeting certain criteria, such as a minimum number of patients served.

Dispensary

An MMTC may not dispense to a patient more than a 70-day supply of cannabis within a 70-day period, except an MMTC may not dispense more than a 35-day supply of marijuana in a form for smoking within a 35-day period. 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, and must instead dispense 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.

Storage and Security

Each MMTC must maintain a video surveillance system that records continuously 24 hours per day and has specified features. 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, on the premises at all times where cultivation, processing, or storing of cannabis occurs. MMTC employees must wear a photographic 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.

Transportation

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 FDOH conducts announced and unannounced inspections of MMTC facilities to determine compliance with the laws and rules. The FDOH 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 FDOH 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.

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).

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 (6) months.

New Jersey

New Jersey Regulatory Landscape

On January 18, 2010, the governor of New Jersey signed into law S.119, the Compassionate Use Medical Marijuana Act (now the "Compassionate Use Medical Cannabis Act" the "**NJ Act**"), terminating state-law prohibitions against the use of medical cannabis by persons with certain debilitating conditions including cancer, HIV/AIDS, amyotrophic lateral sclerosis (ALS), multiple sclerosis (MS), Crohn's disease and terminal illnesses, under certain circumstances. The NJ Act is administered by the New Jersey Department of Health ("**NJDH**"), which has issued regulations at N.J.A.C. 8:64.

The purpose of the NJ Act is to "protect from arrest, prosecution, property forfeiture, and criminal and other penalties, those patients who use marijuana to alleviate suffering from debilitating medical conditions, as well as their physicians, primary caregivers, and those who are authorized to produce marijuana for medical purposes." The NJ Act extends these protections, however, only to individuals acting under NJDH authorization. The NJ Act directs NJDH to establish a registry of qualified patients and caregivers and registration process, including requirements for background checks, the issuance of identification cards, and the "certification" by a treating physician. It further authorizes NJDH to approve additional debilitating conditions that would qualify patients to for registration.

The NJ Act permits the cultivation, processing (referred to as "manufacture" under the law) and dispensing of medical cannabis only by "Alternative Treatment Centers" ("**ATCs**") pursuant to a permit issued by NJDH. The NJ Act originally authorized a minimum of six ATC permits, which authorized vertical cannabis operations subject to NJDH approvals. Such operations are limited to one of three regions (North, Central, and South) within the state. In 2011, NJDOH selected six ATCs, two in each region, to receive permits pursuant to a request for application ("**RFA**") process.

Pursuant to a provision in the NJ Act, the original six ATCs were all non-profit entities. However, five of the six ATCs have since reorganized as for-profit entities. Subsequent RFAs have permitted both non-profit and for-profit entities to apply for permits.

Thereafter, further development of the New Jersey medical cannabis program stalled. As of 2015, 5,540 patients and 355 caregivers were registered in the program.

On March 27, 2018 through executive order No. 6 (2018), Governor Phil Murphy expanded the medical cannabis program, announcing the 20-plus recommendations presented by the NJDH on March 23, 2018. The NJDH's recommendations and next steps included certain measures that took effect immediately (e.g. the addition of debilitating conditions and the reduction of registration fees) and other recommendations (e.g. the home delivery model) that require further regulatory or statutory enactment.

In February 2019, the NJDH amended the list of debilitating conditions to include opioid use disorder, which had been accepted as petition by the review panel. The NJDH also implemented measures to streamline the enrollment process for patients, allow physicians to opt out of being listed publicly, and have started the permitting process for six new ATCs.

On July 2, 2019, Governor Murphy signed the Jake Honig Compassionate Use Medical Cannabis Act ("2019 NJ Act Amendments"), which amended the NJ Act by (1) expanding the monthly cannabis limit that may be dispensed to a patient from two to three ounces, (2) increasing the supply that a physician may authorize per certification from a three-month supply to a 12-month supply, (3) authorizing the inclusion of edible forms of cannabis to adult patients, (4) a phasing out of the sales tax by July, 2022, (4) authorizing physician assistants and advanced practice nurses to certify patients under the program, (5) instituting employment protections for patients registered in the program; (6) allowing for the registration of two caregivers per patient.

The 2019 NJ Act Amendments further identified three distinct permit "endorsements" for cultivation, manufacturing and dispensaries and allowed for the issuance of single-endorsement permits. The amendments further clarified that no ATC could hold more than one endorsement of the same type.

Initiatives during the As of February 1, 2021 approximately 101,496 patients were registered in New Jersey's program. These recent initiatives have facilitated expansion of New Jersey's medical cannabis program. As of February 1, 2021, approximately 101,496 patients were registered.

On November 3, 2020, New Jersey voters approved New Jersey Public Question 1, an amendment to the state constitution to legalize the recreational use of cannabis by people ages 21 and older. The amendment provides for the state to establish a regulated market for the cultivation, distribution, and sale of cannabis. However, the New Jersey General Assembly has not yet enacted necessary legislation to implement the constitutional change.

Licenses

As part of NJDH's licensure authority it is responsible for the issuance of ATC permits under the NJ Act. ATC permits expire annually on December 31. A permit renewal application must be submitted at least 60 days prior to the expiration date. An ATC that seeks to renew its permit shall submit to the permitting authority an application for renewal with all required documentation and the required fees. An ATC shall update and ensure the correctness of all information submitted in previous applications for a permit or otherwise on file with the NJDH. Prior to the issuance of any permit, every principal officer, owner, director and board member of an ATC must certify stating that he or she submits to the jurisdiction of the courts of the State of New Jersey and agrees to comply with all the requirements of the laws of New Jersey pertaining to New Jersey's Medicinal Marijuana Program. Failure to provide correct and current up-to-date information is grounds for denial of the application for renewal of the permit.

Based upon a second RFA issued in 2018, NJDH selected an additional six ATCs to receive vertical permits. NJDH issued a third RFA in 2019. However, litigation over the selection process has delayed the implementation of the additional ATC permits. On February 18, 2021, a court lifted its previous order staying the selection of permits under the 2019 RFA.

Reporting Requirements

New Jersey does not have a unified T&T solution. All information is forwarded to the New Jersey Medical Marijuana Program through email. The ATC collects and submits to the NJDH for each calendar year statistical data on (a) the number of registered qualified patients and registered primary caregivers, (b) the debilitating medical conditions of the qualified patients, (c) patient demographic data, (d) summary of the patient surveys and evaluation of services and (e) other information as the NJDH may require. The ATC must retain records for at least two years.

Storage and Security

The ATC will establish inventory controls and procedures for the conduct of inventory reviews and comprehensive inventories of cultivating, stored, usable and unusable cannabis. The ATC will conduct a monthly inventory of cultivating, stored, usable and unusable cannabis. Through a unified T&T system is not currently in place, an ATC is required to have a T&T for tracking inventory and dispensing cannabis products to patients. CCF uses MJ Freeway as its T&T system. An ATC is authorized to possess two ounces of usable cannabis per registered qualifying patient plus an additional supply, not to exceed the amount needed to enable the alternative treatment center to meet the demand of newly registered qualifying patients.

Per regulatory requirements an ATC, at a minimum, must (a) establish inventory controls and procedures for the conduct of inventory reviews and comprehensive inventories of cultivating, stored, usable and unusable cannabis, (b) conduct a monthly inventory of cultivating, stored, usable and unusable cannabis, (c) perform a comprehensive inventory inspection at least once every year from the date of the previous comprehensive inventory, and (d) promptly transcribe inventories taken by use of an oral recording device. If cannabis is disposed of, the ATC must maintain a written record of the date, the quantity disposed of, the manner of disposal and the persons present during the disposal, with their signatures. ATCs must keep disposal records for at least two years. Results of the inventory inspection should document the date of the inventory review, a summary of the inventory findings and the name, signature and title of the individuals who conducted the inventory inspection.

An ATC shall limit access to medicinal cannabis storage areas to the absolute minimum number of specifically authorized employees. In the event non-employee maintenance personnel, business guests or visitors to be present in or pass through medical cannabis storage areas, the ATC must have a dedicated person who is specifically authorized by policy or job description to supervise the activity. The ATC must ensure that the storage of usable cannabis prepared for dispensing to patients is in a locked area with adequate security.

Security

An ATC is required to implement effective controls and procedures to guard against theft and diversion of cannabis including systems to protect against electronic records tampering. At a minimum, every ATC must (a) install, maintain in good working order and operate a safety and security alarm system that provides suitable protection 24 hours a day, seven days a week against theft and diversion, (b) immediately notifies the state or local police agencies of an unauthorized breach of security. An ATC must conduct maintenance inspections and tests of the security alarm system at intervals not to exceed 30 days from the previous inspection.

A video surveillance system must be installed and operated to clearly monitor all critical control activities of the ATC and must operate in good working order at all times. The ATC must provide two monitors for remote viewing via telephone lines to the NJDH offices. This security system must be approved by State of New Jersey's Medicinal Marijuana Program prior to permit issuance. The original tapes or digital pictures produced by the system must be stored in a safe place for a minimum of 30 days.

Transportation

An ATC that is authorized by permit to cultivate medicinal marijuana at one location and to dispense it at a second location shall transport only usable marijuana from the cultivation site to the dispensing site according to a delivery plan submitted to the Department. Each vehicle must be staffed with at least two registered ATC employees. At least one delivery team member shall remain with the vehicle at all times that the vehicle contains medicinal marijuana. Each delivery team member shall have access to a secure form of communication with the ATC, such as a cellular telephone, at all times that the vehicle contains medicinal marijuana. Each delivery team member must possess their ATC employee identification card at all times and shall produce it to NJDH staff or law enforcement officials upon demand.

Each transport vehicle needs to be equipped with a secure lockbox or locking cargo area, which shall be used for the sanitary and secure transport of medicinal marijuana. Each ATC must maintain current commercial automobile liability insurance on each vehicle used for transport of medicinal marijuana in the amount of one million dollars per incident. Each ATC must ensure that vehicles used to transport medicinal marijuana bear no markings that would either identify or indicate that the vehicle is used to transport medicinal marijuana, and each trip must be completed in a timely and efficient manner, without intervening stops or delays. Each ATC shall maintain a record of each transport of medicinal marijuana in a transport logbook, which must include dates and times of trips, names of employees on the delivery team, relevant facts about the products transported and the signatures of the delivery team.

ATCs must report any vehicle accidents, diversions, losses, or other reportable events that occur during transport to the permitting authority in accordance with New Jersey law.

The state has issued a number of waivers to regulatory requirements as a result of the COVID-19 pandemic, including a waiver to permit dispensaries to home-deliver products to registered patients.

Inspections

An ATC is subject to onsite assessment by the NJDH at any time. The NJDH may enter an ATC without notice to carry out an onsite assessment in accordance New Jersey laws and regulations. All ATCs are required to provide the NJDH or the NJDH's designee immediate access to any material and information so requested. Submission of an application for an ATC permit constitutes permission for entry and onsite assessment of an ATC, and failure to cooperate with an onsite assessment and or to provide the NJDH 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.

An onsite assessment may include (1) the review of all ATC documents and records and conferences with qualifying patients and primary caregivers and other persons with information, and the making and retaining of copies and/or extracts, (2) the use of any computer system at the ATC to examine electronic data, (3) the reproduction and retention of any document and/or electronic data in the form of a printout or other output, (4) the examination and collection of samples of any marijuana found at the ATC, and (5) the seizure and detention of any marijuana or thing believed to contain marijuana found at the ATC.

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.

Compliance with State Regulatory Frameworks

Nevada Regulatory Compliance

Each of the Nevada-based cannabis establishments for which the Corporation provides operational support possess licenses and/or operate dispensaries 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 Corporation provides operational support has experienced any unremedied non-compliance which may have an impact on its licenses, business activities or operations which has not been remedied, nor are any of the Corporation'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 material 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 material 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 Corporation provides operational support uses an end-to-end (“ **seed to sale**”) capable control system for tracking and tracing cannabis plants and products. Each of Leaflogix and Metrc are in use among the Corporation’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 Corporation 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 Corporation 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 Corporation provides operational support are empowered to identify key business processes that should be formally documented to assure safety and regulatory compliance.

Each of the Nevada licensed cannabis establishments to which the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 agent 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 Corporation 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 Corporation 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 agent 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation provides operational support are compliant with State and local cannabis laws in all material respects, their cannabis-related activities remain illegal under United States federal law. See "*Risk Factors*".

Massachusetts Regulatory Compliance

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

The Corporation's Massachusetts-based business has not experienced any unremedied 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 material known occurrences of non-compliance with applicable State and local cannabis rules and regulations and Ayr intends to publicly disclose any material 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 Corporation'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 Corporation's Massachusetts-based business has enlisted internal compliance personnel to provide on-going advice on applicable U.S. federal and Massachusetts laws.

The Corporation's Massachusetts-based business currently possesses three (3) 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 (3) 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 Corporation'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 Corporation's Massachusetts-based business uses Leaflogix, an end-to-end ("**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 Corporation's Massachusetts-based business has designated a set of operating procedures, including employee training with respect to such procedures, 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 Corporation's Massachusetts-based business are empowered to identify key business processes that should be formally documented to assure safety and regulatory compliance.

The Corporation'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 Corporation'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 Corporation'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 Corporation'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; o the quantity, type, form, and price of marijuana distributed or dispensed; o 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 Corporation'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 Corporation'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 Corporation's Massachusetts-based business is compliant with State and local cannabis laws in all material respects, its cannabis-related activities remain illegal under United States federal law. See "*Risk Factors*".

Pennsylvania Regulatory Compliance

The Corporation'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 Corporation's Pennsylvania-based business has not experienced any unremedied 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 Corporation'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 Corporation's Pennsylvania-based business has enlisted internal compliance personnel to provide on-going advice on applicable U.S. federal and Pennsylvania laws.

The Corporation's Pennsylvania-based business currently possesses a license to cultivate, manufacture and transport medical cannabis to other cannabis establishments in Pennsylvania. The Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation's Pennsylvania-based business is compliant with State and local cannabis laws in all material respects, its cannabis-related activities remain illegal under United States federal law. See "*Risk Factors*".

Florida Regulatory Compliance

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

The Corporation's Florida-based business has not experienced any unremedied non-compliance which may have an impact on its licenses, business activities or operations which has not been remedied. 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 Corporation's Florida-based business, such business has, on an on-going basis, internally reviewed applicable Florida laws and regulations relating to the cultivation, manufacture, transport and dispensing of medical cannabis and has internally analyzed its exposure to U.S. federal law. The Corporation's Florida-based business has enlisted internal compliance personnel to provide on-going advice on applicable U.S. federal and Florida laws.

The Corporation's Florida-based business currently possesses a license to cultivate, manufacture, transport and dispense medical cannabis to qualified patients in Florida. The Corporation's Florida-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 Corporation's Florida-based business employs a combination of software-based metric tracking and operational processes and procedures designed to comply with in-place regulatory requirements.

The Corporation's Florida-based business uses Cannabis 365 powered by Microsoft Dynamics, 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 Corporation's Florida-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 Florida-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 Corporation's Florida-based business are empowered to identify key business processes that should be formally documented to seek to assure safety and regulatory compliance.

The Corporation's Florida-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 Corporation's Florida-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 State's regulatory requirements.

Additionally, the Corporation's Florida-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 Corporation's Florida-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 Florida-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 Florida-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 Florida-based business's 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 Corporation's Florida-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 Florida, Ayr enlists its management and compliance personnel, whose responsibilities include monitoring the day-today 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 Corporation's Florida-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".

Non-Compliance with State and Local Cannabis Laws

From time to time, as with all businesses and all rules, it is anticipated that the Corporation, through its subsidiaries and establishments to which the Corporation 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;
- improper illumination of exterior of facilitates;
- packaging and labels out of compliance with most recent regulatory guidelines; and
- partial obstruction of camera views.

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 "Notice of Violation" letters. Such regulatory actions could lead to the requirement to submit a corrective action plan, 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 material known occurrences of non-compliance with applicable State and local cannabis rules and regulations and Ayr intends to publicly disclose any material non-compliance, citations or notices of violation which may have an impact on its licenses, business activities, operational support activities or operations.

Ability to Access Public and Private Capital

Ayr has historically had and will continue to have access to equity financing from the public capital markets by virtue of its status as a reporting issuer in each of the provinces and territories of Canada.

Ayr has access to equity and debt financing from the prospectus exempt (private placement) markets in Canada and the U.S. and has relationships with sources of private capital (such as funds and high net worth individuals) that could be investigated at a higher cost of capital.

While Ayr is unable to obtain traditional bank financing in the U.S. or financing from other U.S. federally regulated entities, it currently has access to equity financing through markets in Canada and the U.S. Since the use of marijuana is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, U.S. banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Likewise, marijuana businesses have limited, if any, access to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and businesses similar to Ayr's. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to Ayr when needed or on terms which are acceptable to Ayr. Ayr's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "*Risk Factors – Ayr may be subject to restricted access to banking services in the United States and Canada*".

RISK FACTORS

The Corporation is subject to various risks and uncertainties and an investment in securities of the Corporation should be considered highly speculative. Prior to making an investment decision, investors should consider the investment risks set forth below and those described elsewhere in this AIF, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The Corporation considers the risks set forth below to be the most significant, but do not consider them to be all the risks associated with an investment in securities of the Corporation.

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF and in the final non-offering prospectus of Ayr dated February 15, 2019 (the "**Final QT Prospectus**"). Additional risks and uncertainties not presently known to Ayr or currently deemed immaterial by Ayr may also impair the operations of Ayr. If any such risks actually occur, shareholders of Ayr could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of Ayr could be materially adversely affected and the ability of Ayr to implement its growth plans could be adversely affected. Prospective investors should consult with their professional advisors to assess any investment in the Corporation.

Risks Related to Legality of Cannabis

While legal under applicable U.S. State law, Ayr's business activities are illegal under U.S. federal law.

Investors are cautioned that in the United States, cannabis is largely regulated at the State level. To Ayr's knowledge, as of July 2020, some form of cannabis has been legalized in 33 States, the District of Columbia, and the territories of Guam, U.S. Virgin Islands, Northern Mariana Islands and Puerto Rico. Additional States have pending legislation regarding the same. Although each State in which Ayr will operate authorizes, as applicable, medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other States have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of non-hemp 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 Substances Act. The concepts of "medical cannabis", "retail cannabis" and "adult-use cannabis" do not exist under U.S. federal law. Marijuana is a Schedule I drug under the Substances Act. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. Although Ayr believes its businesses are compliant with applicable U.S. State and local law, strict compliance with State and local laws with respect to cannabis may not absolve Ayr of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against Ayr. Any such proceedings brought against the Ayr may result in a material adverse effect on Ayr.

Since the possession and use of non-hemp cannabis and any related drug paraphernalia is illegal under U.S. federal law, Ayr may be deemed to be aiding and abetting illegal activities. The Corporation's businesses manufacture and/or distribute medical and adult-use cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against Ayr, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another's criminal activities. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result, the U.S. Department of Justice ("**DOJ**"), under the current administration, could allege that Ayr has "aided and abetted" violations of federal law by providing financing and services to the Corporation. Under these circumstances, the federal prosecutor could seek to seize the assets of Ayr, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing. In these circumstances, Ayr's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on Ayr.

U.S. Customs and Border Protection ("**CBP**") enforces the laws of the United States. Crossing the border while in violation of the Substances Act and other related federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the Immigration and Nationality Act to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in Ayr, if it became known to CBP, could have an impact on a shareholder's admissibility into the United States and could lead to a lifetime ban on admission. See "*Risk Factors - U.S. border officials could deny entry of non-U.S. citizens into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada*".

The Corporation derives 100% of their revenues from the cannabis industry in certain States, which industry is illegal under U.S. federal law. Even where the Corporation's cannabis-related activities are compliant with applicable State and local law, such activities remain illegal under U.S. federal law. **The enforcement of relevant laws is a significant risk.**

Medical cannabis has been protected against enforcement by enacted legislation from the United States Congress in the form of what is commonly called the "Rohrabacher-Blumenauer Amendment", which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the State-level, subject to the United States Congress restoring such funding. Notably, this amendment has always applied to only medical cannabis programs, and has no effect on pursuit of recreational cannabis activities. The amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. Subsequent to the issuance of the Sessions Memorandum by then Attorney General Sessions on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the Leahy Amendment) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the U.S. DOJ up and through the 2018 appropriations deadline of September 30, 2018.

The deadline passed, but the Rohrbacher-Leahy Amendment remained in effect by virtue of a continuing resolution under which the entire 2018 budget continued to operate. Following the expiration of the continuing resolution on December 7, 2018, Congress failed to agree upon an appropriations bill, and the United States government entered a partial shutdown. The Rohrabacher-Leahy Amendment was no longer in effect during the partial shutdown. The partial shutdown ended on January 25, 2019 when the United States Congress passed an appropriations bill funding the United States government through February 15, 2019. This temporary appropriations bill included language similar to the Rohrabacher Leahy Amendment (now referred to as the "**Joyce/Leahy Amendment**"). On February 15, 2019, the amendment was renewed through the signing of the Fiscal Year 2019 omnibus spending bill, effective through September 30, 2019. On September 27, 2019, the amendment was renewed through a stopgap spending bill, and it was renewed again on November 21, 2019. On December 20, 2019, the amendment was renewed by the signing of the Fiscal Year 2020 omnibus spending bill, effective through September 30, 2020. That legislation also contained a provision continuing to block Washington, D.C. from using its own local tax dollars to implement a legal marijuana sales program.

In July 2020, the House of Representatives passed the "Blumenauer-McClintock-Norton-Lee amendment," to the Commerce, Justice, Science (CJS) Appropriations bill. That amendment was included in a series of stopgap spending bills from September 2020 through the end of December 2020. On December 27, 2020, the amendment was renewed through the signing of the Fiscal Year 2021 spending bill, which is effective through September 30, 2021.

Should the Joyce/Leahy amendments language not be included in future appropriations packages, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon Ayr or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on Ayr, even if such proceedings were concluded successfully in favour of Ayr.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on Ayr, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical and adult-use cannabis licenses in the United States, its financial position, operating results, profitability or liquidity or the market price of its publicly-traded shares. In addition, it will be difficult for Ayr to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution 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.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

As a result of the conflicting views between State legislatures and the federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memorandum addressed to all United States district 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 purposes.

The Cole Memorandum outlined certain priorities for the U.S. DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the U.S. DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the U.S. DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, then newly appointed Attorney General Jeff Sessions again 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 and, on January 4, 2018, former Attorney General Jeff Sessions issued the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the USAM and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

As discussed above, should the Joyce/Leahy amendment not be renewed, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law.

Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. While dozens of U.S. attorneys from across the country have affirmed that their view of federal enforcement priorities has not changed, there can be no assurances that such views are universally held or will continue in the near future. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act, stating that the Sessions Memorandum and the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. These and other so called "enforcement hawks" in California or elsewhere may choose to enforce the Controlled Substances Act in accordance with federal policies prior to the issuance of the Cole Memorandum. As such, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with State law.

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, and William Barr was eventually appointed to the role. 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.

On January 20, 2021, Joseph R. Biden was inaugurated as President of the United States. During the campaign, President Biden expressed support for nationwide decriminalization of cannabis, but has not yet supported full legalization for medial or recreational use. President Biden has nominated District of Columbia Court of Appeals Judge Merrick Garland to serve as Attorney General, and his nomination was confirmed by the Senate on March 10, 2021. During his confirmation hearing, in response to a question from Senator Cory Booker, Garland did not confirm whether he would reinstate the Cole Memorandum, but indicated that enforcement of federal cannabis laws "does not seem to me a useful use of limited resources."

Going forward, there can be no assurance as to the position the new administration or any future administration, DOJ, FBI, or other governmental agency may take on marijuana. A new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Corporation and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively. Ayr regularly monitors the activities of the current administration in this regard.

Any potential proceedings to enforce federal cannabis laws could involve significant restrictions being imposed upon Ayr or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on Ayr, as well as Ayr's reputation, even if such proceedings were concluded successfully in favour of Ayr. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of Ayr or the seizure of corporate assets; however as of the date hereof, Ayr believes that proceedings of this nature are remote.

Ayr may be subject to restricted access to banking services in the United States and Canada.

In February 2014, FinCEN issued guidance through the FinCEN Memorandum (which is not law) with respect to financial institutions providing banking services to cannabis businesses. This guidance includes burdensome due diligence expectations and reporting requirements, and does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the U.S. DOJ, FinCEN or other federal regulators. Thus, many banks and other financial institutions in the United States choose not to provide banking services to cannabis-related businesses or rely on this guidance, which can be amended or revoked at any time by the Trump administration. In addition to the foregoing, banks may refuse to process debit card payments, and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, Ayr may have limited or no access to banking or other financial services in the United States. The inability, or limitation of Ayr's ability, to open and maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for Ayr to operate and conduct its business as planned or to operate efficiently. Ayr does not consider this to be a risk at the current time in Nevada.

Additionally, Canadian banks may potentially refuse to provide banking services to companies engaged in U.S. cannabis activities while it is illegal under U.S. federal law.

There are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and businesses similar to the Corporation. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to Ayr when needed or on terms which are acceptable to Ayr. Ayr's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

The differing regulatory requirements across State jurisdictions may hinder or otherwise prevent Ayr from achieving economies of scale.

Traditional rules of investing may prove to be imperfect in the cannabis industry. For example, while it would be common for investment managers to purchase equity in companies in different States to reach economies of scale and to conduct business across State lines, such an investment thesis may not be feasible in the cannabis industry because of varying State-by-State legislation. Applicable regulations in many States may require advance disclosure of and approval of State regulators to accomplish an investment. As no two regulated markets in the cannabis industry are exactly the same, doing business across State lines may not be possible or commercially practicable. As a result, Ayr may be limited to identifying opportunities in individual States, which may have the effect of slowing the growth prospects of Ayr.

Risk of legal, regulatory or other political change.

The success of the business strategy of Ayr depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To Ayr's knowledge, as of July 2020, some form of cannabis has been legalized in 33 States, the District of Columbia, and the territories of Guam, U.S. Virgin Islands, Northern Mariana Islands and Puerto Rico; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting Ayr's business, results of operations, financial condition or prospects.

Delays in enactment of new State or federal regulations could restrict the ability of Ayr to reach strategic growth targets. The growth strategy of Ayr is contingent upon certain federal and State regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of Ayr could be negatively impacted, and thus, the effect on the return of investor capital, could be detrimental.

Ayr is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, 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, including prohibiting ownership of cannabis businesses by public companies. If the federal government begins to enforce federal laws relating to cannabis in States where the sale and use of cannabis is currently legal under State law, or if existing applicable State laws are repealed or curtailed, Ayr's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business in that jurisdiction, which may adversely affect Ayr's continued operations. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable marijuana legislation could adversely affect Ayr and its business, results of operations, financial condition and prospects.

Ayr is also aware that multiple States are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other States are in the process of reviewing such additional fees and taxation. Should such special taxes or fees be adopted, this could have a material adverse effect upon Ayr's business, results of operations, financial condition or prospects.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the State and federal level. For instance, in Massachusetts, the State's Department of Public Health recently transferred the medical cannabis program, which it has been regulating since 2013, to the Cannabis Control Commission (the current regulator of the State's adult-use cannabis program). The inability of Ayr to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

The cannabis industry is a new industry that may not succeed.

Should the U.S. federal government change course and decide to prosecute those dealing in medical or adult-use cannabis under applicable law, there may not be any market for Ayr's products and services. It is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit Ayr to succeed. Ayr is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

Ayr's operations in the U.S. cannabis market may become the subject of heightened scrutiny.

For the reasons set forth above, Ayr's existing operations in the U.S., and any future operations or investments, 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 operate or invest in the U.S. or any other jurisdiction, in addition to those described herein.

Given the heightened risk profile associated with cannabis in the U.S., CDS Clearing and Depository Services Inc. (" **CDS**") may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the U.S. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with the NEO Exchange, the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Equity Shares to make and settle trades. In particular, Equity Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of Equity Shares through the facilities of a stock exchange.

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 revised their previously released Staff Notice – 51-352 *Issuers with U.S. Marijuana-Related Activities* setting out their disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. The Staff Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The Staff Notice 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 views the Staff Notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as Ayr's ability to pursue further investment and opportunities in Ayr.

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

Regulatory scrutiny of Ayr's industry may negatively impact its ability to raise additional capital.

Ayr's business activities rely on newly established and/or developing laws and regulations in the various States in which Ayr operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect Ayr's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the U.S. DOJ, the Financial Industry Regulatory Advisory or other federal, State or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical and/or adult-use purposes in the U.S. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding Ayr's industry may adversely affect the business and operations of Ayr, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of Ayr or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in Ayr.

Ayr's investments in the U.S. are subject to applicable anti-money laundering laws and regulations.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the Substances Act, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and other related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under U.S. federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the Substances Act. As a result, a majority of the United States' banks and financial institutions have refused to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. Others have agreed to accept deposits from medical cannabis sales, but not recreational cannabis sales. The inability to open bank accounts with certain institutions could materially and adversely affect the business of Ayr. See "*Risk Factors – Ayr may be subject to restricted access to banking in the United States and Canada* ".

In February 2014, the U.S. Department of the Treasury's Financial Crimes Enforcement Network issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors in the 2014 Cole Memorandum relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Substances Act. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum.

In the event that any of Ayr's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of Ayr to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while Ayr has no current intention to declare or pay dividends on the Equity Shares in the foreseeable future, in the event that a determination was made that Ayr's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, Ayr may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Any re-classification of cannabis or changes in U.S. controlled substance laws and regulations may affect Ayr's business.

If cannabis and/or CBD is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be simpler and more accessible; however, if cannabis is re-categorized as a Schedule II or other controlled substance, the resulting re-classification would result in the requirement for FDA approval if medical claims are made for Ayr's products such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the Drug Enforcement Administration ("**DEA**"). In that case, Ayr may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of Ayr's anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on Ayr's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.

The availability of favourable locations may be severely restricted.

In Massachusetts and other States, the local municipality has authority to choose where any cannabis establishment will be located. These authorized areas are frequently removed from other retail operations.

Because the cannabis industry remains illegal under U.S. federal law, the disadvantaged tax status of businesses deriving their income from cannabis, and the reluctance of the banking industry to support cannabis businesses, it may be difficult for Ayr to locate and obtain the rights to operate at various preferred locations. Property owners may violate their mortgages by leasing to Ayr, and those property owners that are willing to allow use of their facilities may require payment of above fair market value rents to reflect the scarcity of such locations and the risks and costs of providing such facilities.

U.S. border officials could deny entry of non-U.S. citizens into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.

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

Business Structure Risks

Ayr's multi-class structure will have the effect of concentrating voting control and the ability to influence corporate matters with the Founders.

The Multiple Voting Shares have 25 votes per share, whereas the Equity Shares have one vote per share. As of December 31, 2020, Mercer holds 3,677,626 Multiple Voting Shares and approximately 99.5% of the voting power of the outstanding voting shares of Ayr (including the Multiple Voting Shares and Equity Shares, and assuming the outstanding Warrants are not determined to be "out of the money" by the Corporation's board of directors) and would therefore have significant influence over the management and affairs of Ayr and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. In addition, because of the 25-to-1 voting ratio between the Multiple Voting Shares and Equity Shares, the holders of Multiple Voting Shares will control a majority of the combined voting power of Ayr's voting shares even though the Multiple Voting Shares will represent a substantially reduced percentage of the total outstanding shares of Ayr. The concentrated voting control of the holders of Multiple Voting Shares will limit the ability of the holders of Equity Shares to influence corporate matters for the foreseeable future, including the election of directors (other than in respect of the Limited Voting Shares, which do not have any entitlement to vote in respect of the election of directors) as well as with respect to Ayr's decisions to amend its share capital, create and issue additional classes of shares, make significant acquisitions, sell significant assets or parts of its business, merge with other companies and/or undertake other significant transactions. As a result, holders of Multiple Voting Shares will have the ability to influence or control many matters affecting Ayr and actions may be taken that the holders of Equity Shares may not view as beneficial. The market price of the Equity Shares could be adversely affected due to the significant influence and voting power of the holders of Multiple Voting Shares. Additionally, the significant voting interest of the holders of Multiple Voting Shares could discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Equity Shares, might otherwise receive a premium for the Equity Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Multiple Voting Shares.

At the holder's option, the Multiple Voting Shares will be convertible, on a one-for-one basis, into Equity Shares. In addition, the Multiple Voting Shares will be automatically converted, without further act or formality, into Equity Shares on the earliest of (i) the fifth (5^{th}) 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 Corporation's articles) under the Corporation's 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.

Loss of Foreign Private Issuer status.

The Corporation is an "foreign private issuer (" **FPI**") as defined in Rule 405 under the U.S. Securities Act and Rule 3b-4 under the U.S. *Securities Exchange Act of 1934* (the "**U.S. Exchange Act**"). If, as of the last business day of the Corporation's second fiscal quarter for any year, more than 50% of the Corporation's outstanding voting securities (as determined under Rule 405 of the U.S. Securities Act) are directly or indirectly held of record by residents of the United States, the Corporation will no longer meet the definition of an FPI, which may have adverse consequences on the Corporation's ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Corporation's FPI status may result in increased reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect the Corporation's business, financial condition and results of operations.

The term "foreign private issuer" is defined as any non-U.S. corporation, other than a foreign government, except any issuer meeting the following conditions:

(a) more than 50% of the outstanding voting securities of such issuer are, directly or indirectly, held of record by residents of the United States; and

(b) any one of the following:

    (i) the majority of the executive officers or directors are United States citizens or residents, or

    (ii) more than 50% of the assets of the issuer are located in the United States, or

    (iii) the business of the issuer is administered principally in the United States.

A "holder of record" is defined by Rule 12g5-1 under the U.S. Exchange Act. Generally speaking, the holder identified on the record of security holders is considered as the record holder. In December 2016, the SEC issued a Compliance and Disclosure Interpretation to clarify that issuers with multiple classes of voting stock carrying different voting rights may, for the purposes of calculating compliance with this threshold, examine either (i) the combined voting power of its share classes, or (ii) the number of voting securities, in each case held of record by U.S. residents. Based on this interpretation, each issued and outstanding Multiple Voting Share is counted as one voting security and each issued and outstanding Subordinate Voting Share and Restricted Voting Share is counted as one voting security for the purposes of determining the 50% U.S. resident threshold and the Corporation is a "foreign private issuer". The Limited Voting Shares are not counted as "voting securities" under the definition of "foreign private issuer" as they do not have any entitlement to vote for the election of directors of the Corporation. Should the SEC's guidance and interpretation change, it is likely the Corporation will lose its FPI status.

The Corporation's Status as an "Emerging Growth Company" under United States securities laws.

The Corporation is an "emerging growth company" as defined in section 3(a) of the U.S. Exchange Act (as amended by the *Jumpstart Our Business Startups Act* (the "**JOBS Act**"), enacted on April 5, 2012), and the Corporation will continue to qualify as an emerging growth company until the earliest to occur of: (i) the last day of the fiscal year during which the Corporation has total annual gross revenues of $1.07 billion (as such amount is indexed for inflation every five years by the SEC) or more; (ii) the last day of the fiscal year of the Corporation following the fifth (5^{th}) anniversary of the date of the first sale of common equity securities of the Corporation pursuant to an effective registration statement under the U.S. Securities Act; (iii) the date on which the Corporation has, during the previous three (3)-year period, issued more than $1 billion in non-convertible debt; and (iv) the date on which the Corporation is deemed to be a "large accelerated filer", as defined in Rule 12b–2 under the U.S. Exchange Act. The Corporation will qualify as a large accelerated filer (and would cease to be an emerging growth company) at such time when on the last business day of its second fiscal quarter of such year the aggregate worldwide market value of its common equity held by non-affiliates will be $700 million or more.

For so long as the Corporation remains an emerging growth company, it is permitted to and intends to rely upon exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the JOBS Act. The Corporation takes advantage of some, but not all, of the available exemptions available to emerging growth companies. The Corporation cannot predict whether investors will find the Equity Shares less attractive because the Corporation relies upon certain of these exemptions. If some investors find the Equity Shares less attractive as a result, there may be a less active trading market for the Equity Shares and the price per Equity Share may be more volatile. On the other hand, if the Corporation no longer qualifies as an emerging growth company, the Corporation would be required to divert additional management time and attention from the Corporation's development and other business activities and incur increased legal and financial costs to comply with the additional associated reporting requirements, which could negatively impact the Corporation's business, financial condition and results of operations.

General Regulatory and Legal Risks

Ayr may be subject to the risk of civil asset forfeiture.

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

Ayr may lack access to U.S. bankruptcy protections.

Because the use of cannabis is illegal under U.S. federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If Ayr was to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to Ayr's U.S. operations, which could have a material adverse effect on Ayr.

Ayr may be subject to the risk of an inability to enforce its contracts.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level, judges in multiple States have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of State law. There remains doubt and uncertainty that Ayr will be able to legally enforce contracts it enters into if necessary. Ayr cannot be assured that it will have a remedy for breach of contract, which would have a material adverse effect on Ayr.

Ayr may be subject to the risk of changes in Canadian laws or regulations, or a failure to comply with any such laws and regulations.

Ayr is subject to laws and regulations enacted by the federal and provincial governments of Canada. In particular, Ayr will be required to comply with certain Canadian securities law, income tax law and the CSE and other legal and regulatory requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application also may change from time to time and those changes could have a material adverse effect on Ayr's business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Ayr is subject to general regulatory and licensing risks.

The Corporation is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of Ayr's business objectives is contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of Ayr may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Certain of the Corporation's businesses may be required to obtain or renew further government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, public hearings and costly undertakings on the Corporation's part. The duration and success of the Corporation's efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Corporation may not be able to obtain, amend or renew permits or licenses that are necessary to its operations or to achieve the growth of its business. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Corporation. To the extent necessary, permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Corporation may be curtailed or prohibited from proceeding with ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Several of the licenses held by the Corporation are subject to renewal on an annual or periodic basis; however, they are generally renewed, as a matter of course, if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations. For example, Massachusetts' medical and adult-use cannabis programs each require annual renewal of registrations. These renewals are contingent upon the registration holder's past and continued ability to meet the statutory and regulatory requirements of the given program. Compliance personnel of each of the Corporation's businesses check renewal dates for licenses to seek to ensure that licenses are renewed as and when required. Ayr has implemented an additional centralized review of such renewal process.

While Ayr believes that the its compliance controls have been developed to mitigate the risk of any violations of any licenses they hold arising, there is no assurance that the Corporation's licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Corporation could impede the ongoing or planned operations of the Corporation and have a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Ayr may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm Ayr's reputation, require Ayr to take, or refrain from taking, actions that could harm its operations or require Ayr to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on Ayr's business, financial condition, results of operations or prospects.

Nevada Regulatory Regime and Transfer and Grant of Licenses .

The business and activities of Ayr are heavily regulated in Nevada. Ayr's operations are subject to various laws, regulations and guidelines by governmental authorities, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical marijuana and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant the Nevada Cannabis Compliance Board (as successor regulatory agency to the Nevada Taxation Department over the Nevada cannabis industry) and self-regulatory bodies broad administrative discretion over the activities of Ayr in Nevada, including the power to limit or restrict business activities as well as impose additional disclosure requirements on Ayr's products and services. Achievement of Ayr's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by the Nevada Cannabis Compliance Board and other governmental authorities and obtaining all regulatory approvals from the Nevada Cannabis Compliance Board and other governmental authorities, where necessary, for the sale of its cannabis products. Similarly, Ayr cannot predict the time required to secure all appropriate regulatory approvals for its licenses, including the transfer of licenses and/or the grant of new licenses in Nevada, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals or licenses, including the transfer of licenses and/or the grant of new licenses in Nevada, would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of Ayr.

Ayr will incur ongoing costs and obligations related to regulatory compliance and obtaining new licenses. Failure to comply with regulations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate Ayr's business, the suspension or expulsion from the Nevada cannabis market or of its key personnel, and the imposition of fines and censures. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Ayr's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Ayr.

Limitations on ownership of licenses.

In certain States, the cannabis laws and regulations limit not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example, in Massachusetts, no person may have an ownership interest, or control over, more than three medical licenses or three adult-use licenses in any category – for example, cultivation, product manufacturing, transport or retail. Ayr believes that, where such restrictions apply, it may still capture significant share of revenue in the market through the provision of management or support services and similar arrangements with other operators. Nevertheless, such limitations on the acquisition of ownership of additional licenses within certain States may limit Ayr's ability to grow organically or to increase its market share in such States.

Regulatory action and approvals from the Food and Drug Administration .

The Corporation's cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Corporation's cannabis-based products are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the Food, Drug and Cosmetic Act ("**FDCA**").

In recent years, the FDA has issued letters to a number of companies selling products that contain CBD oil derived from hemp warning them that the marketing of their products violates the FDCA. FDA enforcement action against the Corporation could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Corporation's production or distribution of its products. Any such event could have a material adverse effect on Ayr's business, prospects, financial condition, and operating results.

Risks related to acquisitions .

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

The Corporation could incur additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition of businesses or strategic assets. All of these factors could cause dilution to the Corporation's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Corporation's securities.

The Corporation may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such acquired company with its existing operations. If integration is not managed successfully by the Corporation's management, the Corporation may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Corporation's business, financial condition and results of operations. The Corporation may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on management. There is no assurance that these acquisitions will be successfully integrated in a timely manner.

Such transactions could involve other risks, including the assumption of unidentified or unknown liabilities, disputes or contingencies, for which the Corporation, as a successor owner, may be responsible, and/or changes in the industry, location, or regulatory or political environment in which these investments are located, that the Corporation's due diligence review may not adequately uncover and that may arise after entering into such transactions. Although the Corporation has and expects to continue to realize strategic, operational and financial benefits as a result of the Corporation's mergers and acquisitions, the Corporation cannot predict whether and to what extent such benefits will be achieved.

Furthermore, any future merger or acquisition may result in diversion of management's attention from other business concerns, and such transactions may be dilutive to the Corporation's financial results and/or result in impairment charges and write-offs.

The presence of one or more material liabilities of an acquired company that are unknown to Ayr at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of Ayr. A strategic transaction may result in a significant change in the nature of Ayr's business, operations and strategy. In addition, Ayr may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into Ayr's operations.

Risks related to expansion strategy.

There is no guarantee that the Corporation's expansion strategy will be completed, nor is there any guarantee that the Corporation will be able to expand into additional jurisdictions. There is also no guarantee that the Corporation's intentions to acquire and/or construct additional cannabis production, manufacturing, distribution or sales facilities, and to expand the Corporation's marketing and sales initiatives will be successful. Any such activities will require, among other things, various regulatory approvals, licences and permits and there is no guarantee that all required approvals, licences and permits will be obtained in a timely fashion or at all. There is also no guarantee that the Corporation will be able to complete any of the foregoing activities as anticipated or at all.

The Corporation's failure to successfully execute its expansion strategy (including receiving required regulatory approvals, licences and permits) could adversely affect the Corporation's business, financial condition and results of operations and may result in the Corporation failing to meet anticipated or future demand for its cannabis products, when and if it arises.

Risks related to evaluating prospective target businesses.

Although the Corporation has identified specific criteria and guidelines for evaluating prospective target businesses, it is possible that a target business with which the Corporation enters into a transaction will not have all of these positive attributes. If the Corporation consummates a transaction with a target that does not meet some or all of these guidelines, such transaction may not prove to be successful. In addition, there is no guarantee that an investment that meets the criteria and guidelines established by the Corporation will prove to be successful.

Risks related to transactions that are not consummated.

The Corporation anticipates that the investigation of each specific target business and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and other experts. If the Corporation decides not to complete a specific transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, if the Corporation reaches an agreement relating to a specific target business, the Corporation may fail to consummate the transaction for any number of reasons, including those beyond its control. Any such event will result in losses to the Corporation of the related costs incurred which could materially adversely affect subsequent attempts to locate and acquire or merge with another business.

Risks related to loss of officers and directors.

The Corporation's operations are dependent upon a relatively small group of individuals and, in particular, its officers and directors. The Corporation believes that its success will depend on the continued service of its officers and directors. In addition, the Corporation's officers and directors are not required to commit any specified amount of time to the Corporation's affairs and, accordingly, may have conflicts of interest in allocating management time among various business activities, including identifying potential acquisitions and monitoring the related due diligence. The Corporation does not have key-man insurance on the life of any of its directors or officers. The unexpected loss of the services of one or more of its directors or officers could have a detrimental effect on the Corporation, its operations and its ability to make acquisitions.

Risks related to conflicts of interest.

The Corporation engages in the business of identifying and combining with one or more businesses. The Corporation's officers and directors may now be, or may in the future become, affiliated with entities that are engaged in a similar business.

The Corporation's officers and directors also may become aware of business opportunities which may be appropriate for presentation to the Corporation and the other entities to which it owes duties. In the course of its other business activities, the Corporation's officers and directors may owe similar or other duties, and may have obligations, to other entities or pursuant to other outside business arrangements, including seeking and presenting investment and business opportunities. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. These conflicts may not be resolved in the Corporation's favour, as the Corporation's officers and directors are not required to present investment and business opportunities to the Corporation in priority to other entities with which they are affiliated or to which they owe duties.

The Corporation has not adopted a policy that expressly prohibits its directors, officers, security holders, affiliates or associates from having a direct or indirect financial interest in any investment to be acquired or disposed of by the Corporation or in any transaction to which it is a party or has an interest. In fact, even though it is not the Corporation's current intentions to do so, they may enter into a transaction with a target business that is affiliated with the Corporation's directors or officers.

Pursuant to the strategic opportunities agreement entered into among Ayr, Mercer Park Brand Acquisition Corp. (a special purpose acquisition corporation with a sponsor that is an affiliate of Mercer, for which Jonathan Sandelman is an officer and director and Louis Karger is an officer) and Mercer Park, L.P. (the parent of Mercer), regarding the allocation of corporate opportunities, the parties thereto granted rights of first refusal in an established order to the parties thereto for certain corporate opportunities involving businesses with a value, in the opinion of Mercer, of more than $20 million, that are in alignment with either Mercer Park Brand Acquisition Corp.'s priority business focus (being cannabis-related brands, trade marks and/or service marks and ancillary businesses) or Ayr's priority business focus (being cultivation, manufacturing, wholesale, retail operations and/or licenses in respect of cannabis, not mainly attributable to brand value). For greater certainty, the rights of first refusal are not intended to apply to: (i) acquisition opportunities with respect to businesses with a value, in the opinion of Mercer, of less than $20 million; or (ii) acquisition opportunities in respect of non-controlling interests. See "*Conflicts of Interest and Interests of Management and Others in Material Transactions*".

Business Risks Related to the Cannabis Industry

Scientific research related to the benefits of marijuana remains in early stages, is subject to a number of important assumptions and may prove to be inaccurate.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in early stages. To Ayr's knowledge, there have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids. Any statements made in this AIF concerning the potential medical benefits of cannabinoids are based on published articles and reports. As a result, any statements made in this AIF are subject to the experimental parameters, qualifications, assumptions and limitations in the studies that have been completed.

Although Ayr believes that the articles and reports, and details of research studies and clinical trials that are publicly available reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, prospective and current Ayr shareholders should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Competition in the cannabis industry is intense and increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of Ayr.

Ayr expects to face intense competition in the cannabis industry, some of which can be expected to come from companies with longer operating histories and more financial resources, manufacturing and marketing experience than Ayr. In addition, there is potential that the cannabis industry will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities, and products that will be greater than those of Ayr. As a result of this competition, Ayr may be unable to maintain its operations or develop them as currently proposed on terms it considers to be acceptable or at all. Increased competition by larger, better-financed competitors with geographic advantages may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Negative publicity or consumer perception may affect the success of Ayr's business.

The success of the cannabis industry may be significantly influenced by the public's perception of marijuana. Both the medical and adult-use of marijuana are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to marijuana will be favourable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and adult-use marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of marijuana, whether in Canada, the U.S. or elsewhere, may have a material adverse effect on Ayr's operational results, consumer base and financial results.

Public perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical marijuana and on the business, results of operations, financial condition, cash flows or prospects of Ayr.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or associating the consumption of adult-use and medical marijuana with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise. Among other things, a negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could cause State jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use 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, results of operations or prospects.

Results of future clinical research may negatively impact the cannabis industry.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC) and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of Ayr's securities should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for Ayr's products with the potential to lead to a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

The cannabis industry is difficult to forecast.

Ayr must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of Ayr.

Reliable data on the medical and adult-use cannabis industry is not available.

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. Federal and State laws prevent widespread participation and hinder market research. Therefore, market research and projections by Ayr of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of Ayr's management team as of the date of this AIF.

Ayr may be subject to the risk of constraints on marketing products.

The development of Ayr's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the U.S. limits companies' abilities to compete for market share in a manner similar to other industries. If Ayr is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, Ayr's sales and results of operations or prospects could be adversely affected.

Risks Related to Ayr's Business

COVID-19 pandemic.

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. The outbreak has caused companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel restrictions. While the impact of these restrictions cannot be reasonably estimated at this time, the Corporation has sought to assess the potential impact of the pandemic on its operating results. The Corporation has attempted to assess the impact of the pandemic by identifying risks in the following principle areas:

Mandatory Closure. In response to the pandemic, most States and localities have deemed cannabis sales to be "essential business" and made only limited changes (if any) to normal business practices to prevent the spread of COVID-19. While the Corporation has and continues to work closely with State and local regulators to remain in compliance with COVID-19 guidelines, there is no guarantee further measures may nevertheless require Ayr to shut operations in some or all States. The Corporation's ability to generate revenue would be materially impacted by any shut down of its operations.

Customer Impact. The Corporation has implemented several initiatives prioritizing its medical patients and customers most susceptible to COVID-19 during the pendency of the COVID-19 outbreak. While the Corporation is seeking to implement measures, where permitted, such as "curbside" sales and delivery, to reduce infection risk to our customers, regulators may not permit such measures, or such measures may not prevent a reduction in demand.

Health and Safety of Patients, Customers, and Employees . In accordance with the guidance of the Centers of Disease Control and Prevention ("**CDC**"), the Corporation made essential changes to promote a healthy and safe operating environment for all of its patients, customers and employees, including:

- frequently sanitizing high-touch surfaces;
- deep cleaning and sanitizing workstations;
- sanitizing or washing hands after each transaction;
- ensuring hand sanitizer is easily accessible;
- suspending all use of paper menus, demo products, and demo samples;
- positioning staff at every other register when possible;
- taking the temperature of store employees before they begin their shift;
- requiring all dispensary staff to wear face masks;
- installed plexi-shields in areas where patients/customers come face to face with staff (check-in and at registers where glass doesn't already exist); and
- placed markers on the floor to dictate 6 feet + of space between patients/customers.

Supply Chain Disruption. The Corporation relies on third party suppliers for equipment and services to produce its products and keep its operations going. If its suppliers are unable to continue operating due to mandatory closures or other effects of the pandemic, it may negatively impact its own ability to continue operating. At this time, the Corporation has not experienced any failure to secure critical supplies or services. However, disruptions in our supply chain may affect our ability to continue certain aspects of the Corporation's operations or may significantly increase the cost of operating its business and significantly reduce its margins.

Staffing Disruption. The Corporation is, for the time being, implementing among its staff where feasible "social distancing" measures recommended by such bodies as the CDC, the Presidential Administration, as well as state and local governments. The Corporation has cancelled nonessential travel by employees, implemented remote meetings where possible, and permitted all staff who can work remotely to do so. For those whose duties require them to work on-site, measures have been implemented to reduce infection risk, such as reducing contact with customers, mandating additional cleaning of workspaces and hand disinfection, providing masks and taking the temperature of employees before they begin their shift. Nevertheless, despite such measures, the Corporation may find it difficult to ensure that its operations remain staffed due to employees falling ill with COVID-19, becoming subject to quarantine, or deciding not to come to come to work on their own volition to avoid infection.

The Corporation is actively addressing the risk to business continuity represented by each of the above factors through the implementation of a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis. The above risks individually or collectively may have a material impact on the Corporation's ability to generate revenue. Implementing measures to remediate the risks identified above may materially increase our costs of doing business, reduce our margins and potentially result in losses. While the Corporation is not currently in financial distress, if the Corporation's financial situation materially deteriorates as a result of the impact of the pandemic, the Corporation could eventually be unable to meet its obligations to third parties, including observing financial covenants under the Corporation's senior notes payable or other debt, which in turn could lead to insolvency and bankruptcy of the Corporation.

Ayr has a limited operating history.

As a high-growth enterprise, Ayr does not have a history of profitability. As such, Ayr has no immediate prospect of generating profit from its intended operations. Ayr is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Ayr will be successful in achieving a return on its shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Ayr will be reliant on its management team.

The success of Ayr is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Ayr's business, operating results, financial condition or prospects.

News media have reported that U.S. immigration authorities have increased scrutiny of Canadian citizens who are crossing the U.S.-Canada border with respect to persons involved in cannabis businesses in the U.S. There have been a number of Canadians barred from entering the U.S. as a result of an investment in or act related to U.S. cannabis businesses. In some cases, entry has been barred for extended periods of time. Ayr employees traveling from Canada to the U.S. for the benefit of Ayr may encounter enhanced scrutiny by U.S. immigration authorities that may result in the employee not being permitted to enter the U.S. for a specified period of time. If this happens to Ayr employees, then this may reduce our ability to manage effectively our business in the U.S.

Certain of Ayr's officers and directors may now be, and all of them may in the future become, affiliated with entities engaged in business activities similar to those intended to be conducted by Ayr and, accordingly, may have conflicts of interest in allocating their time and determining to which entity a particular business opportunity should be presented.

Ayr's officers and directors also may become aware of business opportunities which may be appropriate for presentation to Ayr and the other entities to which they owe duties. In the course of their other business activities, Ayr's officers and directors may owe similar or other duties, and may have obligations, to other entities or pursuant to other outside business arrangements, including seeking and presenting investment and business opportunities. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. These conflicts may not be resolved in our favour, as Ayr's officers and directors are not required to present investment and business opportunities to Ayr in priority to other entities with which they are affiliated or to which they owe duties, and such conflicts may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Ayr may be subject to the risk of competition from synthetic production and technological advances .

The pharmaceutical industry may attempt to dominate the cannabis industry, and in particular, legal marijuana, through the development and distribution of synthetic products which emulate the effects and treatment of organic marijuana. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of Ayr to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future that may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects

Ayr may be subject to the risks associated with fraudulent or illegal activity by its employees, contractors and consultants.

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

Certain events or developments in the cannabis industry more generally may impact Ayr's reputation.

Damage to Ayr's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that our business might attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of Ayr. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to Ayr and its activities, whether true or not, and the cannabis industry in general, whether true or not. Ayr does not ultimately have direct control over how it or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to Ayr's overall ability to advance its business strategy and realize on its growth prospects, thereby having a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Third parties with whom Ayr may do business may perceive themselves as being exposed to reputational risk as a result of their relationship with Ayr.

The parties with which Ayr may do business may perceive that they are exposed to reputational risk as a result of Ayr's cannabis-related business activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of Ayr's business may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Ayr may be subject to advertising and promotional risk in the event it cannot effectively implement a successful branding strategy.

Ayr's future growth and profitability may depend on the effectiveness and efficiency of advertising and promotional costs, including its ability to (i) create brand recognition for any products we may develop or sell; (ii) determine appropriate advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that advertising and promotional costs will result in revenues for Ayr's business in the future or will generate awareness for any of Ayr's products. In addition, no assurance can be given that Ayr will be able to manage our advertising and promotional costs on a cost-effective basis.

The cannabis industry in Canada, including both the medical and adult-use cannabis markets, is in its early development stage and restrictions on advertising, marketing and branding of cannabis companies and products by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect Ayr's ability to conduct sales and marketing activities and to create brand recognition, and could potentially result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Certain of the Corporation's businesses are subject to product liability regimes and strict product recall requirements.

Certain of the Corporation's businesses are distributors of products designed to be ingested by humans. Accordingly, Ayr faces the risk of exposure to product liability claims, regulatory action and litigation if any of its businesses' products are alleged to have caused significant loss or injury. In addition, the sale of cannabis products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. Ayr may be subject to various product liability claims, including, among others, that specific cannabis products caused injury or illness, or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Ayr could result in increased costs, could adversely affect our reputation with Ayr's clients and consumers generally, and may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

In addition, manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. To the extent any products are recalled due to an alleged product defect or for any other reason, Ayr could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Ayr may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Moreover, a recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on Ayr. Product recalls may lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Ayr may not be able to successfully develop new products or find a market for their sale .

The cannabis industry is in its early stages of development and Ayr, and its competitors, may seek to introduce new products in the future. In attempting to keep pace with any new market developments, Ayr may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by Ayr. Ayr may also be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authorities, which may take significant amounts of time. Ayr may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Ayr will be reliant on third-party suppliers, manufacturers and contractors.

Ayr intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the U.S., Ayr's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for Ayr's operations. Loss of these suppliers, manufacturers and contractors may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Ayr will be reliant on key inputs.

The marijuana business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of Ayr. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, Ayr might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to Ayr in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of Ayr.

Ayr will be reliant on equipment and skilled labour .

The ability of Ayr to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that Ayr will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by Ayr's capital expenditure plans may be significantly greater than anticipated by Ayr's management, and may be greater than funds available to Ayr, in which circumstance Ayr may curtail, or extend the timeframes for completing, its capital expenditure plans. This may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Service providers could suspend or withdraw service .

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third-party service providers to Ayr could suspend or withdraw their services, which may have a material adverse effect on Ayr's business, revenues, operating results, financial condition or prospects.

Ayr may be subject to the risk of litigation.

Ayr may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Ayr becomes involved be determined against Ayr, such a decision could adversely affect Ayr's ability to continue operating and the market price for the Equity Shares. Even if Ayr is involved in litigation and wins, litigation can redirect significant company resources.

Ayr may be subject to risks related to the protection and enforcement of intellectual property rights and may become subject to allegations that Ayr is in violation of intellectual property rights of third parties.

The ownership and protection of intellectual property rights may be a significant aspect of Ayr's future success. Ayr may rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain its competitive position. Ayr will try to protect such intellectual property by entering into confidentiality agreements with parties that have access to it, such as Ayr's partners, collaborators, employees and consultants. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In addition, trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which event Ayr could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use Ayr's products, trade secrets, technical know-how and proprietary information. Policing the unauthorized use Ayr's future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as Ayr may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of Ayr's future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of Ayr, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of Ayr's future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly. Any or all of these events could result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

In addition, other parties may claim that Ayr's products infringe on their proprietary and perhaps patent-protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, Ayr may need to obtain licenses from third parties who allege that Ayr has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to Ayr or at all. In addition, Ayr may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

Ayr may be subject to risks related to information technology systems, including cyber-attacks.

Ayr's operations may depend, in part, on how well it and its suppliers protect networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. Ayr's operations may also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact Ayr's reputation and results of operations. Ayr's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access may become a priority to ensure the ongoing success and security of the business. As cyber threats continue to evolve, Ayr may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Ayr may be subject to risks related to security breaches .

Given the nature of the Corporation's product and its lack of legal availability outside of channels approved by the Government of the United States, as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Corporation's facilities could expose Ayr to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing Ayr's products.

In addition, the Corporation collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on Ayr's business, financial condition and results of operations or prospects.

Ayr may be subject to risks related to high bonding and insurance coverage.

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

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

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

Ayr may be subject to transportation risks.

Ayr's business involves, both directly and indirectly, the production, sale and distribution of cannabis products. Due to the perishable nature of such products, Ayr depends on fast and efficient direct and third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on Ayr. Rising costs associated with the third-party transportation services which will be used by Ayr to ship its proposed products may also adversely impact the business of Ayr.

Ayr's share price may be vulnerable to rising energy costs.

Ayr's business may involve, directly or indirectly, the production of cannabis products which will consume considerable energy, making Ayr vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Ayr and its ability to operate profitably.

Ayr may be subject to risks inherent in an agricultural business .

Ayr's business may involve, directly or indirectly, the growing of cannabis, which is an agricultural product. As such, the business may be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Even when grown indoors under climate-controlled conditions monitored by trained personnel, there can be no assurance that natural elements, such as insects and plant diseases, will not have a material adverse effect on the production of cannabis products and on Ayr's business, financial condition, results of operations or prospects of Ayr.

Management of growth may prove to be difficult.

Ayr may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Ayr to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Ayr to deal with this growth may result in a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Ayr may be subject to the risks of leverage.

Ayr anticipates utilizing leverage in connection with Ayr's investments in the form of secured or unsecured indebtedness. Although Ayr will seek to use leverage in a manner it believes is prudent, such leverage will increase the exposure of an investment to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment. If Ayr defaults on secured indebtedness, the lender may foreclose and Ayr could lose its entire investment in the security of such loan. If Ayr defaults on unsecured indebtedness, the terms of the loan may require Ayr to repay the principal amount of the loan and any interest accrued thereon in addition to heavy penalties that may be imposed. Because Ayr may engage in financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, Ayr could lose its interest in performing investments in the event such investments are cross-collateralized with poorly performing or nonperforming investments.

In addition to leveraging Ayr's investments, Ayr may borrow funds in its own name for various purposes, and may withhold or apply from distributions amounts necessary to repay such borrowings. The interest expense and such other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by Ayr. If investments fail to cover the cost of such borrowings, the value of the investments held by Ayr would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of investors in Ayr could be subordinated to such leverage, which will compound any such adverse consequences.

Risks related to the difficulty of attracting and retaining personnel.

Ayr's success depends to a significant degree upon its ability to attract, retain and motivate highly skilled and qualified personnel. Failure to attract and retain necessary technical personnel, sales and marketing personnel and skilled management could adversely affect Ayr's business. If Ayr fails to attract, train and retain sufficient numbers of these highly qualified people, its prospects, business, financial condition and results of operations will be materially and adversely affected.

Co-investment risk in terms of control over Ayr's investments .

Ayr has co-invested and may continue to co-invest in one or more investments with certain strategic investors and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests or superior rights to those of Ayr. Although it is Ayr's intent to retain control and other superior rights over Ayr's investments, under certain circumstances it may be possible that Ayr relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In addition, even when Ayr does maintain a control position with respect to its investments, Ayr's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of Ayr, or may be in a position to take (or block) action in a manner contrary to Ayr's objectives. Ayr may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Co-investments by third parties may or may not be on substantially the same terms and conditions as Ayr, and such different terms may be disadvantageous to Ayr.

Reliance on Services Agreements with subsidiaries and affiliates could adversely affect prospects and results.

Certain of Ayr's subsidiaries and other affiliates are likely to engage in the medicinal cannabis business through Services Agreements entered into with State-licensed entities. Under such agreements, its subsidiaries and affiliates perform a number of services, including cultivation, growing and handling of marijuana plants, trimming, curing and packaging of dry flower, patient advisory, lab and scientific research services, consultation on regulatory issues and a variety of management functions and are required to obtain cannabis business support licenses. In exchange for providing these services, Ayr's subsidiaries and affiliates receive management fees which are a key source of revenue. Payment of such fees is dependent on the continuing validity and enforceability of the relevant Services Agreements. If such agreements are found to be invalid or unenforceable, or are terminated by the counter-party, this could have a material adverse effect on the business, prospects, financial condition, and operating results. If ultimate approval of license transfers is not able to be obtained, this could have a material adverse effect on Ayr.

Liabilities arising from Ayr's website accessibility.

Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent Ayr sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with State law, Ayr may face legal action in other jurisdictions which are not the intended object of any of Ayr's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

Ayr is subject to the costs of being a public company.

As a public issuer, Ayr is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which Ayr's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase Ayr's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

Certain remedies may be limited to Ayr.

Pursuant to its governing documents, Ayr and the shareholders of Ayr may be prevented from recovering damages for alleged errors or omissions made by the members of the Corporation's board of directors and its officers. Ayr's governing documents also provide that Ayr will, to the fullest extent permitted by law, indemnify members of the Corporation's board of directors and its officers for certain liabilities incurred by them by virtue of their acts on behalf of Ayr.

Ayr may have difficulty enforcing judgments and effecting service of process on directors and officers.

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

Past performance is not indicative of future results.

The prior investment and operational performance of any of the Corporation's businesses is not indicative of the future operating results of Ayr. There can be no assurance that the historical operating results achieved by any of the Corporation's businesses or their affiliates will be achieved by Ayr, and Ayr's performance may be materially different.

Financial projections may prove materially inaccurate or incorrect.

Any Ayr financial estimates, projections and other forward-looking information or statements included in this AIF were prepared by Ayr without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this AIF. Ayr shareholders should inquire of Ayr and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, Ayr shareholders should not rely on any projections to indicate the actual results Ayr might achieve.

Ayr may not pay dividends.

Ayr does not anticipate paying any dividends on the Equity Shares or the Multiple Voting Shares in the foreseeable future. Dividends paid by Ayr would be subject to tax and, potentially, withholdings. See "*Dividends*".

Market and Economy Risks

Ayr may be vulnerable to currency exchange fluctuations .

Due to Ayr's present operations in the United States, and its intention to continue future operations outside Canada, Ayr is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Currently, all of Ayr's revenue is earned in US dollars. Fluctuations in the exchange rate between the US dollar and the Canadian dollar may have a material adverse effect on Ayr's business, financial position or results of operations or prospects.

Ayr may be subject to market price volatility risks.

The market price of the Equity Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of Ayr, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Ayr, general economic conditions, legislative changes, and other events and factors outside of Ayr's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Equity Shares.

There may be restrictions on the market for the Equity Shares.

Notwithstanding that the Equity Shares are listed on the CSE (and excluding the Multiple Voting Shares which will not be listed securities), various regulatory regimes in the United States forbid the transfer of such Equity Shares in quantities that exceed published thresholds without receiving advanced approval of the State regulators. Failure to obtain approval may result in Ayr's licenses in that State being revoked.

There is a limited market for the Equity Shares.

Notwithstanding that the Equity Shares are listed on the CSE (and excluding the Multiple Voting Shares which will not be listed securities), there can be no assurance that an active and liquid market for such Equity Shares will develop or be maintained and an Ayr shareholder may find it difficult to resell any securities of Ayr.

Ayr may be subject to the risks posed by sales by existing Ayr shareholders .

Sales of a substantial number of Equity Shares (and excluding the Multiple Voting Shares which will not be listed securities) in the public market could occur at any time by existing holders of such Equity Shares. These sales, or the market perception that the holders of a large number of Equity Shares intend to sell Equity Shares, could reduce the market price of the Equity Shares. If this occurs and continues, it could impair Ayr's ability to raise additional capital through the sale of securities.

The cashless exercise feature of the Warrants could result in more volatile financial results .

The cashless exercise feature of the Warrants could result in more volatile financial results because with the Cashless Exercise feature, the Warrants are classified as a liability and are therefore recorded at fair value. Any fluctuations in the fair value of a Warrant would be reflected in income. See "*Description of Share Capital – Warrants*".

Global financial conditions and the future economic shocks may impair Ayr's financial condition.

Following the onset of the credit crisis in 2007-2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact Ayr's ability to obtain equity or debt financing in the future on terms favourable to Ayr. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, Ayr's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect Ayr's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on Ayr's business, financial condition, results of operations or prospects.

Environmental Risks

Ayr may be subject to significant environmental regulations and risks.

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

Government approvals and permits are currently, and may in the future, be required in connection with Ayr's operations. To the extent such approvals are required and not obtained, Ayr may be curtailed or prohibited from its proposed production of medical marijuana or from proceeding with the development of its operations as currently proposed.

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

Amendments to current laws, regulations and permits governing the production of medical marijuana, or more stringent implementation thereof, could have a material adverse impact on Ayr and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Ayr may be subject to unknown environmental risks.

There can be no assurance that Ayr will not encounter hazardous conditions at the facilities where it operates its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of Ayr may be suspended. The presence of other hazardous conditions may require significant expenditure of Ayr's resources to correct the condition. Such conditions could have a material impact on the investment returns of Ayr.

Tax Risks

U.S. tax residence of Ayr.

As of the date of this AIF, it is anticipated that Ayr will be treated as a U.S. corporation for U.S. federal income tax purposes under section 7874 of the United States Internal Revenue Code of 1986, as amended (the "Code") (although no definitive determination of this matter has been reached, and no tax ruling has been sought or obtained in this regard). As a result, it is anticipated that Ayr will be considered a U.S. tax resident for U.S. federal income tax purposes and therefore subject to U.S. federal income tax on its worldwide income. For Canadian tax purposes, however, Ayr is and will continue to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada), as amended from time to time, including the regulations thereunder) for Canadian federal income tax purposes. Consequently, it is anticipated that Ayr would be subject to income tax both in Canada and the U.S., which could have a material adverse effect on its financial condition and results of operations.

The deduction of certain expenses of Ayr may be restricted .

Section 280E of the Code generally prohibits businesses from deducting or claiming tax credits with respect to expenses paid or incurred in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the Controlled Substances Act) which is prohibited by U.S. federal law or the law of any state in which such trade or business is conducted. Section 280E of the Code currently applies to businesses operating in the cannabis industry, irrespective of whether such businesses are licensed and operating in accordance with applicable state laws. The application of section 280E of the Code generally causes such businesses to pay higher effective U.S. federal income tax rates than similar businesses in other industries due to the loss of certain deductions and credits. The impact of section 280E of the Code on the effective tax rate of a cannabis business generally depends on how large the ratio of non-deductible expenses is to the business's total revenues. Ayr expects to be subject to section 280E of the Code and consequently, section 280E of the Code may adversely affect Ayr's profitability and, in fact, may cause Ayr to operate at a loss. While recent legislative proposals, if enacted into law, could eliminate or diminish the application of section 280E of the Code to cannabis businesses, the enactment of any such law is uncertain and until any changes in the law, it is anticipated that Ayr will be subject to section 280E of the Code.

Dividends paid by the Ayr may be subject to withholding tax.

It is unlikely that Ayr will pay any dividends on the Equity Shares in the foreseeable future. However, dividends received by holders who are residents of Canada for purpose of the Tax Act will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States Tax Convention (1980) as amended. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by Ayr 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. shareholders will 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 Ayr, subject to examination of the relevant treaty. These dividends may however qualify for a reduced rate of Canadian withholding tax under any income tax treaty otherwise applicable to a shareholder of Ayr, subject to examination of the relevant treaty.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Tax risk related to controlled substances.

Section 280E of the Code generally prohibits businesses from deducting or claiming tax credits with respect to expenses paid or incurred in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the U.S. Controlled Substance Act of 1970) which is prohibited by U.S. federal law or the law of any State in which such trade or business is conducted. Section 280E of the Code currently applies to businesses operating in the cannabis industry, irrespective of whether such businesses that are licensed and operating in accordance with applicable state laws. The application of section 280E of the Code generally causes such businesses to pay higher effective U.S. federal tax rates than similar businesses in other industries. The impact of section 280E of the Code on the effective tax rate of a cannabis business generally depends on how large the ratio of non-deductible expenses is to the business's total revenues. The application of section 280E of the Code to any business that we may acquire as part of our qualifying transaction may adversely affect our profitability and, in fact, may cause us to operate at a loss. While recent legislative proposals, if enacted into law, could eliminate or diminish the application of section 280E of the Code to cannabis businesses, the enactment of any such law is uncertain.

DIVIDENDS

The Corporation has not paid any cash dividends on its shares to date and does not anticipate paying any dividends in the foreseeable future. Subordinate Voting Shares and Multiple Voting Shares would be entitled to dividends on an equal per share basis, if, as and when declared by the board of directors of the Corporation (the "**Board**").

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Multiple Voting Shares and an unlimited number of Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, each without nominal or par value. The Equity Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws.

On December 3, 2020, the Corporation 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 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 Corporation 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 has been accomplished by implementing a mandatory conversion mechanism in the Corporation's share capital to decrease the number of shares eligible to be voted for directors of the Corporation if the Corporation's FPI Threshold (as defined below) is exceeded. Each of the classes of Equity 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 (each as defined below), and (ii) the status of the Corporation's FPI Threshold. The Capital Structure Amendments were approved at the Corporation'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*).

The Corporation has received exemptive relief from the Canadian securities regulatory authorities such that, inter alia, each class of Equity 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*",

The following description summarizes the material terms of Ayr's share capital. This summary is not exhaustive and is qualified in its entirety by reference to Ayr's articles, the warrant agency agreement dated December 21, 2017, between the Corporation and Odyssey, as the warrant agent (the "**Warrant Agent**"), as amended (the "**Warrant Agreement**"), and the rights agreement dated December 21, 2017 between the Corporation and Odyssey, as the rights agent (the "**Rights Agent**"), as amended (the "**Rights Agreement**"), each of which are filed on SEDAR at www.sedar.com.

As of December 31, 2020, the Corporation had the following securities outstanding:

Equity Shares	28,873,641
Multiple Voting Shares	3,696,486
Exchangeable Shares	2,127,543
Warrants	10,486,412
Rights	1,383,938

Equity Shares and Multiple Voting Shares

As of December 31, 2020, there were an aggregate of 28,873,641 Equity Shares outstanding.

Exercise of Voting Rights

The holders of each class of Equity Shares will be entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Corporation, 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, 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 Corporation. The Equity Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws.

In connection with any Change of Control Transaction (as defined below) requiring approval 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 Corporation, other than an amalgamation, arrangement, recapitalization, business combination or similar transaction that would result in (i) the voting securities of the Corporation 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 Corporation, the continuing entity or its direct or indirect parent, and more than fifty percent (50%) of the total number of outstanding shares of the Corporation, the continuing entity or its direct or indirect parent, in each case as outstanding immediately after such transaction, and (ii) the shareholders of the Corporation immediately prior to the transaction owning voting securities of the Corporation, 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 Corporation immediately prior to the transaction (provided that in neither event shall the exercise of any exchangeable shares of a subsidiary of the Corporation that are exchangeable into shares of the Corporation 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 Corporation's articles which provide that any Multiple Voting Shares sold or transferred to a person that is not a Permitted Holder (as defined in Corporation's 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 Corporation'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.

As long as any Subordinate Voting Shares remain outstanding, the Corporation will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution alter or amend the Corporation's articles if the result would (i) prejudice or interfere with any right or special right attached to the Subordinate Voting Shares, or (ii) affect the rights or special rights of holders of the Subordinate Voting Shares or Multiple Voting Shares on a per share basis, as provided in the Corporation's articles.

Dividends

Holders of Equity Shares are entitled to receive, as and when declared by the Board, dividends in cash or property of the Corporation. No dividend will be declared or paid on any class of Shares unless the Corporation 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 Equity 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 Equity 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 Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation for the purposes of a dissolution or winding-up of the Corporation, the holders of Equity Shares are entitled, subject to the prior rights of the holders of any shares of the Corporation ranking in priority to the Equity Shares, to receive the Corporation'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 Equity 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 Corporation now or in the future.

Conversion

For the purposes of the Equity Shares, a "**U.S. Person**" means a U.S. person as defined in Regulation S (promulgated under the U.S. Securities 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 Corporation's articles, where Subordinate Voting Shares are held, beneficially owned or controlled, directly or indirectly, or jointly by (i) one or more U.S. Persons, and (ii) 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 Corporation, 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 Corporation, failing which they would, in the Corporation'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 Corporation has received exemptive relief from the Canadian securities regulatory authorities such that, *inter alia*, each class of Equity 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 NI 62-104. See "*Exemptions*",

If an offer is made to purchase any class of Shares (other than a class of Equity 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 Corporation 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 Corporation 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 Corporation's articles, as amended, (i) the Subordinate Voting Shares may only be held, beneficially owned or controlled by Non-U.S. Persons, and (ii) the Restricted Voting Shares and Limited Voting Shares may only be held, beneficially owned or controlled by 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

As of December 31, 2020, there were an aggregate of 3,696,486 Multiple Voting Shares outstanding.

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 Corporation, 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 a voting agreement with the Corporation dated as of June 26, 2019, 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 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 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 Corporation's 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 Corporation's which provide that any Multiple Voting Shares sold or transferred to a person that is not a Permitted Holder (as defined in the Corporation's 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 Corporation's, 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 Corporation. No dividend will be declared or paid on any class of Equity Shares unless the Corporation 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 Equity 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 Equity 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 Equity Shares.

Liquidation, Dissolution or Winding-Up

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

The Multiple Voting Shares are subject to coattail provisions, as set forth in the Corporation's articles.

Warrants

As of December 31, 2020, there were an aggregate of 10,486,412 Warrants outstanding. Each Warrant is exercisable to purchase one Equity Share at a price of C$11.50 per share, subject to the following adjustments. The Warrant Agreement provides that the exercise price and number of Equity Shares issuable on exercise of the Warrants may be adjusted in certain circumstances, including in the event of a stock dividend, extraordinary dividend or a recapitalization, reorganization, merger or consolidation. The Warrants will not, however, be adjusted for issuances of Equity Share at a price below their exercise price. Once the Warrants become exercisable, Ayr may accelerate the expiry date of the outstanding Warrants (excluding the Founders' Warrants but only to the extent still held by Mercer at the date of public announcement of such acceleration and not transferred prior to the accelerated expiry date, due to the anticipated knowledge by Mercer of material undisclosed information which could limit their flexibility) by providing 30 days' notice if, and only if, the closing share price of the Equity Shares equals or exceeds C$18.00 per Subordinate Voting Share (as adjusted for stock splits or combinations, stock dividends, extraordinary dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period, in which case the expiry date shall be the date which is 30 days following the date on which such notice if provided.

The exercise of the Warrants by any holder in the United States, or that is a U.S. Person (as such term is defined in Regulation S of the United States *Securities Act of 1933* (the "**U.S. Securities Act**")), may only be effected in compliance with an exemption from the registration requirements of the U.S. Securities Act and applicable State "blue sky" securities laws.

At the election of the holder, the Warrants may be exercised through cashless exercise. A cashless exercise permits the holder, in lieu of making a cash payment on exercise, to instead elect to surrender its Warrants and receive the number of Equity Shares that is equal to the quotient obtained by multiplying (i) the number of Equity Shares for which the Warrant is being exercised by (ii) the difference between (A) the volume weighted average price of the Equity Shares on the Exchange for the 20 trading days immediately prior to (but not including) the date of exercise of the Warrant and (B) the exercise price in effect on the date immediately prior to (but not including) the date of exercise of the Warrant, and dividing such product by the volume weighted average price of the Equity Shares on the Exchange for the 20 trading days immediately prior to (but not including) the date of exercise.

Pursuant to the "early" exercise rights granted to holders of the Warrants, each whole Warrant was exercisable from (i) July 15, 2019 to July 26, 2019 (the "**2019 Early Exercise Period**"), and (ii) November 24, 2020 to December 8, 2020 (the " **2020 Early Exercise Period**", and together with the 2019 Early Exercise Period, the "**Early Exercise Periods**") on a one-for-one basis, into Equity Shares, at an exercise price of C$11.50 per Subordinate Voting Share (subject to adjustment and penalties in certain circumstances), and for which the Corporation agreed to pay a commitment fee of C$0.50, which was set off against payment of the applicable exercise price, resulting in a net payment of C$11.00 required to exercise a Warrant during the Early Exercise Periods. Cashless exercises were not available for exercises during the Early Exercise Periods. The "early" exercise incentive rights in respect of the 2020 Early Exercise Period were subject to a maximum of the exercise of 3 million Warrants thereunder.

The right to exercise will be forfeited unless the Warrants are exercised prior to the date specified in the notice of acceleration of the expiry date. On and after the accelerated expiry date, a record holder of a Warrant will have no further rights. Warrants may be exercised only for a whole number of shares. No fractional shares will be issued upon exercise of the Warrants. If, upon exercise of the Warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number of shares to be issued to the Warrant holder.

The Warrant holders do not have the rights or privileges of holders of shares and any voting rights until they exercise their Warrants and receive corresponding Equity Shares. After the issuance of corresponding Equity Shares upon exercise of the Warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders. On the exercise of any Warrant, the Warrant exercise price will be C$11.50, subject to adjustments.

The Warrant Agent shall, on receipt of a written request of the Corporation or holders of not less than 25% of the aggregate number of Warrants then outstanding, convene a meeting of holders of Warrants upon at least 21 calendar days' written notice to holders of Warrants. Every such meeting shall be held in Toronto, Ontario or at such other place as may be approved or determined by the Warrant Agent. A quorum at meetings of holders or Warrants shall be two persons present in person or represented by proxy holding or representing more than 20% of the aggregate number of Warrants then outstanding.

From time to time, the Corporation and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Agreement for certain purposes including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Agreement that adversely affects the interests of the holders of Warrants may only be made by an "extraordinary resolution", which is defined in the Warrant Agreement as a resolution either (i) passed at a meeting of the holders of Warrants by the affirmative vote of holders of Warrants representing not less than two-thirds of the aggregate number of the then outstanding Warrants represented at the meeting and voted on such resolution, or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than two-thirds of the aggregate number of the then outstanding Warrants.

The Warrants will expire at 5:00 p.m. (Toronto time) on the day that is five years after the completion of the Qualifying Transaction (being May 24, 2024) or may expire earlier if the expiry date is accelerated, as described above.

Rights

As of December 31, 2020, there were an aggregate of 1,383,938 Rights outstanding. Each Right entitles the holder to receive one-tenth (1/10) of an Equity Share. In order to effect such a conversion, the holder of any Right must surrender to the Rights Agent certificates or electronic positions representing the Rights held by the holder, together with a duly completed conversion form in form and manner satisfactory to the Rights Agent pursuant to the terms of the Rights Agreement. Any Right that has not been converted within two years after the completion of the Qualifying Transaction (being May 24, 2021) shall be null and void.

Rights will only be converted for a whole number of shares. No fractional shares will be issued upon conversion of the Rights. If, upon conversion of the Rights, a holder would be entitled to receive a fractional interest in a share, the Corporation will, upon conversion, round down to the nearest whole number of shares to be issued to the Right holder. As a result, holders must hold Rights in multiples of 10 in order to receive Equity Shares for all of his, her or its Rights. The Rights do not possess any redemption or distribution rights.

The Rights Agreement provides that the number of Equity Shares issuable on conversion of the Rights may be adjusted in certain circumstances, including in the event of a stock dividend, extraordinary dividend, recapitalization, reorganization, merger or consolidation. The Rights Agreement also provides the mechanism pursuant to which holders of Rights, including beneficial holders of Rights held through CDS Clearing and Depositary Services Inc., or its nominee, may convert his, her or its Rights.

The Right holders do not have the rights or privileges of holders of shares or any voting rights until the Rights are converted in accordance with the terms of the Rights Agreement and such holders receive corresponding Equity Shares. After the issuance of the corresponding Equity Shares upon conversion of the Rights, each holder is expected to be entitled to one vote for each Equity Share held of record on all matters to be voted on by shareholders.

The Rights Agent shall, on receipt of a written request of the Corporation or holders of not less than 25% of the aggregate number of Rights then outstanding, convene a meeting of holders of Rights upon at least 21 calendar days' written notice to holders of Rights. Every such meeting shall be held in Toronto, Ontario or at such other place as may be approved or determined by the Rights Agent. A quorum at meetings of holders or Rights shall be two persons present in person or represented by proxy holding or representing more than 20% of the aggregate number of Rights then outstanding.

From time to time, the Corporation and the Rights Agent, without the consent of the holders of Rights, may amend or supplement the Rights Agreement for certain purposes including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Rights. Any amendment or supplement to the Rights Agreement that adversely affects the interests of the holders of Rights may only be made by an "extraordinary resolution", which is defined in the Rights Agreement as a resolution either (i) passed at a meeting of the holders of Rights by the affirmative vote of holders of Rights representing not less than two-thirds of the aggregate number of the then outstanding Rights represented at the meeting and voted on such resolution, or (ii) adopted by an instrument in writing signed by the holders of Rights representing not less than two-thirds of the aggregate number of the then outstanding Rights.

Rights may only be converted by U.S. Persons who are Qualified Institutional Buyers (as defined in Rule 144A of the U.S. Securities Act) or accredited investors or where the Corporation has otherwise availed itself of an exemption from registration under the U.S. Securities Act.

Coattail Agreement

Under applicable Canadian law, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase the Subordinate Voting Shares, Restricted Voting Shares and/or Limited Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Equity Shares would be entitled to participate on an equal footing with holders of Multiple Voting Shares. In connection with the Qualifying Transaction, the owners of all the outstanding Multiple Voting Shares entered into a customary coattail agreement with Ayr and Odyssey, as trustee (the "**Coattail Agreement**"). The Coattail Agreement contains provisions customary for multi-class listed corporations designed to prevent transactions that otherwise would deprive the holders of Equity Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Multiple Voting Shares had been a class of Equity Shares. The undertakings in the Coattail Agreement would not apply to prevent a sale by any holder of Multiple Voting Shares if concurrently an offer is made to purchase Equity Shares that:

(a) offers a price per Equity Share in the same form of consideration and at least as high as the highest price per share paid pursuant to the take-over bid for the Multiple Voting Shares (on an as-converted basis to Equity Shares);

(b) provides that the percentage of outstanding Equity Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Multiple Voting Shares to be sold (exclusive of Multiple Voting Shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror);

(c) as no condition attached other than the right not to take up and pay for Equity Shares or Multiple Voting Shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; and

(d) is in all other material respects identical to the offer for Multiple Voting Shares.

In addition, the terms of the Coattail Agreement do not prevent the transfer of Multiple Voting Shares by a holder to certain permitted holders, including without limitation, the Founders and persons controlled by them. The conversion of Multiple Voting Shares into Equity Shares would not constitute a disposition of Multiple Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Multiple Voting shares (including a transfer to a pledgee as security) by a holder of Multiple Voting Shares party to the agreement would be conditional upon the transferee or pledgee abiding by the terms of the Coattail Agreement. The Coattail Agreement contain provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Equity Shares, which obligation is conditional on Ayr or holders of the Equity Shares providing such funds and indemnity as the trustee may require. No holder of Equity Shares would have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Equity Shares, and reasonable funds and indemnity have been provided to the trustee. Ayr agrees to pay the reasonable costs of any action that may be taken in good faith by holders of Equity Shares, as the case may be, pursuant to the Coattail Agreement.

The Coattail Agreement may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained:

(e) the consent of the applicable securities regulatory authority in Canada; and

(f) the approval of at least $66^{2/3}$% of the votes cast by holders of each of the Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares, excluding votes attached to Equity Shares, if any, held by the holders of Multiple Voting Shares, their affiliates and any persons who have an agreement to purchase Multiple Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement would limit the rights of any holders of Equity Shares under applicable law.

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME

As of December 31, 2020, the closing price of the Equity Shares on the CSE was C$30.25, the closing price of the Warrants on the CSE was C$18.45, and the closing price of the Rights on the CSE was C$2.50. As of March 17, 2021, the closing price of the Equity Shares on the CSE was C$42.56, the closing price of the Warrants on the CSE was C$31.48, and the closing price of the Rights on the CSE was C$4.00.

Following the close of business on January 31, 2018 until the close of business of August 16, 2019, the Warrants and the Rights traded on the Neo Exchange Inc. ("**Neo Exchange**") under the symbols "CSA.WT" and "CSA.RT", respectively. As of May 24, 2019 until the close of business of August 16, 2019, the Subordinate Voting Shares traded on the Neo Exchange. Effective August 19, 2019, the Subordinate Voting Shares, Warrants and Rights commenced trading on the Exchange under the symbols "AYR.A", "AYR.WT" and "AYR.RT", respectively. The Multiple Voting Shares are not listed.

Equity Shares

The following table sets forth information relating to the price range and volume traded for the Equity Shares [1] (AYR.A) on a monthly basis for each month in the fiscal period ended December 31, 2020 in which the Equity Shares were listed for trading (following the Qualifying Transaction), and for each completed month to date in the fiscal year 2021:

Month	High Price (C$)	Low Price (C$)	Traded Volume
March 1 – 17, 2021	44.69	38.05	2,217,002
February 2021	47.14	34.20	3,074,947
January 2021	38.56	30.00	4,109,185
December 2020	31.15	25.61	2,723,338
November 2020	28.00	18.83	2,840,159
October 2020	20.53	16.62	1,500,076
September 2020	17.90	15.90	426,941
August 2020	17.58	12.25	540,735

[1] No Restricted Voting Shares or Limited Voting Shares were issued and outstanding prior to December 3, 2020 (see " *Description of Share Capital*"); data prior to December 3, 2020 in the following table sets forth information to the price range and volume traded for Subordinate Shares only.

Month	High Price (C$)	Low Price (C$)	Traded Volume
July 2020	12.76	9.80	341,692
June 2020	11.62	9.10	617,023
May 2020	12.46	7.32	341,247
April 2020	9.00	6.50	448,739
March 2020	12.40	5.01	571,308
February 2020	13.22	8.75	338,568
January 2020	14.45	10.93	390,897

Warrants

The following table sets forth information relating to the price range and volume traded for the Warrants (AYR.WT) on a monthly basis for each month in the fiscal period ended December 31, 2020 in which the Warrants were listed for trading, and for each completed month to date in the fiscal year 2021:

Month	High Price (C$)	Low Price (C$)	Traded Volume
March 1 – 17, 2021	32.86	27.50	49,997
February 2021	35.45	23.00	180,538
January 2021	27.80	19.00	160,044
December 2020	19.40	13.76	361,899
November 2020	16.35	7.4	1,294,477
October 2020	8.5	5.36	580,898
September 2020	6.00	5.00	583,366
August 2020	6.00	3.99	720,318
July 2020	4.00	2.12	291,197
June 2020	2.69	2.00	180,057
May 2020	2.90	1.55	359,440
April 2020	2.00	1.35	162,819
March 2020	2.90	1.53	234,117
February 2020	3.15	2.43	138,551
January 2020	4.00	2.52	197,349

Rights

The following table sets forth information relating to the price range and volume traded for the Rights (AYR.RT) on a monthly basis for each month in the fiscal period ended December 31, 2010 in which the Rights were listed for trading, and for each completed month to date in the fiscal year 2021:

Month	High Price (C$)	Low Price (C$)	Traded Volume
March 1 - 17, 2021	4.00	4.00	0
February 2021	4.20	3.40	6,615
January 2021	3.50	3.00	403,196
December 2020	3.50	2.49	70,486
November 2020	2.70	1.75	7,120
October 2020	1.75	1.50	52,550
September 2020	1.60	1.00	2,900
August 2020	1.45	1.20	5,000
July 2020	1.20	0.90	39,800
June 2020	1.20	1.20	0
May 2020	1.20	0.46	124,118
April 2020	0.70	0.46	56,900
March 2020	1.19	0.70	110,567
February 2020	0.70	0.70	2,500
January 2020	1.05	0.12	2,500

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

None of the Multiple Voting Shares, Equity Shares, Warrants or Rights are subject to a contractual restriction on transfer. Certain of the Exchangeable Shares are subject to contractual transfer restrictions.

DIRECTORS AND OFFICERS

Names, Occupations and Security Holdings

The names and municipality of residence of the directors of the Board, their position with the Corporation, their principal occupation, the date upon which they became a director of the Corporation and the number of voting or other securities beneficially owned by each of them, or over which control or direction is exercised by each of them as of December 31, 2020[2], are as follows:

[2]William Pfeiffer was appointed to the Board on February 26, 2021 in connection in connection with the closing of the Corporation's acquisition of Liberty. Accordingly, the information provided below in respect of William Pfeiffer is provided as of February 26, 2021.

Name and Place of Residence	Position Held in the Corporation	Principal Occupation[1]	Director Since	Holdings (Security, Number, Percentage of Class)		
Jonathan Sandelman New York, NY	Chief Executive Officer, Chairman, Director and Corporate Secretary[2][3]	Chief Executive Officer, Mercer Park, L.P.	September 25, 2017	Equity Shares	Nil	**N/A**
				Multiple Voting Shares	3,677,626[4]	99.49%
				Warrants	2,884,058[4] 10,000[5]	27.60%
				Rights	262,188[4]	18.95%
Charles Miles Brooklyn, NY	Director[2][3]	Consultant, Recapture Partners[6]	September 25, 2017	Equity Shares	51,000[7]	0.18%
				Multiple Voting Shares	9,430	0.26%
				Warrants	Nil	N/A
				Rights	Nil	N/A
Chris R. Burggraeve New York, NY	Director[2][3]	Founder, Chief Executive Officer, Vicomte LLC	December 17, 2018	Equity Shares	8,500[8]	0.03%
				Multiple Voting Shares	Nil	N/A
				Warrants	Nil	N/A
				Rights	Nil	N/A
Steve Menzies Las Vegas, NV	Director	Manager, Focus Plumbing LLC	May 24, 2019	Equity Shares	500[9]	0.002%
				Multiple Voting Shares	Nil	N/A
				Warrants	Nil	N/A
				Rights	Nil	N/A
Louis F. Karger Needham MA	Director	Manager, Founder and owner of Panther Properties Management LLC and Panther Residential Management LLC	May 24, 2019	Equity Shares	16,742[10]	0.06%
				Multiple Voting Shares	Nil	N/A
				Warrants	Nil	N/A
				Rights	Nil	N/A
Glenn Isaacson New York, NY	Director	Vice Chairman of Cushman & Wakefield (Manhattan)	August 25, 2020	Equity Shares	121,539	0.42%
				Multiple Voting Shares	Nil	N/A
				Warrants	Nil	N/A
				Rights	Nil	N/A

Name and Place of Residence	Position Held in the Corporation	Principal Occupation[1]	Director Since	Holdings (Security, Number, Percentage of Class)		
William Pfeiffer Tallahassee, FL	Director	Chief Executive Officer, Pfeiffer Law Group	February 26, 2021	Equity Shares[11]	Nil	N/A
				Multiple Voting Shares	Nil	N/A
				Warrants	Nil	N/A
				Rights	Nil	N/A

Notes:

(1) Each director has been at their principal occupation for at least five years unless otherwise specified herein.
(2) Member of the Compensation, Nominating and Corporate Governance Committee.
(3) Member of the Audit Committee.
(4) Jonathan Sandelman beneficially owns such securities of Ayr, as Mercer is a limited partnership of which Mercer Park CB GP, LLC is the general partner, and which is indirectly controlled by Jonathan Sandelman.
(5) Owned directly by Jonathan Sandelman. Jonathan Sandelman also directly owns 1,894,250 Exchangeable Shares.
(6) Charles Miles previously worked at Bloomberg LLP as an equity option trader, and prior to his tenure at Bloomberg, Charles co-founded Claris Capital Management and served as Chief Information Officer.
(7) Charles Miles directly owns 2,750 Exchangeable Shares.
(8) Chris Burggraeve directly owns 2,750 Exchangeable Shares.
(9) Steve Menzies directly owns 2,238,807 Exchangeable Shares.
(10) Louis Karger also indirectly owns 332,809 Exchangeable Shares held through Green Partners Investor LLC and Green Partners Sponsor I, LLC.
(11) William Pfeiffer directly owns 59,664 Exchangeable Shares.

The following table sets forth the names, residency and office of the non-director officers of the Corporation.

Name and Place of Residence	Position Held in the Corporation	Principal Occupation[1]	Officer Since	Holdings		
Brad Asher New York, NY	Chief Financial Officer	Chief Financial Officer of Ayr	November 14, 2019	Subordinate Voting Shares	Nil[3]	N/A
				Multiple Voting Shares	Nil	N/A
				Warrants	Nil	N/A
				Rights	Nil	N/A
Jennifer Drake New York, NY	Chief Operating Officer[2]	Chief Operating Officer of Ayr	May 24, 2019	Subordinate Voting Shares	10,000[4]	0.03%
				Multiple Voting Shares	Nil	N/A
				Warrants	Nil	N/A
				Rights	Nil	N/A
Jamie Mendola San Francisco,	Head of Strategy and	Director at Monaker Group	May 24, 2019	Subordinate Voting Shares	28,850[5]	0.10%

Name and Place of Residence	Position Held in the Corporation	Principal Occupation[1]	Officer Since	Holdings		
CA	M&A	from June 2019 to Present		Multiple Voting Shares	Nil	N/A
				Warrants	Nil	N/A
				Rights	Nil	N/A
Jason Griffith New York, NY	Chief Integration Officer	Chief Integration Officer of Ayr	November 15, 2019	Subordinate Voting Shares	Nil[6]	N/A
				Multiple Voting Shares	Nil	N/A
				Warrants	Nil	N/A
				Rights	Nil	N/A

Notes:

(1) Each officer has been at their principal occupation for at least five years unless otherwise specified herein.

(2) Jennifer Drake acted as Chief Financial Officer, on an interim basis, from June 28, 2019 to November 14, 2019.

(3) Brad Asher directly owns 125,000 Exchangeable Shares.

(4) Jennifer Drake also directly owns 1,700,750 Exchangeable Shares.

(5) Jamie Mendola also directly owns 637,800 Exchangeable Shares.

(6) Jason Griffith directly owns 425,000 Exchangeable Shares.

Shareholdings of Directors and Executive Officers

As of December 31, 2020, as a group (including director appointments subsequent to December 31, 2020), the directors and executive officers of the Corporation beneficially own, or control or direct, directly or indirectly (i) 3,113,056 Equity Shares and Exchangeable Shares, representing 8.97% of the Corporation's issued and outstanding shares, and (ii) 3,687,056 Multiple Voting Shares, representing 99.74% of such class of securities (and 10.65% of the Corporation's issued and outstanding shares), together totaling 19.63% of the Corporation's issued and outstanding shares).

Jonathan Sandelman holds the position of Chief Executive Officer of the parent company of Mercer and therefore may through such role have significant influence over the shares of the Corporation owned by Mercer.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation and based upon information provided by the directors and executive officers, none of the Corporation's directors and executive officers is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Corporation and based upon information provided by the directors and executive officers, none of the Corporation's directors and executive officers is, or (i) within ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

To the knowledge of the Corporation and based upon information provided by the directors, except for the following, none of the Corporation's directors and executive officers has (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest and Interests of Management and Others in Material Transactions

To the best of the Corporation's knowledge, other than as disclosed below and elsewhere in this AIF, there are no known existing or potential material conflicts of interest among the Corporation or a subsidiary of the Corporation and a director or officer of the Corporation or a subsidiary of the Corporation as a result of their outside business interests except that: (i) certain of the Corporation's or its subsidiaries' directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Corporation and their duties as a director or officer of such other companies, and (ii) certain of the Corporation's or its subsidiaries' directors and officers have portfolio investments consisting of minority stakes in businesses that may compete directly or indirectly with the Corporation or act as a customer of, or supplier to, the Corporation. The BCBCA requires, among other things, that the directors and executive officers of Ayr act honestly and in good faith with a view to the best interest of Ayr, to disclose any personal interest which they may have in any material contract or transaction which is proposed to be entered into with Ayr and, in the case of directors, to abstain from voting as a director for the approval of any such contract or transaction. To the extent that conflicts of interest arise, such conflicts are required to be resolved in accordance with the provisions of the BCBCA.

Certain of the directors of the Corporation are formerly vendors of certain of the businesses comprising the Corporation's Qualifying Transaction, namely Louis Karger for Sira, Steve Menzies for LivFree and Mark Smith for Cannapunch, and so while it is possible that a dispute may arise pursuant to the respective Definitive Agreement, there are no current material disputes or claims.

Pursuant to the strategic opportunities agreement entered into among Ayr, Mercer Park Brand Acquisition Corp. (a special purpose acquisition corporation with a sponsor that is an affiliate of Mercer, for which Jonathan Sandelman is an officer and director and Louis Karger is an officer) and Mercer Park, L.P. (the parent of Mercer), regarding the allocation of corporate opportunities, the parties thereto granted rights of first refusal in an established order to the parties thereto for certain corporate opportunities involving businesses with a value, in the opinion of Mercer, of more than $20 million, that are in alignment with either Mercer Park Brand Acquisition Corp.'s priority business focus (being cannabis-related brands, trade marks and/or service marks and ancillary businesses) or Ayr's priority business focus (being cultivation, manufacturing, wholesale, retail operations and/or licenses in respect of cannabis, not mainly attributable to brand value). For greater certainty, the rights of first refusal are not intended to apply to: (i) acquisition opportunities with respect to businesses with a value, in the opinion of Mercer, of less than $20 million; or (ii) acquisition opportunities in respect of non-controlling interests.

PROMOTER

Mercer was considered a promoter of Ayr within the meaning of applicable securities legislation at the time of the Offering and at the time of the Final QT Prospectus.

As of December 31, 2020, Mercer owns, of record and beneficially, (1) 3,677,626 Multiple Voting Shares (comprised of 1 Multiple Voting Share (formerly, a Class B Share) issued on September 25, 2017 in connection with Ayr's incorporation and initial organization, 3,415,437 Multiple Voting Shares (formerly, Class B Shares which were automatically exchanged into Multiple Voting Shares in connection with the Qualifying Transaction) and the 262,188 Multiple Voting Shares (formerly, Class B Shares) forming part of the 262,188 Class B Units), representing approximately 99.49% of Ayr's issued and outstanding shares, (2) 2,884,058 Warrants (comprised of 2,621,870 Warrants issued to Mercer (referred to previously as "**Founders' Warrants**") and the 262,188 Warrants forming part of the 262,188 Class B Units), representing approximately 27.50% of Ayr's issued and outstanding Warrants, and (3) 262,188 Rights (forming part of the 262,188 Class B Units), representing approximately 18.95% of Ayr's issued and outstanding Rights.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Ayr is not party to any material legal proceedings or regulatory actions nor, to its knowledge, are any such material proceedings or actions contemplated by or against us.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Ayr's auditors are MNP LLP, having an address at 111 Richmond Street West, Suite 300, Toronto, Ontario, Canada M5H 2G4. Such firm is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario).

Odyssey Trust Company (" **Odyssey**"), at its principal offices in Toronto, Ontario, is the transfer agent and registrar for the Equity Shares and the Multiple Voting Shares.

Odyssey, at its principal offices in Toronto, Ontario, is the Warrant Agent for the Warrants under the Warrant Agreement and is the Rights Agent for the Corporation's Rights under the Rights Agreement.

MATERIAL CONTRACTS

As of December 31, 2020, the following are the material contracts of Ayr, other than contracts entered into in the ordinary course of business:

(a) the Warrant Agreement;

(b) the Rights Agreement;

(c) the Definitive Agreements;

(d) the Exchange Rights Agreements;

(e) the Services Agreements; and

(f) the Operations Agreement.

To the extent that cannabis-related licenses could also be considered to be material contracts, see the licenses listed under " *Description of the Business – Licenses*".

The Corporation has 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 AIF.

Copies of these agreements are available for inspection at our offices, during ordinary business hours and will be available on SEDAR at www.sedar.com.

Copies of the above material are available on Ayr's SEDAR profile at www.sedar.com.

INTERESTS OF EXPERTS

The financial statements for the fiscal period ended December 31, 2020 have been audited by MNP LLP, the Corporation's auditors, who are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario) and within the meaning of the U.S. Public Company Accounting Oversight Board Rule 3520, Auditor Independence.

As at the date hereof, none of the partners or associates of MNP LLP beneficially own, directly or indirectly, any of our securities.

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

The Board has adopted a written charter (the "**Charter of the Audit Committee**") for the audit committee of the Corporation (the "**Audit Committee**"), which sets out the Audit Committee's responsibility in reviewing and approving the financial statements of the Corporation and public disclosure documents containing financial information and reporting on such review to the Board, ensuring that adequate procedures are in place for the reviewing of the Corporation's public disclosure documents that contain financial information, overseeing the work and reviewing the independence of the external auditors. The text of the Charter of the Audit Committee that has been adopted is attached to this AIF as Appendix A.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee is composed of a minimum of three directors, each of whom is financially literate within the meaning of National Instrument 52-110 – *Audit Committees*. As at June 30, 2020, the Audit Committee was composed of:

- Jonathan Sandelman (as Chair);
- Charles Miles; and
- Chris R. Burggraeve.

EXTERNAL AUDITOR SERVICE FEES

During the fiscal periods ended December 31, 2020, and December 31, 2019, the Corporation paid the following fees to the Corporation's external auditors, MNP LLP, for the following fee categories:

Fee Category	Fiscal Period 2020 ($)	Fiscal Period 2019 ($)
Audit Fees	$ 374,000	$ 425,000
Audit-Related Fees	$ 91,500	$ 105,000
Tax Services Fees	$ 25,000	N/A
Other Fees	N/A	N/A
TOTAL	$ 490,500	$ 530,000

Audit Fees

Audit fees include all fees paid to the Corporation's external auditors for the audit of the Corporation's financial statements.

Audit-Related Fees

Audit-related fees include all fees paid to the Corporation's external auditors for audit-related services including the review of the Corporation's interim financial statements, preparation and/or review of certain filings with Canadian securities regulators, including comfort and consent letters, and accounting consultations on matters addressed during the audit and interim reviews.

Tax Services Fees

Tax services fees include all fees paid to the Corporation's external auditors for tax-related advice including tax return preparation and/or review and tax planning advice.

All Other Fees

Other fees include fees for products and services provided by the Corporation's auditors other than the services included in *"Audit Fees"*, *"Audit-Related Fees"* and *"Tax Services Fees"*.

ADDITIONAL INFORMATION

Additional information with respect to the Corporation is provided in the Corporation's audited financial statements and notes to the audited financial statements and the Corporation's management's discussion & analysis for the fiscal period ended December 31, 2020. Additional information with respect to the Corporation, including certain of its directors' and officers' remuneration, and securities authorized for issuance under the Corporation's equity incentive plan, is contained in the Corporation's Form 51-102F6 – *Statement of Executive Compensation* for the financial year ended December 31, 2019. These documents as well as additional information relating to the Corporation are available on SEDAR at www.sedar.com.

APPENDIX A

AUDIT COMMITTEE CHARTER

Section 1 PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the " **Board**") of Ayr Wellness Inc. (the "**Corporation**"). The primary function of the Audit Committee is to assist the directors of the Corporation in fulfilling their applicable roles by:

(a) recommending to the Board the appointment and compensation of the Corporation's external auditor;

(b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;

(c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Corporation by the Corporation's external auditor;

(d) satisfying themselves that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;

(e) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(f) reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of the Corporation; and

(g) reviewing and approving the annual and interim financial statements, related Management Discussion and Analysis (" **MD&A**") and other financial information provided by the Corporation to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Corporation's internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

Section 2 LIMITATIONS ON AUDIT COMMITTEE'S DUTIES

In contributing to the Audit Committee's discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

Section 3 COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, a majority of whom must not be executive officers, employees, control persons or affiliates of the Corporation. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant. In the event the Corporation ceases to be a venture issuer, the Audit Committee should comply with the independence requirements set forth in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") of the Canadian Securities Administrators.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the "**Chair**") is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Corporation's securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor of the Corporation, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Corporation's interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to the Corporation's articles of incorporation and by-laws from time to time.

Section 4 ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

(1) Determine any desired agenda items;

(2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time;

(3) Review the public disclosure regarding the Audit Committee required by 52-110;

(4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional;

(5) Summarize in the Corporation's annual information form the Audit Committee's composition and activities, as required;

(6) Submit the minutes of all meetings of the Audit Committee to the Board upon request;

Documents / Reports Review

(7) Review and recommend to the Board for approval the Corporation's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Corporation provided to the public or any governmental body as the Audit Committee or the Board require;

(8) Review other financial information provided to any governmental body or the public as they see fit;

(9) Review, recommend and approve any of the Corporation's press releases that contain financial information;

(10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and related MD&A and periodically assess the adequacy of those procedures;

External Auditor

(11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor;

(12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Corporation's financial condition, financial performance and cash flow;

(13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management;

(14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor;

(15) Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the Corporation to determine the external auditor's independence;

(16) Pre-approve all non-audit services (or delegate such pre-approval, as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor;

(17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant;

(18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper;

(19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed;

(20) Review and approve any proposed hiring by the Corporation of current or former partners or employees of the current (and any former) external auditor of the Corporation;

Audit Process

(21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable;

(22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews;

(23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements;

(24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters;

Financial Reporting Processes

(25) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit;

(26) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices;

(27) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions;

(28) Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto;

(29) Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting;

(30) If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor;

(31) Periodically consider the need for an internal audit function, if not present;

Risk Management

(32) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance;

General

(33) With prior Board approval, the Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors;

(34) Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.

(35) Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter;

(36) Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:

(i) the Charter of the Audit Committee;

(ii) the composition of the Audit Committee;

(iii) the relevant education and experience of each member of the Audit Committee;

(iv) the external auditor services and fees; and

(v) such other matters as the Corporation is required to disclose concerning the Audit Committee;

(37) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives by the Corporation, if any; and

(38) Perform any other activities as the Audit Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet Committee reporting obligations under 52-110.

Section 5 AUDIT COMMITTEE COMPLAINT PROCEDURES

Submitting a Complaint

(39) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair should oversee treatment of such complaints.

Procedures

(40) The Chair will be responsible for the receipt and administration of employee complaints.

(41) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint confidentially.

Investigation

(42) The Chair should review and investigate the complaint. Corrective action will be taken when and as warranted in the Chair's discretion.

Confidentiality

(43) The identity of the complainant and the details of the investigation should be kept confidential throughout the investigatory process.

Records and Report

(44) The Chair should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Audit Committee.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Corporation or other liability whatsoever.

Exhibit 99.2



Ayr Wellness Inc.
(Formerly Ayr Strategies Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN UNITED STATES DOLLARS)

Ayr Wellness Inc.
(Formerly Ayr Strategies Inc.)
Consolidated Financial Statements

December 31, 2020 and 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Shareholders of Ayr Wellness Inc. (formerly, Ayr Strategies Inc.)

The accompanying consolidated financial statements ("financial statements") and accompanying notes in this report were prepared by management of Ayr Wellness Inc., reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly present the Corporation's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Corporation's financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

March 9, 2021

"Jonathan Sandelman" (signed)	"Charles Miles" (signed)
Director	Director

Independent Auditor's Report

To the Shareholders of Ayr Wellness Inc. (formerly Ayr Strategies Inc.):

Opinion

We have audited the consolidated financial statements of Ayr Wellness Inc. (formerly Ayr Strategies Inc.) and its subsidiaries (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jaspreet Chahal.

MNP LLP

Burlington, Ontario — Chartered Professional Accountants

March 9, 2021 — Licensed Public Accountant

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Consolidated Statements of Financial Position
(Expressed in United States Dollars)

	As of	
	December 31, 2020	December 31, 2019
ASSETS		
Current		
Cash and cash equivalents	**$ 127,238,165**	$ 8,403,196
Accounts receivable	**3,464,401**	2,621,239
Due from related parties [Note 11]	**135,000**	85,000

Inventory [Note 5]	**28,257,942**	13,718,840
Biological assets [Note 6]	**12,069,851**	2,935,144
Prepaid expenses, deposits, and other current assets	**5,270,381**	2,163,329
	176,435,740	29,926,748
Non-current		
Property, plant, and equipment [Note 7]	**69,104,080**	37,152,861
Intangible assets [Note 8]	**252,357,676**	189,802,136
Right-of-use assets [Note 9]	**22,604,065**	12,315,417
Goodwill [Notes 4 and 8]	**92,321,934**	84,837,304
Equity investments [Note 10]	**503,509**	427,399
Deposits and other assets	**2,540,675**	638,394
Total assets	**615,867,679**	355,100,259
LIABILITIES		
Current		
Trade payables	**8,899,786**	6,806,053
Accrued liabilities	**8,706,813**	5,123,865
Lease obligations - current portion [Note 9]	**866,304**	1,087,835
Purchase consideration payable [Notes 4 and 14]	**9,053,057**	9,831,700
Income tax payable [Note 20]	**21,585,523**	5,202,943
Debts payable - current portion [Note 12]	**8,644,633**	6,628,843
	57,756,116	34,681,239
Non-current		
Deferred tax liabilities [Note 20]	**47,935,998**	41,077,761
Warrant liability [Note 14]	**151,949,611**	36,874,124
Lease obligations - non-current portion [Note 9]	**23,864,059**	13,033,310
Contingent consideration [Notes 4 and 14]	**22,961,412**	22,656,980
Debts payable - non-current portion [Note 12]	**53,587,948**	37,366,818
Senior secured notes - non-current portion [Note 12]	**103,652,963**	-
Accrued interest payable [Note 12]	**3,301,155**	815,662
Total liabilities	**465,009,262**	186,505,894
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital [Note 13]	**518,992,215**	382,210,006
Treasury stock	**(556,899)**	(245,469)
Contributed surplus	**60,035,984**	28,879,225
Accumulated other comprehensive (loss) income	**(5,765,218)**	3,265,610
Deficit	**(421,847,665)**	(245,515,007)
Total shareholders' equity	**150,858,417**	168,594,365
Total liabilities and shareholders' equity	**615,867,679**	355,100,259

Commitments and Contingencies [Note 18]
Subsequent events [Note 21]

Approved on behalf of the Board:

"Jonathan Sandelman" (signed)	"Charles Miles" (signed)
Director	Director

The accompanying notes are an integral part of these financial statements.

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)

	Year Ended	
	December 31, 2020	December 31, 2019
Revenues, net of discounts	**$ 155,114,454**	$ 75,195,556
Cost of goods sold before biological asset adjustments	**66,555,710**	37,009,909
Incremental costs to acquire cannabis inventory in a business combination [Note 4]	**-**	3,764,678
Cost of goods sold	**66,555,710**	40,774,587
Gross profit before fair value adjustments	**88,558,744**	34,420,969
Fair value adjustment on sale of inventory	**(34,147,938)**	(18,272,212)
Unrealized gain on biological asset transformation [Note 6]	**48,690,657**	10,108,105

Gross profit	**103,101,463**	26,256,862
Expenses		
General and administrative [Note 16]	**36,342,955**	19,036,452
Sales and marketing	**2,150,536**	1,345,009
Depreciation [Notes 7 and 9]	**2,364,224**	1,392,994
Amortization [Note 8]	**12,024,715**	7,222,595
Stock-based compensation [Note 17]	**31,156,759**	28,879,225
Acquisition expense	**2,945,194**	5,847,800
Total expenses	**86,984,383**	63,724,075
Income (Loss) from operations	**16,117,080**	(37,467,213)
Other (expense) income		
Share of loss on equity investments [Note 10]	**(33,591)**	(72,600)
Foreign exchange	**(7,782)**	(141,106)
Fair value loss on financial liabilities [Note 14]	**(164,042,264)**	(119,235,147)
Interest expense	**(4,115,775)**	(3,035,492)
Interest income	**10,112**	404,835
Other	**104,931**	202,610
Total other (expense) income	**(168,084,369)**	(121,876,900)
Loss before income tax	**(151,967,289)**	(159,344,113)
Current tax [Note 20]	**(21,976,761)**	(8,728,061)
Deferred tax [Note 20]	**(2,388,608)**	3,892,570
Net loss	**(176,332,658)**	(164,179,604)
Foreign currency translation adjustment	**(9,030,828)**	(156,510)
Net loss and comprehensive loss	**(185,363,486)**	(164,336,114)
Basic and diluted loss per share	**(6.32)**	(9.43)
Weighted average number of shares outstanding (basic and diluted)	**27,892,441**	17,404,742

The accompanying notes are an integral part of these financial statements.

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in United States Dollars)

	Share Capital								Treasury Stock		Contributed surplus	Accumulated other comprehensive (loss) income	Deficit	Total
	Class B shares		Multiple Voting Shares		Subordinate, Restricted, and Limited Voting Shares		Exchangeable Shares							
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
	#	$	#	$	#	$	#	$	#	$	$	$	$	$
Balance, December 31, 2019	**-**	**-**	**3,696,486**	**1,821,997**	**14,824,485**	**251,721,350**	**8,373,792**	**128,666,659**	**(29,500)**	**(245,469)**	**28,879,225**	**3,265,610**	**(245,515,007)**	**168,594,365**
Stock-based compensation [Note 17]	-	-	-	-	-	-	-	-	-	-	31,156,759	-	-	31,156,759
Exercise of Rights [Note 13]	-	-	-	-	175,640	-	-	-	-	-	-	-	-	-
Exercise of Warrants [Notes 13 and 14]	-	-	-	-	5,574,446	105,957,197	-	-	-	-	-	-	-	105,957,197
Conversion of Exchangeable Shares [Note 13]	-	-	-	-	8,170,805	128,355,064	(8,170,805)	(128,355,064)	-	-	-	-	-	-
Share issuance - make-whole [Note 14]	-	-	-	-	-	-	614,515	3,765,927	-	-	-	-	-	3,765,927
Repurchase of Subordinate Voting Shares [Note 13]	-	-	-	-	-	-	-	-	(34,300)	(311,430)	-	-	-	(311,430)
Share issuance - combinations and acquisitions [Note 4]	-	-	-	-	128,265	2,083,450	1,310,041	24,975,635	-	-	-	-	-	27,059,085

Net loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(176,332,658)	(176,332,658)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(9,030,828)	-	(9,030,828)
Balance, December 31, 2020	**-**	**-**	**3,696,486**	**1,821,997**	**28,873,641**	**488,117,061**	**2,127,543**	**29,053,157**	**(63,800)**	**(556,899)**	**60,035,984**	**(5,765,218)**	**(421,847,665)**	**150,858,417**
Balance, December 31, 2018 - Restated (Note 3.22)	**3,696,486**	**1,821,997**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,422,120**	**(81,335,403)**	**(76,091,286)**
Share exchange - Qualifying Transaction [Notes 1 and 4]	(3,696,486)	(1,821,997)	3,696,486	1,821,997	13,474,000	248,411,016	-	-	-	-	-	-	-	248,411,016
Share issuance - Qualifying Transaction [Note 4]	-	-	-	-	-	-	7,983,887	125,421,479	-	-	-	-	-	125,421,479
Stock-based compensation [Note 17]	-	-	-	-	-	-	-	-	-	-	28,879,225	-	-	28,879,225
Exercise of Rights [Note 13]	-	-	-	-	1,059,685	-	-	-	-	-	-	-	-	-
Exercise of Warrants [Note 13]	-	-	-	-	298,200	3,376,539	-	-	-	-	-	-	-	3,376,539
Share issuance - make-whole [Note 14]	-	-	-	-	-	-	389,905	3,245,180	-	-	-	-	-	3,245,180
Repurchase of Subordinate Voting Shares [Note 13]	-	-	-	-	(7,400)	(66,205)	-	-	(29,500)	(245,469)	-	-	-	(311,674)
Net loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(164,179,604)	(164,179,604)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(156,510)	-	(156,510)
Balance, December 31, 2019	**-**	**-**	**3,696,486**	**1,821,997**	**14,824,485**	**251,721,350**	**8,373,792**	**128,666,659**	**(29,500)**	**(245,469)**	**28,879,225**	**3,265,610**	**(245,515,007)**	**168,594,365**

The accompanying notes are an integral part of these financial statements.

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

	Year Ended	
	December 31, 2020	December 31, 2019
Operating activities		
Net loss	**$ (176,332,658)**	$ (164,179,604)
Adjustments for:		
Acquisition costs associated with financing activities	**-**	129,235
Net fair value loss on financial liabilities	**164,042,264**	119,235,147
Stock-based compensation	**31,156,759**	28,879,225
Depreciation	**4,720,198**	2,172,373
Amortization on intangible assets	**13,716,502**	8,137,864
Share of loss on equity investments	**33,591**	72,600
Incremental costs to acquire cannabis inventory in a business combination	**-**	3,764,678
Fair value adjustment on sale of inventory	**34,147,938**	18,272,212
Unrealized gain on biological asset transformation	**(48,690,657)**	(10,108,105)
Deferred tax expense (benefit)	**2,388,608**	(3,892,570)
Amortization on financing costs	**90,858**	-
Interest accrued	**2,214,061**	1,652,510
Changes in non-cash operations, net of business acquisition:		
Accounts receivable	**(843,162)**	(1,308,328)
Inventory and biological assets	**(8,876,748)**	(5,809,848)
Prepaid expenses and other assets	**(2,529,212)**	(1,459,072)
Trade payables	**1,616,253**	2,992,073
Accrued liabilities	**3,274,488**	(179,574)
Income tax payable	**16,382,580**	5,202,943
Cash provided by operating activities	**36,511,663**	3,573,759
Investing activities		
Transfer of restricted cash and short term investments held in escrow and interest income	**-**	99,684,243

Purchase of property, plant, and equipment	**(14,367,690)**	(14,417,635)
Purchases of intangible assets	**(400,000)**	-
Deferred underwriters commission paid	**-**	(3,457,154)
Cash paid for business combinations and asset acquisitions, net of cash acquired	**(35,174,880)**	(74,714,171)
Cash paid for business combinations and asset acquisitions, bridge financing	**(8,040,804)**	-
Cash paid for business combinations and asset acquisitions, working capital	**(2,354,375)**	(547,042)
Payments for interests in equity accounted investments	**(109,700)**	(500,000)
Advances to related corporation	**(50,000)**	(809,191)
Deposits for business combinations	**(1,750,000)**	-
Cash (used in) provided by investing activities	**(62,247,449)**	5,239,050
Financing activities		
Proceeds from exercise of Warrants	**48,483,750**	2,460,150
Proceeds from senior secured notes, net of financing costs	**103,571,105**	-
Redemption of Class A shares	**-**	(7,519)
Repayments of debts payable	**(5,615,225)**	(2,879,329)
Repayments of lease obligations (principal portion)	**(1,557,445)**	(763,878)
Repurchase of Subordinate Voting Shares	**(311,430)**	(311,674)
Cash provided by (used in) financing activities	**144,570,755**	(1,502,250)
Net increase in cash	**118,834,969**	7,310,559
Effect of foreign currency translation	**-**	982,685
Cash and cash equivalents, beginning of the year	**8,403,196**	109,952
Cash and cash equivalents, end of the year	**127,238,165**	8,403,196
Supplemental disclosure of cash flow information:		
Interest paid during the year	**2,526,294**	1,679,612
Taxes paid during the year	**5,594,181**	3,525,118

The accompanying notes are an integral part of these financial statements.

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

1. NATURE OF OPERATIONS

Ayr Wellness Inc. (formerly Ayr Strategies Inc.) ("Ayr" or "the Corporation") is a vertically-integrated cannabis multi-state operator in the U.S., with a portfolio in Massachusetts, Nevada, and Pennsylvania. Through its operating companies, Ayr is a leading cultivator, manufacturer, and retailer of cannabis products and branded cannabis packaged goods, and provides operational and service support to licensed cannabis companies. The Corporation was previously a special purpose acquisition corporation ("SPAC") which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation, referred to as the Corporation's "Qualifying Transaction". The Corporation had only one operating segment, cannabis sales, during the year ended December 31, 2020. As the Corporation has experienced rapid growth operating segments will be further analyzed and are subject to future change. The Corporation is a reporting issuer in each of the provinces and territories of Canada.

The Corporation was incorporated on July 31, 2017 under the Business Corporations Act (Ontario) and continued on May 24, 2019 into British Columbia under the Business Corporations Act (British Columbia) in connection with its Qualifying Transaction. The registered office of the Corporation is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of the Corporation is located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

For information on the Corporation's initial public offering, please refer to the Corporation's final non-offering prospectus dated February 15, 2019 and the Corporation's management information circular dated February 19, 2019.

On September 12, 2018, the Corporation incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Holdings Inc., to facilitate the proposed Qualifying Transaction. On September 17, 2018, CSAC Holdings Inc. incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Acquisition Inc. ("CSAC AcquisitionCo").

On May 24, 2019, the Corporation completed its Qualifying Transaction, including through operational and service agreements, of the target businesses of Washoe Wellness, LLC ("Washoe"), The Canopy NV, LLC ("Canopy"), Sira Naturals, Inc. ("Sira"), LivFree Wellness, LLC ("LivFree") and CannaPunch of Nevada LLC ("CannaPunch"), which collectively constituted its Qualifying Transaction (collectively, the "Qualifying Transaction"). For more information regarding the Qualifying Transaction, view the December 31, 2019 audited financial statements.

The Corporation's subordinate, restricted, and limited voting shares ("Subordinate Voting Shares"), warrants ("Warrants"), and rights ("Rights") are trading on the Canadian Stock Exchange (the "CSE"), under the symbols "AYR.A", "AYR.WT" and "AYR.RT", respectively. The Corporation's Subordinate Voting Shares are also trading on the Over-the-Counter Market ("OTC") in the United States under the symbol "AYRWF". The Corporation originally traded on the OTC under the symbol "AYRSF", however, that changed on December 4, 2020 to AYRWF.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements for the year ended December 31, 2020 (and comparative results for the year ended December 31, 2019) have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC") and in effect as of December 31, 2020.

These financial statements were approved and authorized for issuance by the Board of Directors of the Corporation (the "Board of Directors") on March 9, 2021.

2.2 Basis of presentation and measurement

These financial statements have been prepared on the going concern basis under the historical cost basis except for certain financial instruments, biological assets, and warrant liability, which are measured at fair value, as explained in the accounting policies set out in Note 3.

The financial statements are presented in United States dollars which, following the close of the Qualifying Transaction became the Corporation's presentation currency. The Corporation's previous presentation currency was Canadian Dollars ("CAD" or "CDN$"). See Note 3.22 for change in accounting policy related to the change in presentation currency. The functional currency of each entity is determined separately in accordance with International Accounting Standard IAS 21 – *Foreign Exchange* and is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of Ayr, the parent, is CDN$ and for each of the United States subsidiaries is United States dollars (US$ or $).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The financial statements for the year ended December 31, 2020 include the accounts of the Corporation, its wholly-owned subsidiaries, and entities over which the Corporation has control as defined in IFRS 10, all of which also have a December 31 year-end. Entities over which the Corporation has control are presented on a consolidated basis from the date control commences. Control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power and rights in respect of the entity. All of the consolidated entities were under control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, during the entirety of the periods for which their respective results of operations were included in the consolidated statements. All intercompany balances and transactions are eliminated on consolidation. The Corporation's consolidated subsidiaries are listed below, and are owned 100% by the Corporation unless otherwise noted:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (continued)

Subsidiaries	State of operation	Purpose
Ayr Wellness Inc.	Canada	Parent Company
CSAC Holdings Inc.	NV	Corporate - Holding Company
CSAC Acquisition Inc. (2)	NV	Corporate - Holding Company
Sira Naturals, Inc. (3)	MA	Cultivation, Production, and Retail
CannaPunch of Nevada LLC	NV	Production
LivFree Wellness, LLC (1)(4)	NV	Managed Services - Retail
Washoe Wellness, LLC (1)(5)	NV	Managed Services - Cultivation and Production
The Canopy NV LLC (6)	NV	Managed Services - Retail
DocHouse, LLC	PA	Cultivation and Production

CannTech PA, LLC (7)	PA	Cultivation, Production, and Retail

(1) Entered into an Equity Purchase Agreement with CSAC Acquisition, Inc. pending regulatory approval for the license transfers by the Nevada Cannabis Compliance Board. The Corporation has control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, and provides operational and service support to licensed cannabis companies. All intercompany balances and transactions are eliminated for consolidation.
(2) CSAC Acquisition Inc. includes wholly-owned subsidiaries:
    a. Holding entities - CSAC Acquisition MA Corp, CSAC Acquisition NJ Corp, CSAC Acquisition PA Corp ("CSAC PA"), CSAC Acquisition AZ Corp, Ayr NJ LLC, CSAC LLC, CSAC Ohio LLC, CSAC-LivFree LLC, CSAC-Washoe Wellness, LLC, CSAC-The Canopy LLC.
        i. CSAC-Washoe Wellness, LLC includes a wholly-owned subsidiary DWC Investments, LLC.
    b. Payroll entities - Mercer Strategies PA, LLC, Parker Solutions PA, LLC.
    c. Real estate entity - Parker RE MA, LLC,
(3) Sira Naturals, Inc includes a whole-owned subsidiary Parker Solutions MA, LLC.
(4) LivFree includes a wholly-owned subsidiary BP Solutions LLC.
(5) Washoe includes wholly-owned subsidiaries Klymb Project Management, Inc, Tahoe-Reno Botanicals, LLC, Tahoe-Reno Extractions, LLC.
(6) Canopy includes wholly-owned subsidiaries Kynd-Strainz, LLC and Lemon Aide, LLC.
(7) CSAC Acquisition PA Corp. is the parent company of CannTech PA, LLC ("CannTech PA").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Revenue

IFRS 15 – Revenue from contracts with customers ("IFRS 15") specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The pattern and timing of revenue recognition is consistent with prior year practice. The Corporation's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

- Identifying the contract with a customer
- Identifying the performance obligations within the contract
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognizing revenue when/as performance obligation(s) are satisfied.

In some cases, judgment is required in determining whether the customer is a business or the end consumer. This evaluation is made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. In determining the appropriate time of sale, the Corporation takes into consideration a) the Corporation's right to payment for the goods or services; b) customer's legal title; c) transfer of physical possession of the goods; and d) timing of acceptance of goods.

Revenue is recognized based on the sale of cannabis for a fixed price when control is transferred. The amount recognized reflects the consideration that the Corporation expects to receive taking into account any variation that is expected to result from rights of return. Dispensary revenue is recognized at the point of sale while wholesale revenue is recognized once Ayr transfers the significant risks and rewards of ownership of the goods and does not retain material involvement associated with ownership or control over the goods sold.

3.3 Cash

The Corporation considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

3.4 Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Corporation measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), the liabilities incurred by the Corporation on behalf of the acquiree, any contingent consideration and any equity interests issued by the Corporation. Transaction costs, other than those associated with the issuance of debt or equity securities that the Corporation incurs in connection with a business combination, are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Business combination (continued)

The acquisition date is the date when the Corporation obtains control of the acquiree. Contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as a liability is re-measured at subsequent reporting dates in accordance with the criteria and guidance provided under IFRS with corresponding gain or loss recorded in the statements of loss and comprehensive loss.

3.5 Inventory

Cannabis inventory at retail, work-in-process, and raw materials are initially valued at the weighted average cost and subsequently measured at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at the point of harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs, including direct costs such as materials, labor, and depreciation expense on equipment attributable to processing and related overheads, are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Corporation reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value.

3.6 Biological assets

The Corporation's biological assets consist of cannabis plants, from the date of initial cutting from mother plants, which are not yet harvested. While the Corporations' biological assets are within the scope of IAS 41 – *Agriculture*, the direct and indirect costs of cultivating and producing biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 – *Inventories*. They include the direct cost of seeds and growing materials as well as other direct costs such as utilities and supplies used in the growing process. Indirect labor for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment, the building portion associated with the growing space, and the right-of-use asset associated with the cultivation and production facilities. All direct and indirect costs of cultivating and producing biological assets are capitalized as they are incurred, and they are subsequently recorded on the statements of loss and comprehensive loss in the year that the related product is sold. Unrealized fair value gain on growth of biological assets are recorded in a separate line on the face of the statements of loss and comprehensive loss. Biological assets are measured at their fair values less costs to sell up to the point of harvest in the statements of financial position, which becomes the initial cost of harvested cannabis.

Mother plants grown for the purpose of taking cuttings in order to grow more quantities of the same plants. Mother plants are critical to the success of the business and, once mature, are held solely to create cuttings for production over their useful lives. Costs attributed to the growing of mother plants are included in cost of goods sold.

3.7 Property, plant, and equipment ("PPE")

PPE is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant, and equipment ("PPE") (continued)

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Land – not depreciated
- Buildings – 39 years
- Leasehold improvements – the shorter of the useful life or life of the lease
- Furniture and fixtures – 5 to 7 years
- Office equipment – 3 to 5 years
- Machinery and equipment – 5 to 15 years
- Auto and trucks – 5 years
- Assets under construction – not depreciated

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the

carrying amount of the asset, is recognized in the statements of loss and comprehensive loss.

Assets under construction are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Corporation conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Corporation prospectively.

Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3.8 Intangible assets

(a) Goodwill

The Corporation measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date. Goodwill is allocated to the Cash Generating Units ("CGU" or "CGUs") which are expected to benefit from the synergies of the combination. CGUs have been grouped for purposes of impairment testing. Impairment losses recognized in respect of a CGU, being the excess over the CGUs carrying value allocated to the assets in the CGU, are first allocated to the carrying value of goodwill and indefinite life intangibles and any excess is allocated to the carrying amount of assets in the CGU. Impairment testing is performed annually by the Corporation or more frequently, if events or changes in circumstances indicate that they might be impaired. Management makes estimates during impairment testing as judgment is required to determine indicators of impairment and estimates are used to measure impairment losses. The recoverable amount, as defined in Note 3.9, of goodwill is determined by using discounted future cash flows, which incorporates assumptions regarding future events, growth rates and discount rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Intangible assets (continued)

(b) Finite life intangible assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets, which include licences/permits, right-to-use licenses, host community agreements, and trade name/brand have useful lives of 15, 15, 15, and 5 years, respectively. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized to the extent development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the product or asset. Other development expenditures will be expensed as incurred. No development costs have been capitalized to date.

3.9 Impairment of non-financial assets

At each financial reporting date, the Corporation reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the CGU to which the assets belong.

The recoverable amount is the higher of fair value less the costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal ("FVLCD"), recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, discounted cash flows, or other available fair value indicators.

If the recoverable amount of an asset (or CGU) is estimated to be less than it's carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized at that time.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

Goodwill and intangible assets with indefinite useful lives are allocated to CGUs for purposes of impairment testing. An impairment test is performed by determining the recoverable amount of the CGU to which the goodwill or intangible assets with indefinite useful lives relates. The recoverable amount of a CGU or individual asset is the higher of its value in use and its FVLCD. Where the recoverable amount is less than the carrying amount, an impairment loss is recognized in the statements of loss and comprehensive loss. Impairment losses recognized on goodwill are not reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Impairment of non-financial assets (continued)

Goodwill is allocated to the CGUs, which are the lowest level that generate cash flows independent of another. The Corporation determined its CGUs are separated by state and type of operation, including cultivation, production and retail. As the CGUs benefit from synergies of a related business combination at the state level, goodwill is grouped and tested at the state level.

3.10 Leases

The Corporation assesses whether a contract is or contains a lease, at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net finance costs in the statements of loss and comprehensive loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The Corporation allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Corporation is reasonably certain to exercise. Renewal options are included in a number of leases across the Corporation.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in the statements of loss and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or are not subject to a fair market value renewal are expensed as incurred and recognized in statements of loss and comprehensive loss.

Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3.11 Equity investments

An associate is an entity over which the Corporation exercises significant influence. Significant influence is the power to participate in the financial and operating policy of the investee but without control or joint control over those policies. Interests in associates are accounted for using the equity method and are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Corporation's interest in an associate is adjusted for the Corporation's share of income or loss and distributions of the investee. The carrying value of associates is assessed for impairment at each statement of financial position date. Significant influence is presumed if the Corporation holds between 20% and 50% of the voting rights, unless evidence exists to the contrary.

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Equity investments (continued)

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investees in which the Corporation has joint control and rights to the net assets

thereof, are defined as joint ventures. Joint ventures are also accounted for under the equity method.

3.12 Non-controlling interests

Equity interests owned by parties that are not shareholders of the Corporation are considered non-controlling interests. The share of net assets attributable to non-controlling interests are presented as a component of equity while the share of net income or loss is recognized in equity. Changes in Ayr's ownership interest that do not result in a loss of control are accounted for as equity transactions. As of December 31, 2020 and 2019, the Corporation does not have any non-controlling interests.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. Qualifying assets are those that require a minimum of twelve months to prepare for their intended use.

3.14 Derivatives

The Corporation evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then revalued at each reporting date, with changes in the fair value reported in the Corporation's financial statements. In calculating the fair value of derivative liabilities, the Corporation uses a valuation model when level 1 inputs are not available to estimate fair value at each reporting date (see Note 19). The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the financial statements date.

3.15 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of shares outstanding, including Subordinate Voting Shares, multiple voting shares of the Corporation ("Multiple Voting Shares"), and Exchangeable Shares (as defined below), during the period. The diluted loss per share reflects the potential dilution of shares by adjusting the weighted average number of shares outstanding to assume conversion of potentially dilutive shares, such as Warrants, restricted stock units (RSUs), Rights, and contingent shares. The "treasury stock method" is used for the assumed proceeds upon the exercise of the Exchangeable Shares and Warrants that are used to purchase Subordinate Voting Shares at the average market price during the period. If the Corporation incurs a net loss during a reporting period, the calculation of fully diluted loss per share will not include potentially dilutive equity instruments such as restricted Warrants, RSUs, Rights and contingent shares, therefore, basic loss per share and diluted loss per share will be the same.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Stock-based payments

(a) Stock-based payment transactions

Certain employees (including directors and senior executives) of the Corporation receive a portion of their remuneration in the form of stock-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued. In situations where equity instruments are issued to non-employees and some or all of the fair value of the good or service received by the Corporation as consideration cannot be specifically identified, they are measured at fair value of the stock-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value of the stock price at the date on which they are granted, using an appropriate valuation model. The value of the transaction is expensed through the vesting period.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date").

The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest. The income or loss for a period represents the movement in cumulative expense recognized as of the beginning and end of that period and the corresponding amount is represented in contributed surplus. At the end of each reporting period, the Corporation re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statements of loss and comprehensive loss.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award,

provided the original terms of the award are met. An additional expense is recognized for any modification which increases the total fair value of the stock-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the Corporation or the counterparty, any remaining element of the fair value of the award is derecognized at that time through the statements of loss and comprehensive loss.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

(b) Warrants

The Corporation measures the fair value of Warrants issued using the quoted price as the Warrants are publicly traded. As the number of shares to be issued by the Corporation upon exercise of the Warrants is not fixed and fail the "fixed-for-fixed" criteria for equity classification, the Warrants have been classified as derivative liabilities to be measured at FVTPL. When Warrants are exercised, they are valued at their fair value on date of extinguishment plus cash proceeds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.18 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized when the Corporation becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL (as defined below), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statements of loss and comprehensive loss.

Classification and subsequent measurement

The Corporation classifies financial assets, at the time of initial recognition, according to the Corporation's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost ("AC");
b) fair value through profit or loss ("FVTPL"); and
c) fair value through other comprehensive income ("FVTOCI").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in the statements of loss and comprehensive loss in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Corporation has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in the statements of loss and comprehensive loss in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Refer to Note 19 for the classification and fair value ("FV") level of financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (continued)

Impairment of financial instruments – Expected credit losses ("ECL")

For all financial assets recorded at amortized cost, the Corporation applies the simplified approach to provide expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable based on the Corporation's historical default rates over the expected life of the accounts receivable and is adjusted for forward-looking estimates. The methodologies and assumptions, including, but not limited to, any forecasts of future economic conditions, credit ratings, and macro-economic factors, are reviewed regularly.

All individually significant loans receivable are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

ECL are calculated as the product of the probability of default, exposure at default and loss given default over the remaining expected life of the receivables. No ECL has been recorded by the Corporation as all receivables are expected to be collected and are not significant.

Derecognition

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of loss and comprehensive loss.

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

3.19 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of loss and comprehensive loss.

The results and financial position of an entity that has a functional currency different from the presentation currency is translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; and
- income and expenses for each statement of loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated as the rate on the dates of the transactions).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Foreign currency transactions (continued)

Effect of translation differences are accumulated and presented as a component of equity under accumulated other comprehensive (loss) income.

3.20 Taxation

The current income tax expense is based on taxable income for the period. Income tax payable is based on the income tax expense from the current and prior periods that has not been remitted. Taxable income differs from "Loss before income tax" as reported in the statements of loss and comprehensive loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. Current income tax represents the expected income taxes recoverable (or payable) on taxable income for the period using income tax rates enacted or substantively enacted at the end of the reporting period and factors in any adjustments arising from prior years.

As the Corporation operates in the cannabis industry, it is subject to the limits of Internal Revenue Code ("IRC") Section 280E under which the Corporation is only allowed to deduct expenses included as cost of goods sold. This results in permanent book/tax differences for ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may

not necessarily correlate with pre-tax income or loss.

Deferred taxes are accounted for using the liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the period in which those differences are expected to be recovered or settled.

The effect of a change in tax rates on deferred tax assets and liabilities is recognized in net loss in the year that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the extent that it is no longer probable that future taxable profits will be available. A deferred tax expense or benefit is recognized in accumulated other comprehensive (loss) income or otherwise directly in equity to the extent that it relates to items that are recognized in accumulated other comprehensive (loss) income or directly in equity in the same or a different period.

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

IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* , provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. As of December 31, 2020, the Corporation has completed an assessment for circumstances in which there is uncertainty over income tax treatments and has not recorded any uncertain tax positions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Significant accounting judgments and estimates

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, assets and liabilities recognized, and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized at that time. Actual results could differ from the estimates used.

The global pandemic outbreak of the novel strain of coronavirus ("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 judgments and estimates. While cannabis has generally been deemed an essential business the regulators in Massachusetts and Nevada placed material restrictions on cannabis sales during the middle of 2020. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Corporation is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

The following areas require management's critical estimates and judgments:

(a) Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Corporation obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards, where IFRS provides exceptions to recording the amounts at fair value.

Goodwill represents the difference between total consideration paid and the fair value of the net identifiable assets acquired. Acquisition costs incurred are expensed to total expenses. Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 with the corresponding gain or loss recognized in net loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Significant accounting judgments and estimates (continued)

(a) Business combination (continued)

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Judgment is applied in determining whether an acquisition is a business combination or an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners.

(b) Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, net realizable value, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, oil conversion, and impairment factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value.

(c) Estimated useful lives and depreciation of property, plant and equipment

Depreciation of PPE is dependent upon estimates of useful lives, which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Significant accounting judgments and estimates (continued)

(d) Valuation, estimated life and impairment of intangible assets and goodwill

Management uses significant judgment in determining the fair value of intangible assets and goodwill, estimating the useful lives and impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The Corporation uses judgment in determining the grouping of assets by identifying CGUs for purposes of testing for impairment of goodwill and intangible assets. The Corporation's estimate of CGUs or a group of CGUs recoverable amount based on value in use involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results and budgets are calculated by discounting the final year in perpetuity.

(e) Goodwill impairment

When determining the recoverable amount of the CGU or CGUs to which goodwill is allocated, the Corporation relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the recoverable amount.

(f) Leases

Each capitalized lease is evaluated to determine if the Corporation would exercise any of the renewal options offered. Several material factors are considered in determining if the renewal options would be exercised, such as length of the renewal, renewal rate, and ability to transfer locations. When measuring lease liabilities, the Corporation used discounted lease payments using a weighted-average rate in the range of 9.8% to 15.0% per annum. The weighted-average rate is based on the internal borrowing rate, which relies on judgments and estimates.

(g) Provisions and contingent liabilities

When the Corporation is more likely than not to incur an outflow of resources to settle an obligation and the amount can be reasonably estimated, a contingent liability is recorded. The contingent liability is recorded at management's best estimates of the expenditure required to settle the obligation at period end, discounted to the present value, if material.

(h) Financial instruments

To determine the fair value of financial instruments, the Corporation develops assumptions and selects certain methods to perform the fair value calculations. Various methods considered include but are not limited to: (a) assigning the value attributed to the transaction at the time of origination; (b) re-measuring the instrument if it requires concurrent fair value measurement; and (c) valuing the instrument at the issuance value less any amortized costs. As judgment is a factor in determining the value and selecting a method, as well as, the inherent uncertainty in estimating the fair value, the valuation estimates may be different.

Application of the option pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instruments. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Significant accounting judgments and estimates (continued)

(i) Expected credit loss

Management determines ECL by evaluating individual receivable balances and considering customers' financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the year end.

(j) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to the expectation of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax positions taken will be sustained upon examination by applicable tax authorities.

3.22 Change in accounting policy (2019)

Pursuant to completion of the Qualifying Transaction as explained in Note 1 to the financial statements, on May 24, 2019, the Corporation elected to change the presentation currency of its financial statements from CDN$ to US$, effective with the financial statements for the three and six months ended June 30, 2019.

The Board of Directors believe that US$ financial reporting provides more relevant presentation of the Corporation's financial position, funding and treasury functions, financial performance and cash flows.

A change in presentation currency represents a change in accounting policy in terms of IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors, requiring the restatement of comparative information.*

In accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*, the methodology followed in restating historical financial information from CDN$ to US$ is listed in Note 3.19.

The closing rate used in translating the historical financial information from CDN$ to US$ as of December 31, 2018 was $0.7330.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Change in accounting standards

Adoption of IFRS 16 – Leases (applied in 2019)

The Corporation adopted IFRS 16 on January 1, 2019. IFRS 16 introduced a single on-balance sheet accounting model for lessees which replaced IAS 17 - *Leases* ("IAS 17"). Leasing activity for the Corporation typically involves the leases of land or buildings to operate cannabis dispensaries, processing or cultivation facilities or corporate offices.

The Corporation previously classified leases as either operating or finance leases from the perspective of the lessee. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for most leases. The Corporation adopted IFRS 16 using the modified retrospective cumulative catch-up approach beginning on January 1, 2019. Under this approach, the Corporation did not restate its comparative amounts and recognized a right-of-use asset equal to the present value of the future lease payments. The Corporation elected to apply the practical expedient to only transition contracts which were previously identified as leases under IAS 17, and also elected to not recognize right-of-use assets and lease liabilities for leases of low-value assets or short-term leases.

Adoption of IFRS 3 - Business combinations

The Corporation adopted IFRS 3 on January 1, 2020. IFRS 3 provides clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The Corporation applied the new standards to the transactions entered into during the year.

Adoption of IAS 1 and 8 - Presentation of financial statements

The Corporation adopted IAS 1 and 8 on January 1, 2020. IAS 1 and 8 provide clarification on the definition of materiality and how it should be applied. The amendments also align the definition of material across International Financial Reporting Standards and other publications. There was no impact on the financial statements.

Standards and interpretations issued in the current period but not yet effective

There are no new standards issued but not yet effective as of December 31, 2020, that have a material impact to the Corporation's financial statements.

4. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

Each of the acquisitions are subject to specific terms relating to the satisfaction of the purchase price by the Corporation and its wholly-owned subsidiaries, and incorporates payments in cash, shares, and debt as well as certain contingent considerations. The shares issued as consideration are either Subordinate Voting Shares or non-voting exchangeable shares of the Corporation or its subsidiaries ("Exchangeable Shares") that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. The Corporation treats the Exchangeable Shares as options with a value equal to a share of Subordinate Voting Shares, which represents the holder's claim on the equity of the Corporation. In order to comply with certain contractual requirements of the acquisition, the Corporation and its subsidiaries are required to maintain the economic equivalency of such Exchangeable Shares with the publicly traded Subordinate Voting Shares of the Corporation. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in the assets of the Corporation as the holders of the Corporation's publicly traded Subordinate Voting Shares. The Corporation has presented these Exchangeable Shares as a part of shareholders' equity within these financial statements due to (i) the fact that they are economically equivalent to the Corporation's publicly traded Subordinate Voting Shares (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under United States securities laws, but may dispose of the Exchangeable Shares without such restriction by exchanging them for Subordinate Voting Shares of the Corporation. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on loss per share.

The goodwill recognized on acquisitions is attributable mainly to the expected future growth potential and expanded customer base arising as a result of the completion of the respective acquisition. Goodwill has been allocated to the CGUs corresponding to each of the acquired businesses. None of the goodwill is expected to be deductible for income tax purposes. The Corporation tests the recoverability of its goodwill annually, or more frequently, if events or changes in circumstances indicate that they might be impaired. For further analysis on goodwill relating to business combinations, see Note 8.

Pennsylvania Acquisitions

On November 18, 2020, CSAC AcquisitionCo completed its acquisition of DocHouse, LLC ("DocHouse") through a membership interest purchase agreement. On December 23, 2020, CSAC PA, a whole owned subsidiary in Nevada, United States, completed its acquisition of CannTech PA through a membership interest purchase agreement. Collectively, the DocHouse and CannTech PA acquisitions are referred to as the "Pennsylvania Acquisitions".

Any summary of certain material terms from the Definitive Agreements, as amended, in respect to the acquisition of CannTech PA, (the

"CannTech PA Agreement") is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at www.sedar.com.

The details of the purchase price consideration, which consist of cash, debt, Subordinate Voting Shares, and Exchangeable Shares, are summarized as follows:

	Cash	Debt Payable	Shares Issued	Total
	$	$	$	$
Calculated Consideration	**42,638,652**	**15,852,145**	**27,059,085**	**85,549,882**

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

US$	Dochouse	Canntech	Total
	$	$	$
ASSETS ACQUIRED			
Cash and cash equivalents	-	2,383,373	**2,383,373**
Inventory	-	254,342	**254,342**
Prepaid expenses, deposits, and other current assets	-	525,989	**525,989**
Intangible assets	13,072,485	62,099,558	**75,172,043**
Property, plant and equipment	11,063,908	10,596,301	**21,660,209**
Right-of-use assets	-	11,131,990	**11,131,990**
Deposits and other assets	-	204,132	**204,132**
Total assets acquired at fair value	**24,136,393**	**87,195,685**	**111,332,078**
LIABILITIES ASSUMED			
Trade payables	290,512	715,912	**1,006,424**
Accrued liabilities	46,330	262,130	**308,460**
Deferred tax liabilities	-	4,469,630	**4,469,630**
Advance from related parties	2,303,349	5,737,455	**8,040,804**
Lease obligations	-	11,170,076	**11,170,076**
Debts payable	-	8,271,432	**8,271,432**
Total liabilities assumed at fair value	**2,640,191**	**30,626,635**	**33,266,826**
Goodwill	-	7,484,630	**7,484,630**
Calculated purchase price	**21,496,202**	**64,053,680**	**85,549,882**

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

DocHouse Asset Acquisition

DocHouse owns real property with a grower/processor permit in the Pennsylvania medical cannabis market.

As DocHouse did not meet the definition of a business according to IFRS 3, it was recorded as an asset acquisition. P urchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$ 17,477,788**
Debt Payable	ii		**1,934,964**
Shares Issued	iii	**128,265**	**2,083,450**

Total	**128,265**	**$ 21,496,202**

Pursuant to the terms of the Definitive Agreement ("DocHouse Agreement"), Ayr satisfied the purchase price of $21.5M for DocHouse through the following:

i. $17.5 million of the DocHouse purchase price in the form of cash consideration, of which $12.4M was paid on closing, $3.0M is payable within three months, and $2.1M is payable within six months of closing;

ii. $1.9 million of the DocHouse purchase price in the form of promissory note payables; and

iii. $2.1 million of the DocHouse purchase price in the form of 128,265 Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "DocHouse Lock-Up Provision").

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

CannTech PA Business Combination

CannTech PA is a vertically-integrated cannabis company with a grower/processor and dispensary permit in the Pennsylvania medical market. CannTech PA has a permit to operate six retail dispensaries and a cultivation and processing facility.

The purchase consideration was comprised of the following:

		Shares	Value
Cash	i, iv		**$ 25,160,864**
Debt Payable	ii		**13,917,181**
Shares Issued	iii	**1,310,041**	**24,975,635**
Total		**1,310,041**	**$ 64,053,680**

Pursuant to the terms of the CannTech PA Agreement, Ayr satisfied the purchase price of $64.1M for CannTech PA through the following:

i. $25.2 million of the CannTech PA purchase price in the form of cash consideration;

ii. $15.2 million of the CannTech PA purchase price in the form of promissory notes payable. The fair value of the notes on the acquisition date was $13.9 million;

iii. $24.5 million of the CannTech PA purchase price in the form of 1,310,041 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for four to twelve months (the "CannTech PA Lock-Up Provision"); and

iv. Settlement of the final working capital adjustment.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Qualifying Transaction

As explained in Note 1 to the financial statements, on May 24, 2019 (the "acquisition date"), the Corporation completed its concurrent acquisitions of the target businesses of Washoe, Canopy, Sira, LivFree, and CannaPunch, which collectively constituted its Qualifying Transaction. Any summary information of certain material terms from definitive agreements, as amended, in respect of the acquisitions of Washoe, Canopy, Sira, LivFree, and CannaPunch (respectively, the "Washoe Agreement", the "Canopy Agreement", the "Sira Agreement", the "LivFree Agreement", and the "CannaPunch Agreement", collectively the "Definitive Agreements") is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at www.sedar.com.

The purchase price consideration consisted of cash, debt, Exchangeable Shares, and other consideration. The other consideration includes a contingent cash payment based on certain milestones being met as detailed in the Sira Agreement, a payment for excess inventory as outlined in the Sira Agreement, and make-whole provisions as outlined in the Canopy Agreement and the Washoe Agreement. The details of the

purchase price consideration are summarized as follows:

	Cash	Debt Payable	Shares Issued	Other	Total
	$	$	$	$	$
Calculated Consideration	**76,420,000**	**37,140,000**	**125,421,479**	**31,471,789**	**270,453,268**

Ayr obtained control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, of Washoe, Canopy, and LivFree through separate operational and service agreements. Each operational and service agreement provides Ayr certain rights over the entities' operations. Through these operational and service agreements, Ayr has the power to control relevant activities which affect the returns Ayr receives. As a result of the control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, obtained through the operational and service agreements, these entities are consolidated on Ayr's financial statements. As of December 31, 2020, Washoe, Canopy, and LivFree are awaiting state regulatory approval to transfer licenses to Ayr.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

US$	Livfree	Sira	Cannapunch	Washoe	Canopy	Total
	$	$	$	$	$	$
ASSETS ACQUIRED						
Cash and cash equivalents	1,258,928	270,280	7,233	21,458	147,930	**1,705,829**
Accounts receivable	-	600,151	625,143	87,617	-	**1,312,911**
Inventory	2,670,057	9,671,814	552,040	4,500,213	1,618,639	**19,012,763**
Biological assets	-	1,996,642	-	1,763,516	-	**3,760,158**
Prepaid expenses and other assets	96,157	340,428	-	129,477	160,748	**726,810**
Intangible assets	105,000,000	57,000,000	2,390,000	22,800,000	10,750,000	**197,940,000**
Property, plant and equipment	1,640,418	9,090,090	486,100	9,070,645	1,217,736	**21,504,989**
Right-of-use assets	2,894,076	5,239,201	1,119,826	-	2,057,681	**11,310,784**
Due from related parties	-	-	-	-	784,733	**784,733**
Deposits	90,147	149,251	-	91,574	9,983	**340,955**
Total assets acquired at fair value	**113,649,783**	**84,357,857**	**5,180,342**	**38,464,500**	**16,747,450**	**258,399,932**
LIABILITIES ASSUMED						
Trade payables	387,500	475,193	251,829	506,073	-	**1,620,595**
Accrued liabilities	1,176,088	970,418	46,972	100,412	520,453	**2,814,343**
Deferred tax liabilities	25,796,726	13,611,222	567,507	2,153,131	2,841,746	**44,970,332**
Advance from related parties	187,809	-	-	784,733	-	**972,542**
Lease obligations	2,520,437	6,514,038	1,083,189	-	2,553,502	**12,671,166**
Debts payable	120,000	13,054	-	9,180,808	421,128	**9,734,990**
Total liabilities assumed at fair value	**30,188,560**	**21,583,925**	**1,949,497**	**12,725,157**	**6,336,829**	**72,783,968**
Goodwill	39,779,584	16,399,143	13,971,953	8,121,569	6,565,055	**84,837,304**
Calculated purchase price	**123,240,807**	**79,173,075**	**17,202,798**	**33,860,912**	**16,975,676**	**270,453,268**

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Sira Acquisition

Sira is a vertically-integrated cannabis company with cultivation, extraction, production, manufacturing, distribution and retail dispensary operations in Massachusetts. Sira operates its dispensaries in the medical market in Massachusetts.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$ 17,500,000**
Debt Payable	ii		**5,000,000**
Shares Issued	iii	**1,885,606**	**29,165,138**
Contingent Consideration	iv		**21,820,132**
Inventory Payment	v		**6,091,357**

Working Capital Receivable	vi		**(403,552)**
Total		**1,885,606**	**79,173,075**

Pursuant to the terms of the Sira Agreement, Ayr satisfied the purchase price of $79.2 million for Sira through the following:

i. $17.5 million of the Sira purchase price in the form of cash consideration;

ii. $5.0 million of the Sira purchase price in the form of a promissory note payable;

iii. $29.2 million of the Sira purchase price in the form of 1,885,606 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for twelve months (the "Sira Lock-Up Provision");

iv. A portion of the Sira purchase price is derived from an earn-out provision that may entitle the sellers to earn additional consideration, if certain milestones are achieved at Sira's planned final cultivation facilities in Milford, MA;

v. An amount equal to the fair market value of Sira's inventory above a target level set at $800,000 (the "Inventory Payment"), pursuant to a formula specified in the Sira Agreement; and

vi. Settlement following the final working capital adjustment.

One-third of the Inventory Payment, subject to a cap of $2,500,000, was paid on the Closing Date and is included in the cash consideration listed above. The remaining two-thirds is part of the current portion of purchase consideration payable as set out on the statements of financial position. On August 31, 2020, the outstanding balance of $6,091,357 was further amended to adopt a monthly payment schedule ranging from 10-25 months based on certain milestones. The remaining balance as of December 31, 2020 is $3,936,522.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Canopy Acquisition

Canopy, through its licensed subsidiaries, is an owner and operator of cannabis dispensaries in Nevada, with an established footprint in Reno, Nevada. Canopy operates its dispensaries in both the medical and adult-use markets.

Purchase consideration was comprised of the following:

		Shares	**Value**
Cash	i		**$ 7,000,000**
Debt Payable	ii		**4,500,000**
Shares Issued	iii, iv	**265,360**	**4,349,003**
Make-Whole Provision	v		**1,389,182**
Working Capital Receivable	vi		**(262,509)**
Total		**265,360**	**16,975,676**

Pursuant to the terms of the Canopy Agreement, Ayr satisfied the purchase price of $17.0 million for Canopy through the following:

i. $7.0 million of the Canopy purchase price in the form of cash consideration;

ii. $4.5 million of the Canopy purchase price in the form of a promissory note payable;

iii. $4.3 million of the Canopy purchase price in the form of 250,000 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "Canopy Lock-Up Provision");

iv. An additional 15,360 Exchangeable Shares to Canopy pursuant to certain make-whole provisions (the "Canopy Make-Whole Provisions");

v. An additional 432,940 Exchangeable Shares to the Canopy sellers under the Canopy Make-Whole Provisions based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates settled during the year; and

vi. Settlement of the final working capital adjustment.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Washoe Acquisition

Washoe, through its licensed subsidiaries, 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.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$ 21,670,000**
Debt Payable	ii		**5,640,000**
Shares Issued	iii, iv	**270,000**	**4,260,775**
Make-Whole Provision	v		**1,424,536**
Working Capital Payable	vi		**865,601**
Total		**270,000**	**33,860,912**

Pursuant to the terms of the Washoe Agreement, Ayr satisfied the purchase price of $33.9 million for Washoe through the following:

i. $21.7 million of the Washoe purchase price in the form of cash consideration;

ii. $5.6 million of the Washoe purchase price in the form of a promissory note payable;

iii. $4.3 million of the Washoe purchase price in the form of 256,364 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the “Washoe Lock-Up Provision”);

iv. Pursuant to the terms of the Washoe Agreement, 13,636 Exchangeable Shares to a Washoe lender;

v. An additional 571,479 Exchangeable Shares to the Washoe sellers pursuant to certain make-whole provisions (the “Washoe Make-Whole Provisions”) in the Washoe Agreement based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates settled during the year; and

vi. Settlement of the final working capital adjustment.

CSAC AcquisitionCo agreed to fund a bonus payment in the amount of $5,000,000 to various employees and consultants of Washoe; this amount is included in the cash consideration above.

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

LivFree Acquisition

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. LivFree has licenses to operate medical marijuana dispensary, cultivation, and production facilities, and adult-use marijuana retail dispensary and production facilities.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$ 29,500,000**
Debt Payable	ii		**20,000,000**
Shares Issued	iii, iv	**4,664,182**	**73,525,577**
Working Capital Payable	v		**215,230**
Total		**4,664,182**	**123,240,807**

Pursuant to the terms of the LivFree Agreement, Ayr satisfied the purchase price of $123.2 million for LivFree through the following:

i. $29.5 million of the LivFree purchase price in the form of cash consideration;

ii. $20.0 million of the LivFree purchase price in the form of a promissory note payable;

iii. $69.1 million of the LivFree purchase price in the form of 4,342,432 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "LivFree Lock-Up Provision");

iv. $4.4 million of the LivFree purchase price, pursuant to an amendment to the definitive agreement in respect of the LivFree Acquisition, in the form of an additional 321,750 Exchangeable Shares to the LivFree sellers; and

v. Settlement of the final working capital adjustment.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

CannaPunch Acquisition

CannaPunch possesses trade name and brand value and licenses this know-how to a licensed cannabis facility that extracts raw cannabis plant material to create processed cannabis oil for use in vaporizer cartridges and pens or as an input into other infused products, as well as manufactures a variety of cannabis-infused products, including beverages, gummies, chocolates, CBD cream, and vaporizer pens.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$ 750,000**
Debt Payable	ii		**2,000,000**
Shares Issued	iii, iv	**898,739**	**14,120,986**
Working Capital Payable	v		**331,812**
Total		**898,739**	**17,202,798**

Pursuant to the terms of the CannaPunch Agreement, Ayr satisfied the purchase price of $17.2 million for CannaPunch through the following:

i. $0.8 million of the CannaPunch purchase price in the form of cash consideration;

ii. $2.0 million of the CannaPunch purchase price in the form of a promissory note payable;

iii. $13.7 million of the CannaPunch purchase price in the form of 866,668 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the “CannaPunch Lock-Up Provision”, and collectively with the Sira Lock-Up Provision, Canopy Lock-Up Provision, Washoe Lock-Up Provision, LivFree Lock-Up Provision, DocHouse Lock-Up Provision, CannTech PA Lock-Up Provision, the “Lock-Up Provisions”, and each, a “Lock-Up Provision”);

iv. $0.4 million of the CannaPunch purchase price, pursuant to an amendment to the definitive agreement in respect of the CannaPunch acquisition, in the form of an additional 32,071 Exchangeable Shares to the CannaPunch sellers; and

v. Settlement of the final working capital adjustment.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Fair Value Considerations

The consideration has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The business combinations have been accounted for by the acquisition method, with the results included in the Corporation’s net earnings from the date of acquisition.

The consideration that is subject to a Lock-Up Provision or that is payable under a make-whole provision is measured at fair value based on unobservable inputs and is considered a Level 3 measurement. The fair value was determined by the Corporation’s share price at the

acquisition date and other inputs based on other observable market data. The earn-out provision in the Sira purchase agreement has been measured at fair value by taking a probability-weighted average of possible outcomes, as estimated by management, and discounting the payment to the acquisition date. Refer to Note 14 for the make-whole provision and contingent consideration fair value treatment subsequent to the acquisition.

Goodwill

The goodwill balance reflects the benefits of an assembled workforce, expected earnings and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired.

5. INVENTORY

The Corporation's inventory includes the following:

	December 31, 2020	December 31, 2019
Work in process	$ 17,497,978	$ 6,226,109
Finished goods	1,620,964	257,399
Total cultivation and production inventory	**$ 19,118,942**	$ 6,483,508
Cannabis inventory at retail	7,313,875	5,245,010
Supplies and others	1,825,125	1,990,322
Total inventory	**$ 28,257,942**	$ 13,718,840

Amount of inventory included in cost of goods sold during the years ended December 31, 2020 and 2019 was $61,521,079, and $36,136,990, respectively. There were no inventory write-downs taken during the years ended.

For the year ended December 31, 2019, $3,764,678 of expenses relating to the incremental costs to acquire cannabis inventory in a business combination is included on the consolidated statements of loss and comprehensive loss. This relates to the one-time adjustment of cannabis inventory from cost to fair value as part of the purchase price allocation.

6. BIOLOGICAL ASSETS

The continuity of biological assets is as follows:

	December 31, 2020	December 31, 2019
Balance, at beginning of the year	**$ 2,935,144**	$ -
Acquired through combinations and acquisitions [Notes 1 & 4]	-	3,760,158
Changes in fair value less costs to sell due to biological transformation	48,690,657	10,108,105
Production costs capitalized	8,936,001	3,542,005
Transferred to inventory upon harvest	(48,491,951)	(14,475,124)
Balance, at end of the year	**$ 12,069,851**	$ 2,935,144

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The inputs and assumptions used in determining the fair value of biological assets as of December 31, 2020 and December 31, 2019 include:

- The average number of weeks in the growing cycles were 18 weeks from propagation to harvest;
- The average harvest yields from each cannabis plant were 191 and 233, respectively, grams per plant;
- The biological assets were on average 71% and 53%, respectively, complete;
- The average selling price of dry cannabis was $5.05 and $5.00, respectively per gram; and
- The average costs to complete the cannabis process post-harvest and the costs to sell were $0.85 and $1.54, respectively, per gram.

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in the key assumptions and their effect on the fair value of biological assets, are as follows:

	Weighted average input			**Effect on fair value**	
Significant inputs or assumptions	**December 31, 2020**	December 31, 2019	**Sensitivity**	**December 31, 2020**	December 31, 2019
Wholesale selling price of dry cannabis	$ 5.05	$ 5.00	Increase or decrease of 5%	**$ 703,898**	$ 209,858
Average yield per plant	191 Grams	233 Grams	Increase or decrease of 5%	**666,417**	157,663

The Corporation's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future years.

During the years ended December 31, 2020 and 2019, the Corporation's biological assets produced 10,896,631 and 3,360,263 grams of dried cannabis, respectively.

7. PROPERTY, PLANT, AND EQUIPMENT

	Furniture and fixtures	Office equipment	Machinery and equipment	Auto and trucks	Buildings, leasehold improvements, and land	Total
Cost						
As of January 1, 2019	$ -	$ -	$ -	$ -	$ -	$ -
Acquired through combinations and acquisitions [Notes 1 & 4]	722,346	255,127	1,472,366	64,137	18,991,013	21,504,989
Additions	201,045	57,359	398,829	66,161	15,887,626	16,611,020
As of December 31, 2019	$ 923,391	$ 312,486	$ 1,871,195	$ 130,298	$ 34,878,639	$ 38,116,009
Acquired through combinations and acquisitions [Notes 1 & 4]	66,915	49,519	4,544,221	-	16,999,554	21,660,209
Additions	85,610	147,350	317,723	59,253	12,476,063	13,085,999
Disposals	-	-	-	-	(112,558)	(112,558)
As of December 31, 2020	**$ 1,075,916**	**$ 509,355**	**$ 6,733,139**	**$ 189,551**	**$ 64,241,698**	**$ 72,749,659**
Accumulated Depreciation						
As of January 1, 2019	$ -	$ -	$ -	$ -	$ -	$ 963,148
Depreciation	94,140	41,736	118,375	13,978	694,919	963,148
As of December 31, 2019	$ 94,140	$ 41,736	$ 118,375	$ 13,978	$ 694,919	$ 963,148
Depreciation	182,310	101,086	242,299	40,126	2,229,168	2,794,989
Disposals	-	-	-	-	(112,558)	(112,558)
As of December 31, 2020	**$ 276,450**	**$ 142,822**	**$ 360,674**	**$ 54,104**	**$ 2,811,529**	**$ 3,645,579**
Net book value						
As of January 1, 2019	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
As of December 31, 2019	**$ 829,251**	**$ 270,750**	**$ 1,752,820**	**$ 116,320**	**$ 34,183,720**	**$ 37,152,861**
As of December 31, 2020	**$ 799,466**	**$ 366,533**	**$ 6,372,465**	**$ 135,447**	**$ 61,430,169**	**$ 69,104,080**

As of December 31, 2020 and December 31, 2019, buildings, leasehold improvements, and land include assets under construction of $18,600,528 and $17,146,625, respectively. As of December 31, 2020 and 2019, the Corporation capitalized borrowing costs of $1,360,605 and $710,459, respectively.

Depreciation expense relating to PPE for the years ended December 31, 2020 and 2019:

	Year Ended	
	December 31, 2020	December 31, 2019
	$	$
Cost of goods sold	1,965,244	599,654
Expenses	829,745	363,494
Total depreciation relating to PPE	**2,794,989**	**963,148**

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess purchase price paid by the Corporation over the fair value of net tangible and intangible assets identified in the calculated purchase price. The Corporation tests the recoverability of its goodwill annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill recoverability is tested based on the higher of FVLCD and the value in use model. The FVLCD analysis is performed by using the income method which involves discounting expected future cash flows. Impairment testing involves determining the recoverable amount of the CGU group to which goodwill is allocated and comparing this to the carrying value of the CGU groups. The Corporation grouped CGUs for testing at the state level based on the CGUs expected to benefit from synergies of the business combination.

8. GOODWILL AND INTANGIBLE ASSETS (Continued)

Management performed its annual impairment tests on the goodwill acquired and calculated that the goodwill recoverable amounts were higher than the carrying amounts as of December 31, 2020, therefore, no impairment was recognized. The carrying amount of goodwill tested was $16,399,143, $68,438,161, and $7,484,630 for Massachusetts, Nevada, and Pennsylvania, respectively. The key assumptions included a four-year forecast period and a perpetual growth rate of 3% thereafter. These assumptions were based on historical data from internal sources as well as industry and market trends. The range of post-tax discount rates were from 10.5% to 34.9%. As the recoverable amount was higher than the carrying amount as of December 31, 2020, no impairment was recognized.

Ayr performed a sensitivity analysis and based on that analysis, concluded that 5% changes in the discount rate would not cause the recoverable amount to decrease below the carrying value for any of the groups of CGUs.

Intangible Assets

Amortization expense is in cost of goods sold and total expenses. The amount in cost of goods sold for the years ended December 31, 2020 and 2019 was $1,691,787 and $915,269, respectively. The following table represents intangible assets:

	Licenses/Permits	**Right-to-use licenses**	**Host community agreements**	**Trade name / brand**	
Useful life (# of years)	15	15	15	5	Total
Cost					
As of December 31, 2019	$ 22,000,000	$ 138,550,000	$ 35,000,000	$ 2,390,000	$ 197,940,000
Acquired through combinations and acquisitions [Notes 1 & 4]	75,172,042	-	-	-	75,172,042
Additions	-	1,100,000	-	-	1,100,000
As of December 31, 2020	**$ 97,172,042**	**$ 139,650,000**	**$ 35,000,000**	**$ 2,390,000**	**$ 274,212,042**
Accumulated Amortization					
As of December 31, 2019	$ 883,154	$ 5,561,864	$ 1,405,018	$ 287,828	$ 8,137,864
Amortization	1,668,503	9,236,666	2,333,333	478,000	13,716,502
As of December 31, 2020	**$ 2,551,657**	**$ 14,798,530**	**$ 3,738,351**	**$ 765,828**	**$ 21,854,366**
Net book value					
As of December 31, 2019	**$ 21,116,846**	**$ 132,988,136**	**$ 33,594,982**	**$ 2,102,172**	**$ 189,802,136**
As of December 31, 2020	**$ 94,620,385**	**$ 124,851,470**	**$ 31,261,649**	**$ 1,624,172**	**$ 252,357,676**

9. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	Property leases	**Equipment leases**	**Total**
Right-of-use assets			
As of January 1, 2019	$ 741,930	$ -	$ 741,930
New assets	1,471,927	-	1,471,927
Acquired through combinations and acquisitions [Note 4]	11,310,784	-	11,310,784
Depreciation	(1,209,224)	-	(1,209,224)
As of December 31, 2019	$ 12,315,417	$ -	$ 12,315,417
New assets	1,137,717	891,436	2,029,153
Acquired through combinations and acquisitions [Note 4]	11,131,990	-	11,131,990
Revalued assets	179,727	-	179,727
Depreciation	(1,890,533)	(34,675)	(1,925,208)
Terminated assets	(1,127,014)	-	(1,127,014)
As of December 31, 2020	**$ 21,747,304**	**$ 856,761**	**$ 22,604,065**
Lease obligations			
As of January 1, 2019	$ 741,930	$ -	$ 741,930

New leases	1,471,927	-	1,471,927
Acquired through combinations and acquisitions [Note 4]	12,671,166	-	12,671,166
Repayment	(763,878)	-	(763,878)
As of December 31, 2019	$ 14,121,145	$ -	$ 14,121,145
New leases	1,137,717	891,436	2,029,153
Acquired through combinations and acquisitions [Note 1 and 4]	11,170,076	-	11,170,076
Revalued leases	179,727	-	179,727
Repayment	(1,231,454)	(325,991)	(1,557,445)
Terminated leases	(1,212,293)	-	(1,212,293)
As of December 31, 2020	**$ 24,164,918**	**$ 565,445**	**$ 24,730,363**

Depreciation relating to right-of-use assets for the years ended December 31, 2020 and 2019:

	Year Ended	
	December 31, 2020	**December 31, 2019**
	$	$
Cost of goods sold	390,730	179,725
Expenses	1,534,479	1,029,500
Total depreciation relating to right-of-use assets	**1,925,209**	**1,209,225**

Interest expense relating to lease obligations for the years ended December 31, 2020 and 2019:

	Year Ended	
	December 31, 2020	**December 31, 2019**
Cost of goods sold	$ 525,800	$ 258,697
Other income	912,677	577,433
Total interest expense relating to lease obligations	**$ 1,438,477**	**$ 836,130**

As of December 31, 2020 and 2019, the current and long-term lease obligations were $866,304 and $23,864,059, and $1,087,835 and $13,033,310, respectively. Also refer to Note 3.23 (Adoption of IFRS 16 – "Leases").

The following table presents the contractual undiscounted cash flows for lease obligations as of December 31, 2020:

2021	4,307,052
2022	4,216,361
2023	4,298,489
2024	4,282,818
2025	3,796,200
2026 and beyond	41,707,890
Total undiscounted lease obligations	**$ 62,608,810**
Impact of discounting	(37,878,447)
Total lease obligations	**$ 24,730,363**

10. EQUITY INVESTMENTS

The Corporation has a 40% interest in Green Garden, LLC ("Green Garden") and a 49% interest in Land of Lincoln Dispensary LLC ("Lincoln"). Management has concluded that the current interests do not provide control to the Corporation. Accordingly, the Green Garden and Lincoln investments have been accounted for using the equity method. The Lincoln acquisition has had no operating activity for the years ended December 31, 2020 and 2019. The following table relates to the Corporation's investment in Green Garden as of December 31, 2020 and 2019:

	December 31, 2020	**December 31, 2019**
Balance at the beginning of the year	$ 427,399	$ -
Investment	109,700	500,000
Share of loss	(33,590)	(72,601)
Net book value, as of	**$ 503,509**	$ 427,399

The following table presents a summary of the statements of financial position and operations of Green Garden:

	December 31, 2020	**December 31, 2019**
Current assets	$ 15,242	$ 27,218
Non-current assets	-	-
Current liabilities	-	-
Revenue	-	-
Loss	(83,976)	(181,501)

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Corporation and/or members of their immediate family and/or other companies and/or entities in which a board member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the financial statements, related party transactions and balances are as follows:

Mercer Park, L.P. entered into a management agreement with the Corporation dated May 24, 2019. As of December 31, 2020 and 2019, $83,371 and $48,008 was included in prepaid expenses as an advance for these services. Included in expenses for the year ended December 31, 2020, are management fees of $3,875,612 that are included in general and administrative expenses and embedded lease fees of $449,884 that are included in depreciation and interest expense, respectively. The management fee is paid monthly and varies based on actual costs incurred by the related entity when providing the Corporation administrative support, management services, office space, and utilities. In addition, the management fees pay other corporate or centralized expenses based on actual cost, including but not limited to legal and professional fees, software, and insurance. The agreement is a month-to-month arrangement.

As of December 31, 2020 and 2019, Mercer Park Brand Acquisition Corp. ("Brand"), a SPAC that has limited services shared with the Corporation, owed to Ayr $135,000 and $85,000. This is included in due from related parties.

During the year ended December 31, 2020, the Corporation incurred fees from Panther Residential Management, LLC ("Panther"), a company partially owned by a board member of Ayr. The total incurred fees were $102,000 (2019: $67,500) of office expenses, $450,000 (2019: $262,500) of capitalized rental fees, $4,391 (2019: $3,508) of interest expense and $21,328 (2019: $12,441) of depreciation related to an office lease, and $150,000 of acquisition fees, respectively.

11. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Directors and officers of the Corporation are considered key members of management. Compensation for the directors and officers in the respective years were comprised of:

	Year Ended	
	December 31, 2020	**December 31, 2019**
Compensation and benefits, included in management fee	$ 2,368,750	$ 861,593
Stock-based compensation, non-cash	31,156,759	28,879,225
Total compensation	**$ 33,525,509**	$ 29,740,818

Refer to Note 12 and 17 for additional information around the debts payable and non-cash stock-based compensation plan and calculation, respectively, for the years ended December 31, 2020 and 2019.

12. DEBTS PAYABLE & SENIOR SECURED NOTES

Debt payable

	Debts payable
As of December 31, 2019	$ 43,995,661
Acquired through combinations and acquisitions [Note 1 and 4]	25,131,964
Incurred	-
Less: repayment	(5,615,225)
Total debts payable, undiscounted as of December 31, 2020	**63,512,400**
Less: discounted to fair value	(1,279,819)
Total debts payable as of December 31, 2020	**$ 62,232,581**
Total accrued interest payable related to debts payable as of December 31, 2020	**$ 2,510,059**

The details of debts payable were as follows:

	December 31, 2020		
	Related party debt	**Non-related party debt**	**Total debt**
Principal payments	$ 31,616,879	$ 31,895,521	$ 63,512,400
Less: current portion	4,747,367	3,897,266	8,644,633
Total non-current debt, undiscounted	**$ 26,869,512**	**$ 27,998,255**	**$ 54,867,767**
Less: discount to fair value		(1,279,819)	(1,279,819)
Total non-current debt	**$ 26,869,512**	**$ 26,718,436**	**$ 53,587,948**

The following table presents the future debt obligation as of December 31, 2020:

Future debt obligations (per year)	
2021	$ 8,644,633
2022	5,611,722
2023	11,446,496
2024	37,809,549
2025	-
Total debt obligations	**$ 63,512,400**

As part of the combinations and acquisitions, the Corporation issued and assumed notes with related and non-related parties. The related party notes are considered part of the purchase price to the former shareholders of the acquired businesses. As a result of the combinations and acquisitions, several of these individual shareholders are now considered related parties of the Corporation across various roles including directors, officers, and shareholders.

Pursuant to the Sira Agreement, the Corporation issued a related-party promissory note in the amount of $5,000,000 to a lender of Sira that is secured by all the assets of Sira. The note matures five years from the closing date with a 6% annual interest rate. In addition, the Corporation agreed to assume a non-related party loan of $29,393 that matures on November 10, 2020 with a 5.49% annual interest rate. Total balance assumed was $13,053.

12. DEBTS PAYABLE (Continued)

Pursuant to the Canopy Agreement, the Corporation issued a related-party promissory note in the amount of $4,500,000 to Canopy that is secured by all the assets of Canopy. The note matures five years from the closing date with a 6% annual interest rate. In addition, the Corporation agreed to assume a non-related party loan of $421,128 that matures on October 1, 2020 with a 7% annual interest rate. The assumed loan was amended in June 2020 to mature on February 1, 2021 with a 10% annual interest rate.

Pursuant to the Washoe Agreement, the Corporation issued a related-party promissory note in the amount of $5,640,000 to the former members of Washoe that is secured by all the assets of Washoe. The note matures three years from the closing date with a 6% annual interest rate. In addition, the Corporation agreed to assume a related-party member loan that has $6,561,818 remaining, secured by an all-assets security interest over all assets of Washoe that matures three years from the closing date with a 6% interest rate. The note was amended in March 2020 to increase the interest rate to 7% in exchange for a three month deferral of principal. The Corporation also agreed to assume non-related party notes of $2,525,000 and $190,000 that mature on September 1, 2022 and July 23, 2023 with 5% and 6% annual interest rates, respectively; both are secured by real property owned by Washoe or its subsidiaries. Total balances assumed were $2,397,152 and $190,000, respectively.

Pursuant to the LivFree Agreement, the Corporation issued a related-party promissory note in the amount of $20,000,000 to the former members of LivFree that is secured by all the assets of LivFree. The note matures five years from the closing date with a 6% annual interest rate.

Pursuant to the CannaPunch Agreement, the Corporation issued a related-party promissory note in the amount of $2,000,000 to the former members of CannaPunch that is secured by all the assets of CannaPunch. The note matures five years from the closing date with a 6% annual interest rate.

Pursuant to the DocHouse Agreement, the Corporation issued non-related party promissory notes in the amount of $1,934,964 to the former members of DocHouse. The note matures three years from the closing date with an 8% annual interest rate.

Pursuant to the CannTech PA Agreement, the Corporation issued non-related party promissory notes in the amount of $15,197,000, to the former members of CannTech PA that is secured by all the assets of CannTech PA. The fair value of the notes as of the CannTech PA acquisition date was $13,917,181. The note matures three and a half years from the closing date with a 9% annual interest rate. In addition, the Corporation agreed to assume non-related party loans of $8,000,000 that mature on July 1, 2023 with a 9% annual interest rate.

Interest expense associated with related party debt payable for the years ended December 31, 2020 and 2019, was $2,031,297, and $1,548,359, respectively.

Senior secured notes

On December 10, 2020, the Corporation completed an offering to a syndicate of institutional investors comprising four-year senior secured promissory notes (the “December 2020 Notes”) with a face value of $110,000,000. The December 2020 Notes accrue interest of 12.5% per annum, payable semi-annually commencing on June 30, 2021, with a maturity 48 months from closing. These notes have the option to be paid off at face value in 24 months. The December 2020 Notes impose certain covenants and restrictions, including restrictions on the incurrence of debt, assets sales and dividends and other distributions. The December 2020 Notes are secured by all assets of the Corporation and certain of its subsidiaries. Issuance costs totaling $6,473,895 were allocated to the December 2020 Notes and will be amortized over the 48 months.

12. DEBTS PAYABLE (Continued)

	Senior secured notes
As of December 31, 2019	$ -
Debt issued	110,000,000
Debt repaid	-
Debt issuance costs	(6,437,895)
Debt issuance costs amortized	90,858
Total senior secured notes payable as of December 31, 2020	**$ 103,652,963**
Total accrued interest payable related to senior secured notes as of December 31, 2020	**$ 791,096**

13. SHARE CAPITAL

The authorized share capital of the Corporation is comprised of the following:

Unlimited number of Subordinate Voting Shares

- 1 vote per share.
- Class A Restricted Voting Shares were automatically converted into Subordinate Voting Shares on the date of the Qualifying Transaction.
- Trading on the CSE under the symbol “AYR.A” and the OTC under the symbol “AYRWF”.

Unlimited Number of Multiple Voting Shares

- 25 votes per share.
- Convertible into Subordinate Voting Shares on a one-for-one basis. The shares are mandatorily converted into Subordinate Voting Shares at the earlier of: (i) the date on which the aggregate number of Multiple Voting Shares has been reduced to less than 33 1/3% of those issued and outstanding on the first date of issuance thereof, and (ii) the date that is five years from the date of closing of the Qualifying Transaction.
- Class B Shares were automatically converted into Multiple Voting Shares on the date of the Qualifying Transaction.
- Not traded on the CSE.

A summary of the outstanding share capital of the Corporation as of December 31, 2020 is comprised of the activity below. Refer to Note 4 for additional information regarding the total shares outstanding as of December 31, 2020. For additional shares reserved for issuance refer to Note 14 for disclosures on the Warrants and make-whole provision as well as Note 17 for stock-based compensation.

Initial Public Offering

On December 21, 2017, the Corporation completed its Offering and issued the following:

- 12,500,000 Class A Restricted Voting Units, along with 975,000 Class A Restricted Voting Units granted to the Underwriter, totaling 13,475,000 Class A Restricted Voting Units.
- 3,696,486 Class B Shares to the Sponsor net of transaction costs and forfeitures.

13. SHARE CAPITAL (Continued)

Qualifying Transaction

On May 24, 2019, the Corporation completed its Qualifying Transaction. As a result,

- 13,475,000 Class A Restricted Voting Shares, which were previously classified as liabilities, were converted into Subordinate Voting Shares unless redeemed. 1,000 of the Class A Restricted Voting shares were redeemed, reducing the unredeemed Class A Restricted Voting Shares from 13,475,000 to 13,474,000.
- 3,696,486 Class B Shares were converted into Multiple Voting Shares.
- 7,983,887 non-voting Exchangeable Shares of CSAC AcquisitionCo were issued as part of the purchase consideration of the Qualifying Transaction.

Post Qualifying Transaction

The following activity occurred subsequent to the Qualifying Transaction:

- 5,872,646 Subordinate Voting Shares were issued in connection with the exercise of Warrants. Issued in connection with the exercise of Warrants were 298,200 shares related to an early exercise period commencing from July 15, 2019 until July 26, 2019 ("2019 Early Exercise Period") and 3,000,001 shares related to a warrant incentive program commencing on November 24, 2020 until December 8, 2020 ("2020 Incentive Program").
- 389,905 non-voting Exchangeable Shares were issued as part of the make-whole provision liability as of November 20, 2019 and 614,515 non-voting Exchangeable Shares were issued as part of the make-whole provision liability on May 18, 2020.
- 1,235,325 Subordinate Voting Shares were issued in connection with the conversion of 12,353,250 Rights, which were each redeemed for one tenth (1/10) of one Subordinate Voting Share as of December 31, 2020.
- On October 1, 2019, the Corporation commenced a stock repurchase program to purchase up to 5% of the total issued and outstanding Subordinate Voting Shares during each twelve-month period through the facilities of the CSE and other marketplaces. 7,400 Subordinate Voting Shares were repurchased and cancelled, and 63,800 Subordinate Voting Shares were repurchased and are held by the Corporation as treasury shares, under the stock repurchase program as of December 31, 2020.
- 8,170,805 Exchangeable Shares were converted into Subordinate Voting Shares as of December 31, 2020.
- On November 18, 2020 and December 23, 2020, the Corporation completed its Pennsylvania Acquisitions.
    - 128,265 Subordinate Voting Shares of Ayr were issued as part of the purchase consideration of the DocHouse Transaction.
    - 1,310,041 non-voting Exchangeable Shares of CSAC PA were issued as part of the purchase consideration of the CannTech PA Transaction.

As of December 31, 2020, the Corporation had 1,383,938 Rights outstanding which can each be redeemed for one tenth (1/10) of one Subordinate Voting Share, for no additional consideration. During the year ended December 31, 2020, the Corporation had 1,756,400 Rights redeemed.

On November 4, 2020, the Corporation created two new share classes, Restricted Voting Shares and Limited Voting Shares, including applying coattail terms to such shares similar to those applicable to the existing Subordinate Voting Shares, and amended the terms of the existing Multiple Voting Shares and existing Subordinate Voting Shares by amending the requirements on who may hold Subordinate Voting Shares, which is limited to non-US persons. The amendment in share structure was designed to ensure Ayr's status as a Foreign Private Issuer.

14. DERIVATIVE LIABILITIES

Fair value of Warrants

As of December 31, 2020 and 2019, the Corporation had 10,486,412 and 16,060,858, respectively, Warrants issued and outstanding, which are each exercisable, on a one-for-one basis, into Subordinate Voting Shares.

Each Warrant became exercisable for one Subordinate Voting Share, at a price of CDN$11.50 per share, commencing 65 days after the completion of the Qualifying Transaction (subject to adjustments, as further described below), and will expire on the day that is five years after the completion of the Qualifying Transaction (being May 24, 2024), or may expire earlier if the expiry date of the Warrants is accelerated. For the 2019 Early Exercise Period and 2020 Incentive Program issuances, the Corporation made an incentive payment of $0.50CDN, resulting in an exercise price of $11.00CDN.

Warrants - Issued and Outstanding

	Number	Amount
Balance as of December 31, 2018	**16,359,058**	**$ 23,983,372**
Exercise of Warrants	(298,200)	(916,389)
Fair value and foreign currency adjustments		13,807,141
Balance as of December 31, 2019	**16,060,858**	**$ 36,874,124**
Exercise of Warrants	(5,574,446)	$ (57,468,050)
Fair value adjustments		163,512,709
Foreign currency adjustments		9,030,828
Balance as of December 31, 2020	**10,486,412**	**$ 151,949,611**

The Warrants' closing price as of December 31, 2020 and 2019 was $14.49 (CDN$18.52) and $2.30 (CDN$3.00), respectively.

Purchase Consideration and Contingent Consideration

As part of the purchase price of the Qualifying Transaction, the Corporation entered into make-whole provisions relating to the Exchangeable Shares issued. The Corporation uses a Monte-Carlo simulation model to estimate the fair value of the make-whole provision liability. Upon initial recognition, the Corporation recorded a derivative liability of $2,813,718. On November 20, 2019, the Corporation issued a total of 389,905 Exchangeable Shares with a value of $3,245,180 as a partial settlement of the make-whole liability. On May 18, 2020, the Corporation issued the remaining shares related to the make-whole liability, a total of 614,515 Exchangeable Shares with a value of $3,765,927. As of December 31, 2020 and 2019, the Corporation revalued the make-whole provision for a value of $nil and $3,540,803, respectively, which is included in purchase consideration payable on the statements of financial position.

As of December 31, 2020 and 2019, purchase consideration consisted of a non-derivative portion of $9,053,057 and $6,290,897.

The earn-out provision related to the acquisition of Sira is measured at fair value by taking a probability-weighted average of possible outcomes, as estimated by management, and discounting the payment to a present value. Upon initial recognition, the fair value of the liability was recorded as $21,821,132. As of December 31, 2020 and 2019, the fair value of the contingent consideration was $22,961,412 and $22,656,980, respectively.

14. DERIVATIVE LIABILITIES (Continued)

The fair value adjustment relating to derivative liabilities has been reflected in the financial statements under "Fair value loss on financial liabilities" as detailed below:

	Year Ended	
	December 31, 2020	December 31, 2019
Loss from FV adjustment on Warrants	$ (163,512,709)	$ (13,807,141)
Loss from FV adjustment on Class A Restricted Voting Shares	-	(101,455,740)
Loss from FV adjustment on make-whole provision	(225,125)	(3,972,266)
Loss from FV adjustment on contingent consideration	(304,430)	-
Total	**$ (164,042,264)**	**$ (119,235,147)**

15. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and to execute its operating and strategic plans, managing healthy liquidity reserves and access to capital.

The Corporation manages its capital structure and makes adjustments to it based on the funds available to the Corporation in order to support business development. The directors do not establish quantitative return on capital criteria for management, but rather rely on the expertise of the Corporation's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Corporation will spend its existing working capital and seek to raise additional amounts, as needed. There were no changes in the Corporation's approach to capital management during the years ended December 31, 2020 and 2019. The Corporation is not subject to externally imposed capital requirements apart from the need to maintain its listing in accordance with stock exchange requirements.

The Corporation raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. The Corporation plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Corporation may attempt to issue new shares or issue new debt for acquisitions. There can be no assurance that the Corporation will be able to continue raising capital in this manner.

16. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	Year Ended	
	December 31, 2020	December 31, 2019
Public company filing and listing costs	**$ 262,060**	$ 59,438
Compensation and benefits	**15,824,014**	8,063,400
Rent and utilities	**989,468**	549,898
Taxes and licenses	**3,791,573**	1,681,599
Professional and consulting fees	**3,483,750**	2,759,669
Retail and office expenses	**1,570,304**	601,775
Computer, software, and internet expenses	**710,586**	390,910
Bank charges and fees	**566,697**	228,384
Insurance	**2,135,959**	1,199,130
Security	**1,461,252**	729,922
Management fee	**4,125,611**	1,368,855
Travel, meals, and entertainment	**385,655**	455,204
Other	**1,036,026**	948,268
Total	**$ 36,342,955**	$ 19,036,452

17. STOCK-BASED COMPENSATION

In connection with the Qualifying Transaction the Corporation has adopted an Equity Incentive Plan ("the Plan"), which allows the Corporation to compensate qualifying plan participants through stock-based arrangements and provide them with opportunities for stock ownership in the Corporation, thereby aligning the interests of such persons with the Corporation's shareholders. Under the Plan, the Corporation may grant stock options, restricted stock units, performance compensation awards, and unrestricted stock bonuses or purchases. There were no issuances of vested shares from the Plan as of December 31, 2020 and 2019.

In addition, CSAC AcquisitionCo established a Restricted Stock Plan (the "AcquisitionCo Plan") to facilitate the granting of restricted Exchangeable Shares. Any shares issued under the AcquisitionCo Plan will reduce the number of Subordinate Voting Shares that may be awarded under the Equity Incentive Plan on a one-for-one basis.

During the year ended December 31, 2020, the Corporation recognized stock-based compensation expense of $31,156,759 relating to the 2019 issuance of 3,837,150 and 2020 issuance of 400,000 RSUs. During the year ended December 31, 2019, the Corporation recognized a stock-based compensation expense of $28,879,225 relating to the 2019 issuance of RSUs. The stock-based compensation expense is based on the Corporation's share price on the date of the grant. The RSUs vest over a two-to-three-year period, for no additional consideration. During the year ended December 31, 2020, there were no forfeitures of RSUs.

	December 31, 2020	
	Number	Weighted Average Grant Date Fair Value
RSUs Outstanding, as of December 31, 2019	3,835,150	$ 17.49
Granted	400,000	8.41
RSUs Outstanding as of December 31, 2020	**4,235,150**	**$ 16.63**

18. COMMITMENTS AND CONTINGENCIES

Contingencies

The Corporation's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Corporation ceasing operations. While management of the Corporation believes that the Corporation is in compliance, in all material respects, with applicable local and state regulations as of December 31, 2020, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Corporation may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and Litigation

From time to time, the Corporation may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2020, there were no material pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Corporation's operations. There are also no proceedings in which any of the Corporation's directors, officers or affiliates are an adverse party or have a material interest adverse to the Corporation's interest.

18. COMMITMENTS AND CONTINGENCIES (Continued)

Acquisitions – Definitive Agreements and Term Sheets

Massachusetts

On February 26, 2020, the Corporation entered 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 Corporation entered both a definitive membership interest purchase agreement and purchase and sale agreement. Pursuant to the agreements, the Corporation will be acquiring rights to legally open and operate an adult-use cannabis licensed retail store along with the purchase of the property located in the Town of Watertown, Massachusetts. The Corporation has agreed to pay a purchase price consisting of $1 million cash and 4% non-voting interest in the net profits of Eskar Holdings, LLC. In addition, for the purchase of the property the Corporation has agreed to pay a purchase price of $5 million cash. The closing of the acquisition is subject to, among other things, issuance of the Host Community Agreement and regulatory approval.

Ohio

On December 18, 2020, the Corporation entered a definitive merger agreement with Copperstate Farms, LLC to acquire 100% of the membership interests of the management company with exclusive rights to manage the operations of Parma Wellness Center LLC, a recipient of a Tier 1 Cultivator Provisional License in the medical cannabis market in Ohio.

In addition, the Corporation will be acquiring 100% of the membership interests in Greenlight Holdings, LLC which owns the land and building where the 58,000 square foot facility in which the licensed entity operates. The Corporation has agreed to pay a purchase price consisting of cash and an escrow deposit totaling an aggregate value of $17 million.

On September 30, 2020, the Corporation entered an asset purchase agreement with Vireo Health International, Inc. and its affiliated company, Ohio Medical Solutions, LLC, to acquire a 9,000 square foot medical marijuana processor facility that is licensed as part of the Ohio medical cannabis program. The aggregate purchase price for the assets is approximately $1.2 million of cash.

Florida

On December 22, 2020, the Corporation entered into a definitive agreement to acquire Liberty Health Sciences in a stock-for-stock combination. Liberty shareholders will receive 0.03683 Ayr shares for each Liberty share held, equating to approximately 13.1 million new Ayr shares. Total purchase price is equivalent to approximately $290 million based on the closing price of Ayr shares as of December 21, 2020. The assets being acquired from Liberty include a 387-acre cultivation campus in Gainesville, Florida with over a 300,000 square foot of current production facilities and 29 open retail dispensaries.

New Jersey

On December 22, 2020, the Corporation entered a binding term sheet to acquire Garden State Dispensary (GSD). The total purchase price is approximately, $101 million, consisting of cash, stock, and promissory notes. Earn-outs based on exceeding revenue target thresholds in 2022 will be capped at $97 million and payable in a combination of cash, promissory notes, and exchangeable shares. Pursuant to the agreement, the Corporation will be acquiring one of the 12 existing vertical license holders in New Jersey and one of the state's original six alternative treatment centers (ATCs). GSD has three open dispensaries as well as 30,000 square feet of cultivation and production facilities in operation. An additional 75,000 square feet is currently under construction.

18. COMMITMENTS AND CONTINGENCIES (Continued)

Acquisitions – Definitive Agreements and Term Sheets (continued)

Arizona

On November 4, 2020, the Corporation entered a binding term sheet to acquire 100% of the membership interests in Blue Camo, LLC, a vertically integrated cannabis business in the state of Arizona (operating under the trade name "Oasis"). Pursuant to the term sheet, the Corporation will be acquiring rights to legally operate three retail dispensaries along with a 10,000 square feet licensed cultivation and processing facility as well as an 80,000 square foot cultivation facility currently under development. The Corporation has agreed to pay upfront consideration of $75 million consisting of cash, debt and Exchangeable Shares. An additional 2 million Exchangeable Shares may be payable upon the achievement of established cultivation targets. Furthermore, additional earn-out consideration in 2021 and 2022 may be paid in Exchangeable Shares, and is contingent on exceeding financial hurdles in each year, calculated based on a set discount of market multiples (including non-IFRS measures) at the time of the earn out. The term sheet is a binding agreement with respect to the terms and conditions and intended to serve as an outline of the proposed principal terms and conditions to be included in the final membership interest purchase agreement documents.

The closing for all acquisitions is subject to, among other things, regulatory approval and due diligence. As of December 31, 2020, the acquisitions have not closed.

19. FINANCIAL RISK FACTORS

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Corporation uses valuation techniques that are considered to be appropriate in the circumstances and for which there is sufficient data with unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

19. FINANCIAL RISK FACTORS (Continued)

(a) Fair Value (continued)

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The hierarchy used to fair value the financial instruments as of December 31, 2020 and 2019 were as follows:

- Level 1: Cash and cash equivalents, deposits, and warrant liability
- Level 2: None
- Level 3: Make-whole provisions and contingent consideration issued as purchase consideration relating to business combinations

There were no transfers between levels in the hierarchy. For financial assets and liabilities not measured at fair value, their carrying value is considered to approximate fair value due to their market terms.

Financial assets	**Carrying values**		
December 31, 2020	**FVTPL**	**AC**	**Total**
Cash and cash equivalents	**$ 127,238,165**	**$ -**	**$ 127,238,165**
Deposits	**1,562,493**	**-**	**1,562,493**
Accounts receivable	**-**	**3,464,401**	**3,464,401**
	$ 128,800,658	**$ 3,464,401**	**$ 132,265,059**
December 31, 2019			
Cash and cash equivalents	$ 8,403,196	$ -	$ 8,403,196
Deposits	740,666	-	740,666
Accounts receivable	-	2,621,239	2,621,239
	$ 9,143,862	$ 2,621,239	$ 11,765,101

Financial liabilities	**Carrying values**		
December 31, 2020	**FVTPL**	**AC**	**Total**
Warrant liability	**$ 151,949,611**	**$ -**	**$ 151,949,611**
Contingent consideration	**22,961,412**	**-**	**22,961,412**
Trade payables	-	**8,899,786**	**8,899,786**
Accrued liabilities	-	**8,706,813**	**8,706,813**
Accrued interest payable	-	**3,301,155**	**3,301,155**
Purchase consideration payable	-	**9,053,057**	**9,053,057**
Debts payable	-	**165,885,544**	**165,885,544**
	$ 174,911,023	**$ 195,846,355**	**$ 370,757,378**
December 31, 2019			
Warrant liability	$ 36,874,124	$ -	$ 36,874,124
Contingent consideration	22,656,980	-	22,656,980
Make-whole provision	3,540,803	-	3,540,803
Trade payables	-	6,806,053	6,806,053
Accrued liabilities	-	5,123,865	5,123,865
Accrued interest payable	-	815,662	815,662
Purchase consideration payable		6,290,897	6,290,897
Debts payable	-	43,995,661	43,995,661
	$ 63,071,907	$ 63,032,138	$ 126,104,045

19. FINANCIAL RISK FACTORS (Continued)

(a) Fair Value (continued)

The Corporation is exposed to credit risk, liquidity risk and interest rate risk. The Corporation's management oversees the management of these risks. The Corporation`s management is supported by the members of the Board of Directors that advise on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's financial risk activities are governed by policies and procedures and financial risks are identified, measured and managed in accordance with the Corporation's policies and the Corporation's risk appetite.

The Corporation quantified the sensitivity of inputs in relation to the contingent consideration as of December 31, 2020 and 2019, and would expect the following effect on fair value in the event of changes to the discount rate:

			Value at period end	
Significant assumption	**Inputs**	**Sensitivity**	**December 31, 2020**	December 31, 2019
Discount rate	10% (2020)	Increase 1%	$ 22,681,839	$ 22,169,349
	6.3% (2019)	Decrease 1%	23,247,053	23,161,325

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Corporation to concentrations of credit risk consist of cash and cash equivalents, deposits and accounts receivable. To address its credit risk arising from cash and cash equivalents and deposits, the Corporation ensures to keep these balances with reputable financial institutions. The Corporation has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Corporation is not significantly exposed to its accounts receivable due to its diversified customer base and a stringent collection policy. No ECL has been recorded by the Corporation as all receivables are expected to be collected. As of December 31, 2020 and 2019, the maximum amount exposed to credit risks was $130,702,566 and $11,024,435, respectively, including cash. The components of accounts receivable as of December 31, 2020 and 2019 were:

	0-30 days	**31-90 days**	**Over 90 days**	**Total**
Balance, as at December 31, 2020	$ 2,995,368	$ 469,033	$ -	$ 3,464,401
Balance, as at December 31, 2019	2,456,226	115,808	49,205	2,621,239

(c) Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation manages liquidity risk through maintaining sufficient funds on hand and continuously monitoring forecast and actual cash flows. Refer to Notes 9 and 12 for future lease and debt commitments. The Corporation has the following gross obligations as of December 31, 2020, which are expected to be payable in the following respective periods:

	Less than 1 year	**1-5 years**	**> 5 years**	**Total**
Trade payables and accrued liabilities	$ 17,606,599	$ -	$ -	$ 17,606,599
Lease obligations	4,307,052	16,593,868	41,707,890	62,608,810
Purchase consideration	9,053,057	-	-	9,053,057
Income tax payable	21,585,523	-	-	21,585,523
Debt Payable	8,644,633	54,867,766	-	63,512,399
Contingent consideration	-	27,500,000	-	27,500,000
Senior secured notes	-	110,000,000	-	110,000,000
Accrued interest payable	-	3,301,155	-	3,301,155
	$ 61,196,864	**$ 212,262,789**	**$ 41,707,890**	**315,167,543**

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

19. FINANCIAL RISK FACTORS (Continued)

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its cash and cash equivalents and long-term debts. Cash and cash equivalents and deposits bear interest at market rates. The Corporation's debts have fixed rates of interest. The Corporation does not use any derivative instruments to hedge against interest rate risk and believes that the change in interest rates will not have a significant impact on its financial results.

(e) Currency Risk

The operating results and financial position of the Corporation are reported in United States dollars. As the Corporation operates in an international environment, some of the Corporation's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

As of December 31, 2020 and 2019, the Corporation had no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Corporation believes that a change in exchange rates will not have a significant impact on financial results. The Corporation performed a sensitivity analysis on the conversion rate applied to Canadian balances:

Balance sheet account	Value at year end Dr (Cr.)	Conversion rate	Sensitivity	Effect on fair value, as at December 31, 2020 $
	CDN $			
Cash and cash equivalents	7,860,570	0.7824	Increase / Decrease 1%	**61,501**
Warrants	(194,209,626)	0.7824	Increase / Decrease 1%	**(1,519,496)**

20. TAXATION

As the Corporation operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Corporation is only allowed to deduct expenses directly related to the cost of goods sold. This results in permanent book/tax differences for ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

The Corporation is treated as a United States corporation under section 7874 of the Internal Revenue Code and is expected to be subject to United States federal income tax. However, the Corporation is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company for Canadian income tax purposes. As a result, the Corporation will be subject to taxation both in Canada and the United States. The Corporation is also subject to state income taxation in Massachusetts.

In relation to the acquisitions, explained in Notes 1 and 4, the Corporation has recognized deferred tax liabilities during on the acquisition date of $4,469,630 during the year due to the recognition of acquired intangible assets. The deferred tax expense (recovery) during the year ended December 31, 2020 and 2019, were $2,388,608 and $(3,892,570), respectively, resulting in a deferred tax liability of $47,935,998 and $41,077,761 as of December 31, 2020 and 2019.

20. TAXATION (Continued)

Provision for income taxes consists of the following for the years ended December 31, 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Current expense:		
Federal	$ 19,023,188	$ 7,706,952
State	2,953,573	1,021,109
Total current expense:	$ 21,976,761	$ 8,728,061
Deferred expense (benefit):		
Federal	$ 1,547,525	$ (3,442,568)
State	841,083	(450,002)
Total deferred expense (benefit):	$ 2,388,608	$ (3,892,570)
Total provision for income taxes	$ 24,365,369	$ 4,835,491

As of December 31, 2020, and 2019, the reconciliation between the effective tax rate on income from continuing operations and statutory tax are as follows:

	Year Ended December 31,	
	2020	2019
Loss before taxes	$ (151,967,289)	$ (159,344,113)
Statutory tax rate	27%	27%
Expected income tax recovery	(41,031,168)	(43,022,911)
Difference in foreign tax rates	(3,098,062)	569,917
Tax rate changes and other adjustments	1,027,280	36,969
Stock-based compensation	8,863,599	7,966,090
Unrealized change in fair value of financial liabilities	46,627,953	32,922,160
Non-deductible items	6,794,533	4,091,370
Benefit of tax loss not recognized	1,386,578	1,708,628
State tax	3,794,656	563,268
Reported income tax expense	$ 24,365,369	$ 4,835,491
Effective Tax Rate	-16.03%	-3.03%

20. TAXATION (Continued)

As of December 31, 2020 and 2019, the components of deferred tax assets and liabilities were as follows:

	Year Ended December 31,	
	2020	2019
Property, plant and equipment	$ (1,085,011)	$ (777,780)
Intangible assets	(44,981,241)	(41,992,664)
Partnerships	146,978	136,836
Biological assets	(2,228,536)	1,198,574
Inventory	161,800	79,869
Start-up expenses	50,012	277,404
Net deferred tax liability	**$ (47,935,998)**	$ (41,077,761)

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As of December 31,	
	2020	2019
Share issuance and financing costs	$ 3,276,924	$ 5,659,149
Non-capital losses carried forward - Canada	17,355,564	9,520,242
Other temporary differences	2,855	15,269
Total unrecognized deductible temporary differences	**$ 20,635,343**	**$ 15,194,660**

As of December 31, 2020, the Company has not recognized a deferred tax asset in respect of approximately $17.3 million (2019 - $9.5 million) of Canadian non-capital losses available for carry-forward. These losses expire in the tax years 2037 through 2040.

21. SUBSEQUENT EVENTS

The Corporation's management has evaluated subsequent events up to March 9, 2021, the date the financial statements were issued:

A) Subsequent to December 31, 2020, Ayr Strategies Inc. announced a name change to Ayr Wellness Inc.

B) Subsequent to December 31, 2020, the Corporation signed a definitive agreement to acquire 100% of the membership interests in Blue Camo, LLC. Previously, the Corporation had a binding term sheet as disclosed in Note 18.

C) Subsequent to December 31, 2020, the Corporation offered 4,600,000 Subordinate Voting Shares at a price of $34.25CDN for total gross proceeds of approximately $157,550,000CDN, which included the exercises in full of the over-allotment option granted to the underwriters, before deducting the underwriters' fees and estimated offering expenses.

D) Subsequent to December 31, 2020, Jonathan Sandelman, CEO, received a grant of incentive compensation of 1,044,000 Exchangeable Shares. The amount represents approximately 3.8% of the issued and outstanding Subordinate Voting Shares as of December 31, 2020.

E) Subsequent to December 31, 2020, the Corporation completed its arrangement with Liberty Health Sciences. Previously, the Corporation had a definitive agreement as disclosed in Note 18.



Ayr Wellness Inc.

(Formerly Ayr Strategies Inc.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN UNITED STATES DOLLARS)

Ayr Strategies Inc.
Management's Discussion and Analysis
For the Three Months and Years Ended December 31, 2020 and 2019

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Ayr Wellness Inc. (formerly Ayr Strategies Inc.) ("Ayr", "the Corporation", "we", "our" or "us") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three months and year ended December 31, 2020. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2020 and 2019, and the related notes thereto (the "financial statements"). Results are reported in United States dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Until it completed its Qualifying Transaction (as defined below) on May 24, 2019, the Corporation was a special purpose acquisition corporation ("SPAC"), and therefore the results presented for the year ended December 31, 2019 will not be indicative of the results that may be expected for any future period. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Further information about the Corporation and its operations can be obtained on **www.sedar.com**.

The effective date of this MD&A is March 09, 2021.

Cautionary Note Regarding Forward-Looking Information

Certain statements in this MD&A are forward-looking statements within the meaning of applicable securities laws, including, but not limited to, those statements relating to the Corporation and their financial capacity and availability of capital and other statements that are not historical facts. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including experience of the Corporation, as applicable, and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "pro forma", "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "seeks", "likely" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the parties' control, could affect operations, business, financial condition, performance and results of the parties that may be expressed or implied by such forward-looking statements and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, the following:

- the extent of the impact of COVID-19, including government and/or regulatory responses to the outbreak;
- assumptions and expectations described in the Corporation's critical accounting policies and estimates;

- the adoption and impact of certain accounting pronouncements;
- the number of users of cannabis or the size of the regulated cannabis market in the United States;
- the potential time frame for the implementation of legislation to legalize and regulate medical or adult-use cannabis (and the consumer products derived from each of the foregoing) in the United States, and the potential form the legislation and regulations will take;
- the Corporation's future financial and operating performance and anticipated profitability;
- future performance, results and terms of strategic initiatives, strategic agreements and supply agreements;
- the market for the Corporation's current and proposed products and services, as well as the Corporation's ability to capture market share;
- the benefits and applications of the Corporation'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 Corporation operates and the Corporation's market expertise;
- the Corporation's ability to secure further equity or debt financing, if required;
- consistent or increasing pricing of various cannabis products;
- the level of demand for cannabis products, including the Corporation's and third-party products sold by the Corporation;
- the Corporation's ability to mitigate risks relating to the cannabis industry, the larger economy, breaches of and unauthorized access to the Corporation's systems and related cybersecurity risks, money laundering, costly litigation, and health pandemics;
- the ability to gain appropriate regulatory approvals for announced acquisitions in the timeframe anticipated;
- the application for additional licenses and the grant of licenses or renewals of existing licenses that have been applied for;
- 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; and
- other events or conditions that may occur in the future.

In making these statements, in addition to those described above and elsewhere herein, the parties have made assumptions with respect to expected cash provided by continuing operations, future capital expenditures, including the amount and nature thereof, trends and developments in the industry, business strategy and outlook, expansion and growth of business and operations, accounting policies, credit risks, anticipated acquisitions, opportunities available to or pursued by the parties, and other matters.

Definition and Reconciliation of Non-IFRS Measures

The Corporation reports certain non-IFRS measures that are used to evaluate the performance of such businesses and the performance of their respective segments, as well as to manage their capital structure. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable IFRS measure.

The Corporation references non-IFRS measures including cannabis industry metrics, in this document and elsewhere. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these are provided as additional information to complement those IFRS measures by providing further understanding of the results of the operations of the Corporation from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Corporation's financial information reported under IFRS. Non-IFRS measures used to analyze the performance of the Corporation include "Adjusted EBITDA".

The Corporation believes that these non-IFRS financial measures provide meaningful supplemental information regarding the Corporation's performances and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. These financial measures are intended to provide investors with supplemental measures of the Corporation's operating performances and thus highlight trends in the Corporation's core businesses that may not otherwise be apparent when solely relying on the IFRS measures.

Adjusted EBITDA

"Adjusted EBITDA" represents (loss) income from operations, as reported, before interest, and tax, and is adjusted to exclude non-recurring items, other non-cash items, including stock based compensation expense, depreciation, amortization, the adjustments for the accounting of the fair value of biological assets, and further adjusted to remove acquisition related costs.

Reconciliations are provided elsewhere in this MD&A.

Description of Business

Ayr is a vertically-integrated cannabis multi-state operator in the U.S., with a portfolio in Massachusetts, Nevada, and Pennsylvania. Through its operating companies, Ayr is a leading cultivator, manufacturer, and retailer of cannabis products and branded cannabis packaged goods, and provides operational and service support to licensed cannabis companies. The Corporation was previously a SPAC which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation, referred to as the Corporation's "Qualifying Transaction". The Corporation had only one operating segment, cannabis sales, during the year ended December 31, 2020. As the Corporation has experienced rapid growth operating segments will be further analyzed and are subject to future change. The Corporation is a reporting issuer in each of the provinces and territories of Canada.

The Corporation was incorporated on July 31, 2017 under the *Business Corporations Act* (Ontario) and continued on May 24, 2019 into British Columbia under the *Business Corporations Act* (British Columbia) in connection with its Qualifying Transaction. The registered office of the Corporation is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of the Corporation is located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

For information on the Corporation's initial public offering, please refer to the Corporation's final non-offering prospectus dated February 15, 2019 and the Corporation's management information circular dated February 19, 2019.

On September 12, 2018, the Corporation incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Holdings Inc., to facilitate the proposed Qualifying Transaction. On September 17, 2018, CSAC Holdings Inc. incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Acquisition Inc. ("CSAC AcquisitionCo").

On May 24, 2019, the Corporation completed its Qualifying Transaction, including through operational and service agreements, of the target businesses of Washoe Wellness, LLC ("Washoe"), The Canopy NV, LLC ("Canopy"), Sira Naturals, Inc. ("Sira"), LivFree Wellness, LLC ("LivFree") and CannaPunch of Nevada LLC ("CannaPunch"), which collectively constituted its Qualifying Transaction (collectively, the "Qualifying Transaction"). For more information regarding the Qualifying Transaction, view the December 31, 2019 audited financial statements.

The Corporation's subordinate, restricted, and limited voting shares ("Subordinate Voting Shares"), warrants ("Warrants"), and rights ("Rights") are trading on the Canadian Stock Exchange (the "CSE"), under the symbols "AYR.A", "AYR.WT" and "AYR.RT", respectively. The Corporation's Subordinate Voting Shares are also trading on the Over-the-Counter Market ("OTC") in the United States under the symbol "AYRWF". The Corporation originally traded on the OTC under the symbol "AYRSF", however, that changed on December 4, 2020 to AYRWF.

Qualifying Transaction

Each of the acquisitions are subject to specific terms relating to the satisfaction of the purchase price by the Corporation and its wholly-owned subsidiaries, and incorporates payments in cash, shares, and debt as well as certain contingent considerations. The shares issued as consideration are either Subordinate Voting Shares or non-voting exchangeable shares of the Corporation or its subsidiaries ("Exchangeable Shares") that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. The Corporation

treats the Exchangeable Shares as options with a value equal to a share of Subordinate Voting Shares, which represents the holder's claim on the equity of the Corporation. In order to comply with certain contractual requirements of the acquisition, the Corporation and its subsidiaries are required to maintain the economic equivalency of such Exchangeable Shares with the publicly traded Subordinate Voting Shares of the Corporation. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in the assets of the Corporation as the holders of the Corporation's publicly traded Subordinate Voting Shares. The Corporation has presented these Exchangeable Shares as a part of shareholders' equity within these financial statements due to (i) the fact that they are economically equivalent to the Corporation's publicly traded Subordinate Voting Shares (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under United States securities laws, but may dispose of the Exchangeable Shares without such restriction by exchanging them for Subordinate Voting Shares of the Corporation. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on loss per share.

The goodwill recognized on acquisition is attributable mainly to the expected future growth potential and expanded customer base arising as a result of completion of the respective acquisition. Goodwill has been allocated to the Cash Generating Units ("CGU" or "CGUs") corresponding to each of the acquired businesses. None of the goodwill is expected to be deductible for income tax purposes. The Corporation tests the recoverability of its goodwill annually, or more frequently, if events or changes in circumstances indicate that they might be impaired.

Pennsylvania Acquisitions

On November 18, 2020, CSAC AcquisitionCo completed its acquisition of DocHouse, LLC ("DocHouse") through a membership interest purchase agreement. On December 23, 2020, CSAC PA, a whole owned subsidiary in Nevada, United States, completed its acquisition of CannTech PA through a membership interest purchase agreement. Collectively, the DocHouse and CannTech PA acquisitions are referred to as the "Pennsylvania Acquisitions".

Any summary of certain material terms from the Definitive Agreements, as amended, in respect to the acquisition of CannTech PA, (the "CannTech PA Agreement") is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at www.sedar.com.

The details of the purchase price consideration, which consist of cash, debt, Subordinate Voting Shares, and Exchangeable Shares, are summarized as follows:

	Cash	Debt Payable	Shares Issued	Total
	$	$	$	$
Calculated Consideration	**42,638,652**	**15,852,145**	**27,059,085**	**85,549,882**

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

US$	Dochouse	Canntech	Total
	$	$	$
ASSETS ACQUIRED			
Cash and cash equivalents	-	2,383,373	**2,383,373**
Inventory	-	254,342	**254,342**
Prepaid expenses, deposits, and other current assets	-	525,989	**525,989**
Intangible assets	13,072,485	62,099,558	**75,172,043**
Property, plant and equipment	11,063,908	10,596,301	**21,660,209**
Right-of-use assets	-	11,131,990	**11,131,990**
Deposits and other assets	-	204,132	**204,132**
Total assets acquired at fair value	**24,136,393**	**87,195,685**	**111,332,078**
LIABILITIES ASSUMED			
Trade payables	290,512	715,912	**1,006,424**
Accrued liabilities	46,330	262,130	**308,460**
Deferred tax liabilities	-	4,469,630	**4,469,630**
Advance from related parties	2,303,349	5,737,455	**8,040,804**
Lease obligations	-	11,170,076	**11,170,076**
Debts payable	-	8,271,432	**8,271,432**
Total liabilities assumed at fair value	**2,640,191**	**30,626,635**	**33,266,826**
Goodwill	-	7,484,630	**7,484,630**
Calculated purchase price	**21,496,202**	**64,053,680**	**85,549,882**

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

DocHouse Asset Acquisition

DocHouse owns real property with a grower/processor permit in the Pennsylvania medical cannabis market.

As DocHouse did not meet the definition of a business according to IFRS 3, it was recorded as an asset acquisition. P urchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$17,477,788**
Debt Payable	ii		**1,934,964**
Shares Issued	iii	**128,265**	**2,083,450**
Total		**128,265**	**$21,496,202**

Pursuant to the terms of the Definitive Agreement ("DocHouse Agreement"), Ayr satisfied the purchase price of $21.5M for DocHouse through the following:

i. $17.5 million of the DocHouse purchase price in the form of cash consideration, of which $12.4M was paid on closing, $3.0M is payable within three months, and $2.1M is payable within six months of closing;

ii. $1.9 million of the DocHouse purchase price in the form of promissory note payables; and

$2.1 million of the DocHouse purchase price in the form of 128,265 Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "DocHouse Lock-Up Provision").

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CannTech PA Business Combination

CannTech PA is a vertically-integrated cannabis company with a grower/processor and dispensary permit in the Pennsylvania medical market. CannTech PA has a permit to operate six retail dispensaries and a cultivation and processing facility.

The purchase consideration was comprised of the following:

		Shares	Value
Cash	i, iv		**$25,160,864**
Debt Payable	ii		**13,917,181**
Shares Issued	iii	**1,310,041**	**24,975,635**
Total		**1,310,041**	**$64,053,680**

Pursuant to the terms of the CannTech PA Agreement, Ayr satisfied the purchase price of $64.1M for CannTech PA through the following:

i. $25.2 million of the CannTech PA purchase price in the form of cash consideration;

ii. $15.2 million of the CannTech PA purchase price in the form of promissory notes payable. The fair value of the notes on the acquisition date was $13.9 million;

iii. $24.5 million of the CannTech PA purchase price in the form of 1,310,041 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for four to twelve months (the "CannTech PA Lock-Up Provision"); and

Ayr Strategies Inc.
Management's Discussion and Analysis

Qualifying Transaction

iv. Settlement of the final working capital adjustment.

On May 24, 2019 (the "acquisition date"), the Corporation completed its concurrent acquisitions of the target businesses of Washoe, Canopy, Sira, LivFree, and CannaPunch, which collectively constituted its Qualifying Transaction. Any summary information of certain material terms from definitive agreements, as amended, in respect of the acquisitions of Washoe, Canopy, Sira, LivFree, and CannaPunch (respectively, the "Washoe Agreement", the "Canopy Agreement", the "Sira Agreement", the "LivFree Agreement", and the "CannaPunch Agreement", collectively the "Definitive Agreements") is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at www.sedar.com.

The purchase price consideration consisted of cash, debt, Exchangeable Shares, and other consideration. The other consideration includes a contingent cash payment based on certain milestones being met as detailed in the Sira Agreement, a payment for excess inventory as outlined in the Sira Agreement, and make-whole provisions as outlined in the Canopy Agreement and the Washoe Agreement. The details of the purchase price consideration are summarized as follows:

	Cash	Debt Payable	Shares Issued	Other	Total
	$	$	$	$	$
Calculated Consideration	**76,420,000**	**37,140,000**	**125,421,479**	**31,471,789**	**270,453,268**

Ayr obtained control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, of Washoe, Canopy, and LivFree through separate operational and service agreements. Each operational and service agreement provides Ayr certain rights over the entities' operations. Through these operational and service agreements, Ayr has the power to control relevant activities which affect the returns Ayr receives. As a result of the control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, obtained through the operational and service agreements, these entities are consolidated on Ayr's financial statements. As of December 31, 2020, Washoe, Canopy, and LivFree are awaiting state regulatory approval to transfer licenses to Ayr.

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

US$	Livfree	Sira	Cannapunch	Washoe	Canopy	Total
	$	$	$	$	$	$
ASSETS ACQUIRED						
Cash and cash equivalents	1,258,928	270,280	7,233	21,458	147,930	**1,705,829**
Accounts receivable	-	600,151	625,143	87,617	-	**1,312,911**
Inventory	2,670,057	9,671,814	552,040	4,500,213	1,618,639	**19,012,763**
Biological assets	-	1,996,642	-	1,763,516	-	**3,760,158**
Prepaid expenses and other assets	96,157	340,428	-	129,477	160,748	**726,810**
Intangible assets	105,000,000	57,000,000	2,390,000	22,800,000	10,750,000	**197,940,000**
Property, plant and equipment	1,640,418	9,090,090	486,100	9,070,645	1,217,736	**21,504,989**
Right-of-use assets	2,894,076	5,239,201	1,119,826	-	2,057,681	**11,310,784**
Due from related parties	-	-	-	-	784,733	**784,733**
Deposits	90,147	149,251	-	91,574	9,983	**340,955**
Total assets acquired at fair value	**113,649,783**	**84,357,857**	**5,180,342**	**38,464,500**	**16,747,450**	**258,399,932**
LIABILITIES ASSUMED						
Trade payables	387,500	475,193	251,829	506,073	-	**1,620,595**
Accrued liabilities	1,176,088	970,418	46,972	100,412	520,453	**2,814,343**
Deferred tax liabilities	25,796,726	13,611,222	567,507	2,153,131	2,841,746	**44,970,332**
Advance from related parties	187,809	-	-	784,733	-	**972,542**
Lease obligations	2,520,437	6,514,038	1,083,189	-	2,553,502	**12,671,166**
Debts payable	120,000	13,054	-	9,180,808	421,128	**9,734,990**
Total liabilities assumed at fair value	**30,188,560**	**21,583,925**	**1,949,497**	**12,725,157**	**6,336,829**	**72,783,968**
Goodwill	39,779,584	16,399,143	13,971,953	8,121,569	6,565,055	**84,837,304**
Calculated purchase price	**123,240,807**	**79,173,075**	**17,202,798**	**33,860,912**	**16,975,676**	**270,453,268**

Sira Acquisition

Sira is a vertically-integrated cannabis company with cultivation, extraction, production, manufacturing, distribution and retail dispensary operations in Massachusetts. Sira operates its dispensaries in the medical market in Massachusetts.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$17,500,000**

Debt Payable	ii		**5,000,000**
Shares Issued	iii	**1,885,606**	**29,165,138**
Contingent Consideration	iv		**21,820,132**
Inventory Payment	v		**6,091,357**
Working Capital Receivable	vi		**(403,552)**
Total		**1,885,606**	**79,173,075**

Pursuant to the terms of the Sira Agreement, Ayr satisfied the purchase price of $79.2 million for Sira through the following:

i. $17.5 million of the Sira purchase price in the form of cash consideration;

ii. $5.0 million of the Sira purchase price in the form of a promissory note payable;

iii. $29.2 million of the Sira purchase price in the form of 1,885,606 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for twelve months (the "Sira Lock-Up Provision");

iv. A portion of the Sira purchase price is derived from an earn-out provision that may entitle the sellers to earn additional consideration, if certain milestones are achieved at Sira's planned final cultivation facilities in Milford, MA;

v. An amount equal to the fair market value of Sira's inventory above a target level set at $800,000 (the "Inventory Payment"), pursuant to a formula specified in the Sira Agreement; and

vi. Settlement following the final working capital adjustment.

One-third of the Inventory Payment, subject to a cap of $2,500,000, was paid on the Closing Date and is included in the cash consideration listed above. The remaining two-thirds is part of the current portion of purchase consideration payable as set out on the financial statements. On August 31, 2020, the outstanding balance of $6,091,357 was further amended to adopt a monthly payment schedule ranging from 10-25 months based on certain milestones. The remaining balance as of December 31, 2020 is $3,936,522.

Canopy Acquisition

Canopy, through its licensed subsidiaries, is an owner and operator of cannabis dispensaries in Nevada, with an established footprint in Reno, Nevada. Canopy operates its dispensaries in both the medical and adult-use markets.

Purchase consideration was comprised of the following:

		Shares	**Value**
Cash	i		**$ 7,000,000**
Debt Payable	ii		**4,500,000**
Shares Issued	iii, iv	**265,360**	**4,349,003**
Make-Whole Provision	v		**1,389,182**
Working Capital Receivable	vi		**(262,509)**
Total		**265,360**	**16,975,676**

Pursuant to the terms of the Canopy Agreement, Ayr satisfied the purchase price of $17.0 million for Canopy through the following:

i. $7.0 million of the Canopy purchase price in the form of cash consideration;

ii. $4.5 million of the Canopy purchase price in the form of a promissory note payable;

iii. $4.3 million of the Canopy purchase price in the form of 250,000 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "Canopy Lock-Up Provision");

iv. An additional 15,360 Exchangeable Shares to Canopy pursuant to certain make-whole provisions (the "Canopy Make-Whole Provisions");

v. An additional 432,940 Exchangeable Shares to the Canopy sellers under the Canopy Make-Whole Provisions based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates settled during the year; and

vi. Settlement of the final working capital adjustment.

Washoe Acquisition

Washoe, through its licensed subsidiaries, 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.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$21,670,000**
Debt Payable	ii		**5,640,000**
Shares Issued	iii, iv	**270,000**	**4,260,775**
Make-Whole Provision	v		**1,424,536**
Working Capital Payable	vi		**865,601**
Total		**270,000**	**33,860,912**

Pursuant to the terms of the Washoe Agreement, Ayr satisfied the purchase price of $33.9 million for Washoe through the following:

i. $21.7 million of the Washoe purchase price in the form of cash consideration;

ii. $5.6 million of the Washoe purchase price in the form of a promissory note payable;

iii. $4.3 million of the Washoe purchase price in the form of 256,364 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "Washoe Lock-Up Provision");

iv. Pursuant to the terms of the Washoe Agreement, 13,636 Exchangeable Shares to a Washoe lender;

v. An additional 571,479 Exchangeable Shares to the Washoe sellers pursuant to certain make-whole provisions (the "Washoe Make-Whole Provisions") in the Washoe Agreement based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates settled during the year; and

vi. Settlement of the final working capital adjustment.

CSAC AcquisitionCo agreed to fund a bonus payment in the amount of $5,000,000 to various employees and consultants of Washoe; this amount is included in the cash consideration above.

LivFree Acquisition

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. Livfree has licenses to operate medical marijuana dispensary, cultivation, and production facilities, and adult-use marijuana retail dispensary and production facilities.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$ 29,500,000**
Debt Payable	ii		**20,000,000**
Shares Issued	iii, iv	**4,664,182**	**73,525,577**
Working Capital Payable	v		**215,230**
Total		**4,664,182**	**123,240,807**

Pursuant to the terms of the LivFree Agreement, Ayr satisfied the purchase price of $123.2 million for LivFree through the following:

i. $29.5 million of the LivFree purchase price in the form of cash consideration;

ii. $20.0 million of the LivFree purchase price in the form of a promissory note payable;

iii. $69.1 million of the LivFree purchase price in the form of 4,342,432 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "LivFree Lock-Up Provision");

iv. $4.4 million of the LivFree purchase price, pursuant to an amendment to the definitive agreement in respect of the LivFree Acquisition, in the form of an additional 321,750 Exchangeable Shares to the LivFree sellers; and

v. Settlement of the final working capital adjustment.

CannaPunch Acquisition

CannaPunch possesses trade name and brand value and licenses this know-how to a licensed cannabis facility that extracts raw cannabis plant material to create processed cannabis oil for use in vaporizer cartridges and pens or as an input into other infused products, as well as manufactures a variety of cannabis-infused products, including beverages, gummies, chocolates, CBD cream, and vaporizer pens.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$ 750,000**
Debt Payable	ii		**2,000,000**
Shares Issued	iii, iv	**898,739**	**14,120,986**
Working Capital Payable	v		**331,812**
Total		**898,739**	**17,202,798**

Pursuant to the terms of the CannaPunch Agreement, Ayr satisfied the purchase price of $17.2 million for CannaPunch through the following:

i. $0.8 million of the CannaPunch purchase price in the form of cash consideration;

ii. $2.0 million of the CannaPunch purchase price in the form of a promissory note payable;

iii. $13.7 million of the CannaPunch purchase price in the form of 866,668 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "CannaPunch Lock-Up Provision", and collectively with the Sira Lock-Up Provision, Canopy Lock-Up Provision, Washoe Lock-Up Provision, LivFree Lock-Up Provision, DocHouse Lock-Up Provision, and CannTech Lock-Up Provision, the "Lock-Up Provisions", and each, a "Lock-Up Provision");

iv. $0.4 million of the CannaPunch purchase price, pursuant to an amendment to the definitive agreement in respect of the CannaPunch acquisition, in the form of an additional 32,071 Exchangeable Shares to the CannaPunch sellers; and

v. Settlement of the final working capital adjustment.

Fair Value Considerations

The consideration has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The business combinations have been accounted for by the acquisition method, with the results included in the Corporation's net earnings from the date of acquisition.

The Corporation used a Monte-Carlo simulation model to estimate the fair value of the make-whole provision liability. The fair value as of the acquisition date was $2,813,718. The earn-out provision in the Sira purchase agreement has been measured at fair value, which was $21,820,132, by taking a probability-weighted average of possible outcomes, as estimated by management, and discounting the payment to the acquisition date.

Goodwill

The goodwill balance reflects the benefits of an assembled workforce, expected earnings and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired.

Outlook

Current Markets

Massachusetts

In Massachusetts, Ayr is vertically integrated with cultivation, extraction, production, manufacturing, distribution, and medical retail dispensary operations. Ayr operates in Massachusetts under the Sira Naturals brand. Ayr's retail and wholesale products include premium cannabis flower and cannabis products, including concentrates, edibles, and vaporizer products. Its top branded products include Entourage vape pens, Wicked Sour gummies, Origyn Extracts, Jimmy's Choice flower, Nantucket Nuggets flower, and Root 90 flower. The Corporation sells cannabis products at its medical dispensaries and is actively seeking licenses to operate adult-use cannabis retail establishments. For the latest updates on the adult-use retail market refer to the "Recent Developments" section.

Ayr currently operates two state of the art facilities encompassing approximately 50,000 square feet of cultivation and production space.

Nevada

In Nevada, Ayr provides operational services to licensed Nevada establishments engaging in retail, cultivation, production, and distribution operations in Nevada, under Services and Operations Agreements. Ayr provides operational services to the some of the most productive dispensaries in Nevada, with five dispensaries licensed to sell in both the medical and adult-use markets in Nevada. Three of the dispensaries operate under the name "The Dispensary" with retail operations in the Greater Las Vegas markets (Clark County and Henderson, Nevada) as well as Reno, Nevada, with annualized sales averaging over $5,000 per square foot. The two remaining dispensaries are operating under the MYNT brand, with retail operations in Unincorporated Washoe County and Reno, Nevada, with annualized sales averaging over $3,000 per square foot.

The licensed cultivation and production facilities to which Ayr provides operational services produce premium cannabis products over 70,000 square feet of cultivation and production space. The top branded products in Nevada include Kynd flower, Tumbleweed vape pens, Sun Valley extracts, CannaPunch beverages, Highly Edible and Kanji gummies, Dutch Girl edibles, and Nordic Goddess balm. In Nevada, the licensed establishments to which Ayr provides operational support, sell their branded products through the wholesale channel as well as the five dispensaries referenced above.

Pennsylvania

In Pennsylvania, Ayr is vertically integrated with a cultivation, processing, extraction, and medical retail dispensary operations. The cultivation operations encompass a 143,000 square foot cultivation and processing facility and a 38,400 square foot cultivation and extraction facility, with the capacity to expand to 74,000 square feet. There is one dispensary in New Castle, Pennsylvania operating under the name "Ayr Wellness".

Brand Strategy

The level of products and brands across Ayr's portfolio allows customers and patients the ability to select from a wide-ranging selection of high-quality products. By sharing brands across markets, Ayr has expanded the variety offered to customers and patients while expanding brand visibility. The Corporation maintains strict brand and quality assurance standards and implements standard operating procedures across its cultivation and production facilities to ensure product continuity and customer experiences across operating markets. This includes the centrally managed procurement of equipment and supplies.

Future Markets

Ayr leverages its human capital to drive improvements across all portfolios and divisions of the company. These synergies have driven Ayr's operational success. Building on the operational excellence, Ayr plans on bringing its winning strategy to capitalize on expansion opportunities.

The Corporation's business strategy is to evaluate each market opportunity pursuant to the relevant local competitive and regulatory landscape, supply/demand dynamics, and growth potential. The Corporation evaluates the economic viability of each opportunity before making capital allocation decisions and may decide to participate in one or more facets of the supply chain based on the dynamics mentioned above. The Corporation targets best-in-class assets in relevant markets with large addressable populations in limited license states that are either currently or soon expected to be approved for adult-use. By establishing a substantial presence in markets that have the greatest growth potential, the Corporation expects to be well-positioned to have a first-mover advantage for future growth in adult-use cannabis as the market continues to expand.

The Corporation plans to implement its growth strategy by targeting acquisition opportunities in limited license jurisdictions, applying for de novo

licenses and expanding its presence in current markets.

COVID-19 Strategy

During the pandemic, the Corporation was able to maintain operations and expand delivery options and curbside pick-up in both Massachusetts and Nevada 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 pandemic in the United States, the regulators in Massachusetts and Nevada, were among the few nationwide to place material restrictions on cannabis sales. In Nevada, cannabis sales were limited to delivery only beginning 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. The Corporation continues to generate operating cash flows to meet its short-term liquidity needs. Management has not observed any indicators of impairment to assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

The Corporation evaluated risk of supply chain disruption as well as staffing disruption. While Ayr has not experienced any failure to secure critical supplies or services, future disruptions in the supply chain are possible and may significantly increase cost or delay production time. To mitigate this risk, bulk orders are being placed in advance with key vendors. To remediate the risk of staffing disruption, the Corporation implemented new safety procedures in accordance with the guidance of the CDC, 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, installed plexi-shields in customer facing areas, frequent cleaning and sanitizing of surfaces and workstations and adequate spacing of staff and customers. The Corporation 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 business.

Recent Developments

Massachusetts

Sira received Host Community Agreement ("HCA") approvals for all three of our Greater Boston locations in October, which include Somerville and new locations in Watertown and the Back Bay in Boston. This development is a critical step required to open adult-use retail stores in 2021.

Following unanimous approval of the Town Council, on October 20, 2020, Sira successfully executed an HCA with the Town of Watertown approving the Company to operate co-located medical and adult-use sales.

On October 9, 2020, the City of Somerville Marijuana Advisory Committee recommended Sira be offered an HCA with the city of Somerville to co-locate an adult-use dispensary with Sira's existing medical-use dispensary in Davis Square, a popular neighborhood in the city of Somerville.

On November 16, 2020, Sira fully executed an HCA 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"), and entity to whom Ayr provides administrative, consulting and operations services, was 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. The City of Henderson currently has a moratorium on new dispensaries.

On February 27, 2021, Ayr opened its fourth location under The Dispensary banner, its third premier Las Vegas location.

Pennsylvania

Ayr opened an additional Ayr Wellness dispensary on February 24, 2021 and expects to open a third in March 2021, followed by the remaining three throughout the rest of the year.

Acquisitions – Definitive Agreements and Term Sheets

Massachusetts

On February 26, 2020, the Corporation entered 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 Corporation entered both a definitive membership interest purchase agreement and purchase and sale agreement. Pursuant to the agreements, the Corporation will be acquiring rights to legally open and operate an adult-use cannabis licensed retail store along with the purchase of the property located in the Town of Watertown, Massachusetts. The Corporation has agreed to pay a purchase price consisting of $1 million cash and 4% non-voting interest in the net profits of Eskar Holdings, LLC. In addition, for the purchase of the property, the Corporation has agreed to pay a purchase price of $5 million cash. The closing of the acquisition is subject to, among other things, issuance of the Host Community Agreement and regulatory approval.

Ohio

On December 18, 2020, the Corporation entered a definitive merger agreement with Copperstate Farms, LLC to acquire 100% of the membership interests of the management company with exclusive rights to manage the operations of Parma Wellness Center LLC, a recipient of a Tier 1 Cultivator Provisional License in the medical cannabis market in Ohio.

In addition, the Corporation will be acquiring 100% of the membership interests in Greenlight Holdings, LLC which owns the land and building where the 58,000 square foot facility in which the licensed entity operates. The Corporation has agreed to pay a purchase price consisting of cash and an escrow deposit totaling an aggregate value of $17 million.

On September 30, 2020, the Corporation entered an asset purchase agreement with Vireo Health International, Inc. and its affiliated company, Ohio Medical Solutions, LLC, to acquire a 9,000 square foot medical marijuana processor facility that is licensed as part of the Ohio medical cannabis program. The aggregate purchase price for the assets is approximately $1.2 million of cash.

Florida

On December 22, 2020, the Corporation entered into a definitive agreement to acquire Liberty Health Sciences in a stock-for-stock combination. Liberty shareholders will receive 0.03683 Ayr shares for each Liberty share held, equating to approximately 13.1 million new Ayr shares. Total purchase price is equivalent to approximately $290 million based on the closing price of Ayr shares as of December 21, 2020. The assets being acquired from Liberty include a 387-acre cultivation campus in Gainesville, Florida with over 300,000 square feet of current production facilities, 29 open retail dispensaries, six completed and ready-to-open dispensaries, and seven dispensaries currently under construction.

On February 26, 2021, Ayr completed its arrangement with Liberty Health Sciences.

New Jersey

On December 22, 2020, the Corporation entered a binding term sheet to acquire Garden State Dispensary (GSD). The total purchase price is approximately, $101 million, consisting of cash, stock, and promissory notes. Earn-outs based on exceeding revenue target thresholds in 2022 will be capped at $97 million and payable in a combination of cash, promissory notes, and exchangeable shares. Pursuant to the agreement, the Corporation will be acquiring one of the 12 existing vertical license holders in New Jersey and one of the state's original six alternative treatment centers (ATCs). GSD has three open dispensaries, the largest footprint of any operator, at heavily trafficked highway locations throughout the central region of the state, as well as 30,000 square feet of cultivation and production facilities in operation. An additional 75,000 square feet is currently under construction.

Arizona

On November 4, 2020, the Corporation entered a binding term sheet to acquire 100% of the membership interests in Blue Camo, LLC, a vertically integrated cannabis business in the state of Arizona (operating under the trade name "Oasis"). Pursuant to the term sheet, the Corporation will be acquiring rights to legally operate three retail dispensaries along with a 10,000 square feet licensed cultivation and processing facility as well as an 80,000 square foot cultivation facility currently under development. The Corporation has agreed to pay upfront consideration of $75 million consisting of cash, debt and Exchangeable Shares. An additional 2 million Exchangeable Shares may be payable upon the achievement of established cultivation targets. Furthermore, additional earn-out consideration in 2021 and 2022 may be paid in Exchangeable Shares, and is contingent on exceeding financial hurdles in each year, calculated based on a set discount of market multiples (including non-IFRS measures) at the time of the earn out. The term sheet is a binding agreement with respect to the terms and conditions and intended to serve as an outline of the proposed principal terms and conditions to be included in the final membership interest purchase agreement documents.

On January 27, 2021 Ayr signed a definitive agreement to acquire 100% of the membership interested in Blue Camo, LLC.

The closing for all acquisitions is subject to, among other things, regulatory approval and due diligence. As of December 31, 2020, the acquisitions have not closed.

Adjusted EBITDA Reconciliation for the Three Months and the Years Ended December 31, 2020 and 2019

	Three Months Ended December 31	Years Ended December 31

	2020	2019	2020	2019
(Loss) income from operations	(2,052,353)	(16,898,258)	16,117,080	(37,467,213)
Non-cash items accounting for biological assets and inventory				
Incremental costs to acquire cannabis inventory in business combination	-	3,764,678	-	3,764,678
Fair value adjustment on sale of inventory	12,971,862	4,838,814	34,147,938	18,272,212
Unrealized gain on biological asset transformation	(4,115,927)	(1,765,527)	(48,690,657)	(10,108,105)
	8,855,935	6,837,965	(14,542,719)	11,928,785
Interest	258,077	295,630	986,870	295,630
Depreciation and amortization (from statement of cash flows)	5,017,319	4,511,734	18,436,700	10,310,237
Acquisition costs	1,890,428	724,139	2,945,194	5,847,800
Stock-based compensation expense, non-cash	5,207,204	13,296,643	31,156,759	28,879,225
Other1	182,343	472,326	1,089,912	1,105,694
	12,555,371	19,300,472	54,615,435	46,438,586
Adjusted EBITDA (non-IFRS)	**19,358,953**	**9,240,179**	**56,189,796**	**20,900,158**

Notes:

[1] Other non-operating adjustments made to exclude the impact of non-recurring items.

Review of the Financial Results for the Three Months and Years Ended December 31, 2020 and 2019

Selected Financial Information

	Three Months Ended December 31		Years Ended December 31	
($ in millions)	2020	2019	2020	2019
Revenues, net of discounts	47.8	32.3	155.1	75.2
Cost of goods sold before biological asset adjustments	(20.3)	(17.2)	(66.6)	(37.0)
Incremental costs to acquire cannabis inventory in a business combination	-	(3.8)	-	(3.8)
Gross profit before fair value adjustments	27.5	11.4	88.6	34.4
Fair value adjustment on sale of inventory	(13.0)	(4.8)	(34.2)	(18.3)
Unrealized gain on biological asset transformation	4.1	1.8	48.7	10.1
Gross profit	18.6	8.3	103.1	26.3
Total expenses	(20.7)	(25.2)	(87.0)	(63.7)
(Loss) Income from operations	(2.1)	(16.9)	16.1	(37.5)
Total other (expense) income	(136.5)	2.0	(168.1)	(121.9)
Loss before income tax	(138.6)	(14.9)	(152.0)	(159.3)
Provision for income taxes	(5.0)	(2.6)	(24.4)	(4.8)
Net loss	(143.6)	(17.5)	(176.3)	(164.2)
Foreign currency translation adjustment	(8.6)	0.5	(9.0)	(0.2)
Net loss and comprehensive loss	(152.2)	(17.0)	(185.4)	(164.3)

Revenue

Revenue for the three months ended December 31, 2020 and 2019 was $47.8 million and $32.3 million, respectively, increasing $15.5 million or 48%. The increase in revenue was driven by organic growth and completed cultivation expansions in each of the two existing markets. Revenue increases were a result of operational excellence in both states, with a focus on data driven key performance indicators (KPI's) and sharpening standard operating procedures (SOP's), resulting in substantial improvements to the business.

In Massachusetts, the wholesale market experienced gains as revenue increased $6.9 million over the comparable quarters due to the strong sales pipeline as well as the successful cultivation expansion completed in the second quarter of 2020, resulting in more sellable inventory. Massachusetts retail revenue increased $3.4 million over the prior year quarter. This significant increase was driven by an improvement in the quantity and quality of flower demonstrated by consistent yields with THC averages of 25% along with the launch of new product brands such as "Entourage", "Wicked Sour" and "Origyn Extracts". In Nevada, substantial retail gains of $4.6 million were driven by a more efficient and modern ordering platform as well as additional fulfilment options including delivery and curbside pickup. In addition, Nevada continued to source the highest quality products for their shelves from both internal and externally procured products.

Revenue for the years ended December 31, 2020 and 2019 was $155.1 million and $75.2 million, respectively, increasing $79.9 million or 106%. This increase was due to the comments above and a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the

Qualifying Transaction occurred in May 2019.

Gross Profit Before Fair Value Adjustments

Gross profit before the fair value adjustments for the three months ended December 31, 2020 and 2019 was $27.5 million and $11.4 million, respectively, increasing $16.1 million or 142%. Gross profit percentage before the biological asset adjustment for the three months ended December 31, 2020 and 2019 was 57.5% and 35.2%, respectively. The improvement was due to the increase of internally sourced product sold through the Corporation's retail channels in Nevada. In addition, the cultivation expansions also led to operating leverage driving cultivation costs down.

Gross profit before the fair value adjustments for the years ended December 31, 2020 and 2019 was $88.6 million and $34.4 million, respectively, increasing $54.1 million or 157%. Gross profit percentage before the biological asset adjustment for the years ended December 31, 2020 and 2019 was 57.1% and 45.8%, respectively. This increase was due to a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019.

Gross profit before fair value adjustments for the three months and year ended December 31, 2019, includes $3.8 million of incremental costs to acquire cannabis inventory in a business combination. This relates to the one-time adjustment of inventory from fair value as part of the purchase price allocation. The adjusted gross profit percentage of revenue for the three months and year ended December 31, 2019, was 46.8% and 50.8%, respectively.

Gross Profit

Gross profit for the three months ended December 31, 2020 and 2019 was $18.6 million and $8.3 million, respectively, an increase of $10.3 million. Fluctuations are due to the change in fair value adjustments in inventory including biological asset transformation.

Gross profit for the years ended December 31, 2020 and 2019 was $103.1 million and $26.3 million, respectively, an increase of $76.8 million. This increase was due to a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. Cost of sales also includes products and costs related to other products acquired from other producers and sold by the Corporation.

Total Expenses

Total expenses for the three months ended December 31, 2020 and 2019 were $20.7 million and $25.2 million, respectively, decreasing $4.5 million or 18%. the decrease in expense is due to a reduction in non-cash stock-based compensation of $8.1 million. Non-cash stock-based compensation is based on the Corporation's share price on the date of the grant and are expensed straight-line over the vesting period. Total expenses as a percent of revenue during the three months ended December 31, 2020 and 2019, were 43% and 78%, respectively. Total expenses excluding non-cash stock-based compensation for the three months ended December 31, 2020 and 2019, were $15.5 million and $8.9 million and were 33% and 28%, respectively, of revenue.

Total expenses for the years ended December 31, 2020 and 2019 were $87.0 million and $63.7 million, respectively, increasing $23.3 million or 37%. This change was due to a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019.

Total Other (Expense) Income

Total other (expense) income for the three months ended December 31, 2020 and 2019 was ($136.5) million and $2.0 million, respectively. This change was primarily driven by the changes in fair value of financial liabilities due to the fluctuation in share price of Ayr's publicly traded warrants.

Total other (expense) income for the years ended December 31, 2020 and 2019 was ($168.1) million and ($121.9) million, respectively. This change was primarily driven by the changes in fair value of financial liabilities due to the fluctuation in trade price of Ayr's publicly traded shares and warrants.

Income Tax

Income tax expense is recognized based on the expected tax payable on the taxable income for the period and the deferred tax, using tax rates enacted or substantively enacted at period-end. The deferred tax is mainly driven by changes in the amortization of intangibles and fair value adjustments to inventory including biological assets.

Total income tax expense for the three months ended December 31, 2020 and 2019 was $5.0 million and $2.6 million, respectively. The current tax expense was $7.0 million and $3.8 million, respectively, for the three months ended December 31, 2020 and 2019. The increase in current

tax expense was driven by operational improvements resulting in an increase in taxable income. The deferred tax recovery (expense) was $2.0 million and $1.2 million, respectively, for the three months ended December 31, 2020 and 2019.

Total income tax expense for the years ended December 31, 2020 and 2019 was $24.3 million and $4.8 million, respectively. The current tax expense was $22.0 million and $8.7 million, respectively, for the years ended December 31, 2020 and 2019. The deferred tax recovery (expense) was ($2.4) million and $3.9 million, respectively, for the years ended December 31, 2020 and 2019. This change was due to a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019.

Net Loss

Net loss for the three months ended December 31, 2020 and 2019 was ($143.6) million and ($17.5) million, respectively. The decrease was primarily driven by the factors described above.

Net loss for the years ended December 31, 2020 and 2019 was ($176.3) million and ($164.2) million. The decrease was primarily driven by the factors described above, specifically total other expense (income).

Liquidity and Capital Resources as of December 31, 2020

Selected Liquidity and Capital Resource Information

($ in millions)	December 31, 2020	December 31, 2019
Cash and cash equivalents	127.2	8.4
Total current assets	176.4	29.9
Total assets	615.9	355.1
Total current liabilities	57.8	34.7
Total long-term liabilities	407.3	151.8
Total liabilities	465.0	186.5
Total shareholders' equity	150.9	168.6

As of December 31, 2020, the Corporation had cash and cash equivalents of $127.2 million, other current assets of $49.2 million, current liabilities of $57.8 million, and working capital of $118.7 million compared to December 31, 2019 which had cash and cash equivalents of $8.4 million, other current assets of $21.5 million, current liabilities of $34.7 million, and negative working capital of $4.8 million to meet its current obligations. The overall increase in net working capital is due to the company generating positive cash flow from operations, the increase in inventory due to the cultivation expansions in Massachusetts and Nevada, and the cash received through a four-year senior secured promissory note.

The Corporation, post Qualifying Transaction, is generating cash from sales and deploying its capital reserves to develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are expected to be used for capital expenditures and improvements to existing facilities, marketing, and product development, as well as acquisitions.

Selected Cash Flow Information

	Years Ended December 31,	
($ in millions)	2020	2019
Net cash provided by operating activities	36.5	3.6
Net cash (used in) provided by investing activities	(62.3)	5.2
Net cash provided by (used in) financing activities	144.6	(1.5)
Net increase in cash and cash equivalents	118.8	7.3
Effect of foreign currency translation	-	1.0
Cash and cash equivalents, beginning of year	8.4	0.1
Cash and cash equivalents, end of year	127.2	8.4

Ayr Strategies Inc.
Management's Discussion and Analysis
For the Three Months and Years Ended December 31, 2020 and 2019

Operating Activities

Net cash provided by operating activities during the years ended December 31, 2020 and 2019 was $36.5 million and $3.6 million, respectively, an increase of $32.9 million. The increase in net cash provided by operating activities was driven by a full year of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019. Furthermore, improved operational performance led to an increase in net cash provided by operating activities. This was driven by the increase in gross profit before fair value adjustments percentage.

Investing Activities

Net cash (used in) provided by investing activities during the years ended December 31, 2020 and 2019 was ($62.3) million and $5.2 million, respectively, a decrease of ($67.5) million. The cash used during the current year was due primarily to the cash paid for business combinations and asset acquisitions as well as the purchase of property, plant, and equipment while the increase in the previous year is due to the transfer of restricted cash in escrow due to the close of the Qualifying Transaction.

Financing Activities

Net cash provided by (used in) financing activities during the years ended December 31, 2020 and 2019 was $144.6 million and ($1.5) million, respectively, an increase of $146.1 million. The net cash provided by financing activities was primarily due to the proceeds from senior secured notes obligations.

Capital Management

The Corporation's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and to execute its operating and strategic plans, managing healthy liquidity reserves and access to capital.

The Corporation manages its capital structure and makes adjustments to it based on the funds available to the Corporation in order to support business development. The directors do not establish quantitative return on capital criteria for management, but rather rely on the expertise of the Corporation's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Corporation will spend its existing working capital and seek to raise additional amounts, as needed. There were no changes in the Corporation's approach to capital management during the period ended December 31, 2020 and December 31, 2019. The Corporation is not subject to externally imposed capital requirements apart from the need to maintain its listing in accordance with stock exchange requirements.

The Corporation raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. The Corporation plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Corporation may attempt to issue new shares or issue new debt for acquisitions. There can be no assurance that the Corporation will be able to continue raising capital in this manner.

The Corporation strengthened their cash position with a senior secured debt offering of $110 million that closed on December 10, 2020 and an equity offering of approximately $157.6CDN million that closed on January 14, 2021.

Share Capital

As of December 31, 2020 and December 31, 2019, the Corporation had share capital of $519.0 million and $382.2 million, respectively. The share capital as of December 31, 2020 was comprised of $1.8 million from Multiple Voting Shares, $488.1 million from Subordinate Voting Shares, and $29.1 million from Exchangeable Shares, while the share capital as of December 31, 2019 was comprised of $1.8 million from Multiple Voting Shares, $251.7 million from Subordinate Voting Shares, and $128.7 million from Exchangeable Shares.

Outstanding Shares

	December 31, 2020	December 31, 2019
Issued and outstanding		
Multiple Voting Shares	3,696,486	3,696,486
Subordinate Voting Shares	28,873,641	14,824,485
Exchangeable Shares	2,127,543	8,373,792
Treasury stock	(63,800)	(29,500)
Total number of shares	34,633,870	26,865,263

As of December 31, 2020, the Corporation had 10,486,312 Subordinate Voting Shares issuable upon the exercise of Warrants, 4,237,150 restricted Exchangeable Share units, and 138,394 Subordinate Voting Shares issuable upon the exercise of rights reserved for issuance. As of December 31, 2019, the Corporation had 16,060,858 Subordinate Voting Shares issuable upon the exercise of Warrants, 298,087 make-whole Exchangeable Shares, 3,837,150 restricted Exchangeable Share units, and 314,034 Subordinate Voting Shares issuable upon the exercise of rights reserved for issuance.

Liquidity

As of December 31, 2020, the Corporation had working capital of $121.1 million compared to December 31, 2019 when it had negative working capital of $4.8 million.

Summary of Future Commitments

Year	Leases	Debt	Total
2021	4,307,052	8,644,633	12,951,685
2022	4,216,361	5,611,722	9,828,083
2023	4,298,489	11,446,496	15,744,985
2024	4,282,818	147,809,548	152,092,366
2025	3,796,200	-	3,796,200
Thereafter	41,707,890	-	41,707,890
Total Commitments	62,608,810	173,512,399	236,121,209

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements, with the exception of the definitive agreements and term sheets referenced in Note 18 in the financial statements, that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Related Party Transactions

Related parties are defined as management and members of the Corporation and/or members of their immediate family and/or other companies and/or entities in which a board member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the financial statements, related party transactions and balances are as follows:

Mercer Park, L.P. entered into a management agreement with the Corporation dated May 24, 2019. As of December 31, 2020 and 2019, $58,083 and $48,008 was included in prepaid expenses as an advance for these services. Included in expenses for the year ended December 31, 2020, are management fees of $3,875,612 that are included in general and administrative expenses and embedded lease fees of $449,884 that are included in depreciation and interest expense, respectively. The management fee is paid monthly and varies based on actual costs incurred by the related entity when providing the Corporation administrative support, management services, office space, and utilities. In addition, the management fees pay other corporate or centralized expenses based on actual cost, including but not limited to legal and professional fees, software, and insurance. The agreement is a month-to-month arrangement.

As of December 31, 2020 and December 31, 2019, Mercer Park Brand Acquisition Corp. ("Brand"), a SPAC that has limited services shared with the Corporation, owed to Ayr $135,000 and $85,000. This is included in due from related parties.

During the year ended December 31, 2020, the Corporation incurred fees from Panther Residential Management, LLC ("Panther"), a company partially owned by a board member of Ayr. The total incurred fees were $102,000 (2019: $67,500) of office expenses, $450,000 (2019: $262,500) of capitalized rental fees, and $4,391 (2019: $3,508) of interest expense, $21,328 (2019: $12,441) of depreciation related to an office lease, and $150,000 of acquisition fees respectively.

Directors and officers of the Corporation are considered key members of management. Compensation for the directors and officers in the respective years were comprised of:

	Year Ended	
	December 31, 2020	December 31, 2019
Compensation and benefits, included in management fee	$ 2,368,750	$ 861,593
Stock-based compensation, non-cash	31,156,759	28,879,225
Total compensation	**$ 33,525,509**	$ 29,740,818

Refer to Note 12 and 17 for additional information around the debts payable and non-cash stock-based compensation plan and calculation, respectively, for the years ended December 31, 2020 and 2019.

Selected Quarterly Information

A summary of selected information for each of the previous eight quarters is as follows:

Three Months Ended	**Net Revenues**	**Net (Loss) Income**	**(Loss) Earnings per Share[1]**
December 31, 2020	47,764,775	(143,581,044)	(4.82)
September 30, 2020	45,486,365	(26,792,975)	(0.96)

June 30, 2020	28,310,633[2]	(7,513,708)	(0.28)
March 31, 2020	33,552,681	1,555,068	0.06
December 31, 2019	32,282,616	(17,464,233)	(0.65)
September 30, 2019	32,087,805	26,180,617	0.99
June 30, 2019	10,823,206	(35,785,825)[4]	(2.18)[4]
March 31, 2019	-	(137,110,163)[3,4]	(37.09)[4]

Notes:

[1] Per share amounts are rounded to the nearest cent, therefore, aggregating quarterly amounts may not reconcile to year-to-date per share amounts. Amounts are calculated using basic weighted average number of shares outstanding.

[2] Revenue for the three months ended June 30, 2020 decreased from the prior quarter due to COVID-related closures in April and May.

[3] Prior to the Qualifying Transaction, Ayr was a special purpose acquisition corporation. Issues of seasonality have not had an impact on the results or operations while a special purpose acquisition corporation. From July 31, 2017 to June 30, 2019, variations in the quarterly net (loss) income were caused by fluctuations in the net fair value (loss) gain on financial liabilities, transaction costs and general and administrative expense. Fluctuations in the net fair value (loss) gain on financial liabilities has varied from quarter-to-quarter due primarily to changes in the fair value of the Corporation's Class A Restricted Voting Shares (prior to the Qualifying Transaction) and the liability associated with the Warrants.

[4] Due to the reclassification disclosed on Note 3.22 on the financial statements for the periods ended June 30, 2020 and 2019, net loss and loss per share were affected by a reclassification between foreign exchange and foreign currency.

Significant Accounting Judgments and Estimates

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, assets and liabilities recognized, and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized at that time. Actual results could differ from the estimates used.

The global pandemic outbreak of the novel strain of coronavirus ("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 judgments and estimates. While cannabis has generally been deemed an essential business the regulators in Massachusetts and Nevada placed material restrictions on cannabis sales during the middle of 2020. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Corporation is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its financial statements.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Corporation obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards, where IFRS provides exceptions to recording the amounts at fair value.

Goodwill represents the difference between total consideration paid and the fair value of the net identifiable assets acquired. Acquisition costs incurred are expensed to total expenses. Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 with the corresponding gain or loss recognized in net loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Judgment is applied in determining whether an acquisition is a business combination or an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, net realizable value, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, oil conversion, and impairment factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value.

Estimated useful lives and depreciation of property, plant and equipment

Depreciation of PPE is dependent upon estimates of useful lives, which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

Valuation, estimated life and impairment of intangible assets and goodwill

Management uses significant judgment in determining the fair value of intangible assets and goodwill, estimating the useful lives and impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The Corporation uses judgment in determining the grouping of assets by identifying CGUs for purposes of testing for impairment of goodwill and intangible assets. The Corporation's estimate of CGUs or a group of CGUs recoverable amount based on value in use involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results and budgets calculated by discounting the final year in perpetuity.

Goodwill impairment

When determining the recoverable amount of the CGU or CGUs to which goodwill is allocated, the Corporation relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the recoverable amount.

Leases

Each capitalized lease is evaluated to determine if the Corporation would exercise any of the renewal options offered. Several material factors are considered in determining if the renewal options would be exercised, such as length of the renewal, renewal rate, and ability to transfer locations. When measuring lease liabilities, the Corporation used discounted lease payments using a weighted-average rate in the range of 9.8% to 15.0% per annum. The weighted-average rate is based on the internal borrowing rate, which relies on judgments and estimates.

Provisions and contingent liabilities

When the Corporation is more likely than not to incur an outflow of resources to settle an obligation and the amount can be reasonably estimated, a contingent liability is recorded. The contingent liability is recorded at management's best estimates of the expenditure required to

settle the obligation at period end, discounted to the present value, if material.

Financial instruments

To determine the fair value of financial instruments, the Corporation develops assumptions and selects certain methods to perform the fair value calculations. Various methods considered include but are not limited to: (a) assigning the value attributed to the transaction at the time of origination; (b) re-measuring the instrument if it requires concurrent fair value measurement; and (c) valuing the instrument at the issuance value less any amortized costs. As judgment is a factor in determining the value and selecting a method, as well as, the inherent uncertainty in estimating the fair value, the valuation estimates may be different.

Application of the option pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instruments. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net loss and comprehensive loss.

Expected credit loss

Management determines expected credit loss ("ECL") by evaluating individual receivable balances and considering customers' financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the year end.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to the expectation of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax positions taken will be sustained upon examination by applicable tax authorities.

Risk Factors

Please refer to the Corporation's final non-offering prospectus dated December 17, 2020, the Corporation's management information circular dated October 14, 2020, and the Corporation's Annual Information Form for information on the risk factors to which the Corporation is subject. In addition, see "Cautionary Note Regarding Forward-Looking Information" above.

Financial Instruments, Financial Risk Management and Other Instruments

The Corporation does not utilize financial instruments such as derivatives to manage financial risks. The Corporation's financial instruments consist of cash and cash equivalents, deposits, short term investments, warrant liability, and make-whole provisions and contingent consideration included as purchase consideration relating to business combinations. These financial instruments are measured at fair value or are short-term in nature where fair value approximates their carrying value (see Note 19 to the financial statements).

The Corporation is exposed to credit risk, liquidity risk and interest rate risk. The Corporation's management oversees the management of these risks. The Corporation`s management is supported by the members that advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with Corporation policies and Corporation risk appetite.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Corporation uses valuation techniques that are considered to be appropriate in the circumstances and for which there is sufficient data are with unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The hierarchy used to fair value the financial instruments as of December 31, 2020 and December 31, 2019, were as follows:

- Level 1: Cash and cash equivalents, deposits, and warrant liability
- Level 2: None
- Level 3: Make-whole provisions and contingent consideration issued as purchase consideration relating to business combinations

There were no transfers between levels in the hierarchy. For financial assets and liabilities not measured at fair value, their carrying value is considered to approximate fair value due to their market terms.

Financial assets	**Carrying values**		
December 31, 2020	**FVTPL**	**AC**	**Total**
Cash and cash equivalents	**$ 127,238,165**	**$ -**	**$ 127,238,165**
Deposits	**1,562,493**	**-**	**1,562,493**
Accounts receivable	**-**	**3,464,401**	**3,464,401**
	$ 128,800,658	**$ 3,464,401**	**$ 132,265,059**
December 31, 2019			
Cash and cash equivalents	$ 8,403,196	$ -	$ 8,403,196
Deposits	740,666	-	740,666
Accounts receivable	-	2,621,239	2,621,239
	$ 9,143,862	$ 2,621,239	$ 11,765,101

Financial liabilities	**Carrying values**		
December 31, 2020	**FVTPL**	**AC**	**Total**
Warrant liability	**$ 151,949,611**	**$ -**	**$ 151,949,611**
Contingent consideration	**22,961,412**	**-**	**22,961,412**
Trade payables	-	**8,899,786**	**8,899,786**
Accrued liabilities	-	**8,706,813**	**8,706,813**
Accrued interest payable	-	**3,301,155**	**3,301,155**
Purchase consideration payable	-	**9,053,057**	**9,053,057**
Debts payable	-	**165,885,544**	**165,885,544**
	$ 174,911,023	**$ 195,846,355**	**$ 370,757,378**
December 31, 2019			
Warrant liability	$ 36,874,124	$ -	$ 36,874,124
Contingent consideration	22,656,980	-	22,656,980
Make-whole provision	3,540,803	-	3,540,803
Trade payables	-	6,806,053	6,806,053
Accrued liabilities	-	5,123,865	5,123,865
Accrued interest payable	-	815,662	815,662
Purchase consideration payable		6,290,897	6,290,897
Debts payable	-	43,995,661	43,995,661
	$ 63,071,907	$ 63,032,138	$ 126,104,045

The Corporation is exposed to credit risk, liquidity risk and interest rate risk. The Corporation's management oversees the management of these risks. The Corporation`s management is supported by the members of the Board of Directors that advise on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's financial risk activities are governed by policies and procedures and financial risks are identified, measured and managed in accordance with the Corporation's policies and the Corporation's risk appetite.

The Corporation quantified the sensitivity of inputs in relation to the contingent consideration as of December 31, 2020 and December 31, 2019, and would expect the following effect on fair value in the event of changes to the discount rate:

			Value at period end	
Significant assumption	Inputs	Sensitivity	December 31, 2020	December 31, 2019
	10% (2020)	Increase 1%	$ 22,681,839	$ 22,169,349
Discount rate	6.3% (2019)	Decrease 1%	23,247,053	23,161,325

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Corporation to concentrations of credit risk consist of cash and cash equivalents, deposits and accounts receivable. To address its credit risk arising from cash and cash equivalents and deposits, the Corporation ensures to keep these balances with reputable financial institutions. The Corporation has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Corporation is not significantly exposed to its accounts receivable due to its diversified customer base and a stringent collection policy. No ECL has been recorded by the Corporation as all receivables are expected to be collected and are not significant. As of December 31, 2020 and December 31, 2019, the maximum amount exposed to credit risks was $130,702,566 and $11,024,435, respectively, including cash. The components of accounts receivable as of December 31, 2020 and December 31, 2019 were:

	0-30 days	31-90 days	Over 90 days	Total
Balance, as at December 31, 2020	$ 2,995,368	$ 469,033	$ -	$ 3,464,401
Balance, as at December 31, 2019	2,456,226	115,808	49,205	2,621,239

Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation manages liquidity risk through maintaining sufficient funds on hand and continuously monitoring forecast and actual cash flows. As of December 31, 2020 and December 31, 2019, all trade payables and accrued liabilities are due within a year. Refer to the Summary of Future Commitments table for future lease and debt commitments. The Corporation has the following gross obligations as of December 31, 2020, which are expected to be payable in the following respective periods:

	Less than 1 year	1-5 years	> 5 years	Total
Trade payables and accrued liabilities	$ 17,606,599	$ -	$ -	$ 17,606,599
Lease obligations	4,307,052	16,593,868	41,707,890	62,608,810
Purchase consideration	9,053,057	-	-	9,053,057
Income tax payable	21,585,523	-	-	21,585,523
Debt Payable	8,644,633	54,867,766	-	63,512,399
Contingent consideration	-	27,500,000	-	27,500,000
Senior secured notes	-	110,000,000	-	110,000,000
Accrued interest payable	-	3,301,155	-	3,301,155
	$ 61,196,864	**$ 212,262,789**	**$ 41,707,890**	**315,167,543**

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its cash and cash equivalents and long-term debts. Cash and cash equivalents and deposits bear interest at market rates. The Corporation's debts have fixed rates of interest. The Corporation does not use any derivative instruments to hedge against interest rate risk and believes that the change in interest rates will not have a significant impact on its financial results.

Currency Risk

The operating results and financial position of the Corporation are reported in United States dollars. As the Corporation operates in an international environment, some of the Corporation's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

As of December 31, 2020 and December 31, 2019, the Corporation had no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Corporation believes that a change in exchange rates will not have a significant impact on financial results. The Corporation performed a

sensitivity analysis on the conversion rate applied to Canadian balances:

Balance sheet account	Value at year end Dr (Cr.) CDN $	Conversion rate	Sensitivity	Effect on fair value, as at December 31, 2020 $
Cash and cash equivalents	7,860,570	0.7824	Increase / Decrease 1%	**61,501**
Warrants	(194,209,626)	0.7824	Increase / Decrease 1%	**(1,519,496)**

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 Corporation 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 Corporation 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 Corporation's operations, to the Corporation's knowledge, are in compliance with applicable State laws, regulations and licensing requirements. Additionally, the Corporation 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 Corporation's knowledge, the facilities that the Corporation 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 Corporation. 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. 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 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 Corporation currently operates

While the Corporation's compliance controls have been developed to mitigate the risk of any violations of a license arising, there is no assurance that the Corporation'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 Corporation and have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

As of the date of this MD&A, Joseph R. Biden Jr. is the President 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 Corporation 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 United 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 Annual Information Form ("AIF"), which can be found on SEDAR, 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

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 Corporation provides operational support for facilities in Nevada cities or counties with clearly defined marijuana programs. Currently, the Corporation provides operational support to facilities located in the Clark County, Henderson, Reno and Washoe County jurisdictions.

Licenses

The Corporation 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 next 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 Corporation 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 Corporation 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 678B.

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 Corporation 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 Corporation, 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

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 Corporation 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 Corporation owns medical licenses that allow it to maintain three (3) medical marijuana dispensaries in the Commonwealth. These licenses permit the Corporation 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 application program interface ("API").

The Corporation is not aware of any specific risks associated with operating in Massachusetts. To the knowledge of management of the Corporation, 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

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 ("PTSD"). 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 and final clinical registrants.

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 Corporation 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 Corporation is not aware of any specific risks associated with operating in Pennsylvania. To the knowledge of management of the Corporation, 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

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 ("ALS" 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 Human Immunodeficiency Virus ("HIV"), PTSD, 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).

Licenses

Neither the Corporation 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 Corporation 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 Corporation 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 Corporation is not aware of any specific risks associated with operating in Ohio. To the knowledge of management of the Corporation, 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

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 HIV, cancer, glaucoma, Acquired Immune Deficiency Syndrome ("AIDS"), Hepatitis C, Crohn's disease, agitation of Alzheimer's disease, ALS, 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.

Licenses

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

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.

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.

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.

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 Corporation is not aware of any specific risks associated with operating in Arizona. To the knowledge of management of the Corporation, 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.

Florida

Regulatory Landscape

In 2014, the Florida Legislature passed 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 and epilepsy. In 2016, the Florida 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. This initiative 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 ("FDOH"), 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. The law regulating Amendment 2 provides licenses to operate as Medical Marijuana Treatment Centers ("MMTCs") to all entities that held an active, unrestricted licenses to cultivate, process, transport, and dispense low-THC cannabis or medical cannabis before July 1, 2017, as well as an additional 10 entities. The law also provides for another four licenses to be issued for every 100,000 patients added to the state's medical marijuana registry and allows MMTCs to open an unlimited number of dispensaries.

Licenses

Subsection 381.986(8)(a) of the State of Florida Statutes provides a vertically-integrated regulatory framework that requires licensed producers, through MMTCs, to cultivate, process and dispense medical cannabis in a vertically integrated marketplace. Licenses issued by the FDOH may be renewed biennially so long as the license meets the requirements of the law and the license holder pays a renewal fee.

The license permits the sale of medical cannabis to qualified patients to treat certain medical conditions. In Florida, there is no state-imposed limitation on the permitted size of cultivation or processing facilities, nor is there a limit on the number of plants that may be grown. Dispensaries may be located in any location throughout Florida as long as the local government has not issued a prohibition against MMTC dispensaries in their respective municipality. Provided there is not a ban, a dispensary may be located in a site zoned for a pharmacy so long as the location is greater than 500 feet from a public or private elementary, middle, or secondary school.

Licensing Requirements

Licenses issued by the FDOH are renewed biennially so long as the licensee meets requirements of the law and pays a renewal fee. 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 applicable license, a licensee would expect to receive the applicable renewed license in the ordinary course of business.

An MMTC license applicant must demonstrate that: (i) they have been registered to do business in Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture and Consumer Services, (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 FDOH, (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 FDOH, (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 FDOH, the applicant must post a performance bond of up to US$5,000,000, which may be reduced by meeting certain criteria such as a minimum patient count.

Dispensary

An MMTC may not dispense more than a 70-day supply of cannabis within a 70-day period, except an MMTC may not dispense more than a 35-day supply of marijuana in a form for smoking within a 35-day period. 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.

Storage and Security

Each MMTC must maintain a video surveillance system that records continuously 24 hours per day and has specified features. 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, on the premises at all times where cultivation, processing, or storing of cannabis occurs. MMTC employees must wear a photographic 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.

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Management's Discussion and Analysis
For the Three Months and Years Ended December 31, 2020 and 2019

Transportation

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 FDOH conducts announced and unannounced inspections of MMTCs to determine compliance with the laws and rules. The FDOH 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 FDOH 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

Regulatory Landscape

On January 18, 2010, the governor of New Jersey signed into law S.119, the Compassionate Use Medical Marijuana Act (the "NJ Act"), permitting the use of medical cannabis for persons with debilitating conditions including cancer, HIV/AIDS, ALS, Crohn's disease and any terminal illness. The law permits the New Jersey Department of Health ("NJDH") to create rules to add other illnesses to the permitted conditions. The NJ Law does not permit patients to grow their own cannabis but rather mandates that cannabis must be acquired through Alternative Treatment Centers ("ATCs") licensed by the State.

Caregivers for patients are permitted to collect cannabis on behalf of the patient. Under the NJ Act, six ATCs received licenses from the State. The ATCs are non-profit entities and have the exclusive right to produce and sell medical cannabis in New Jersey.

On March 27, 2018 through executive order No. 6 (2018), Governor Phil Murphy expanded the medical cannabis program, announcing the 20-plus recommendations presented by the NJDH on March 23, 2018. The NJDH's recommendations and next steps included certain measures that took effect immediately (e.g. the addition of debilitating conditions and the reduction of registration fees) and other recommendations (e.g. the home delivery model) that require further regulatory or statutory enactment.

In February 2019, the NJDH amended the list of debilitating conditions to include opioid use disorder, which had been accepted as petition by the review panel. The NJDH also implemented measures to streamline the enrollment process for patients, allow physicians to opt out of being listed publicly, and have started the permitting process for six new ATCs.

Licenses

The NJDH is responsible for administering the NJ Act to ensure qualifying patients' access to safe cannabis for medical use in New Jersey. The NJDH is responsible for issuing permits to entities who will operate an ATC. New Jersey is a vertical state where the dispensary needs to be in the same location as the growing and processing facilities. One of the recommendations in executive order No. 6 is to allow existing license holders to have up to two additional dispensaries not attached to the growing facility. The NJDH has issued six licenses and are now accepting applications for up to six additional permits.

ATC permits expire annually on December 31. A permit renewal application must be submitted at least 60 days prior to the expiration date. An ATC that seeks to renew its permit shall submit to the permitting authority an application for renewal with all required documentation and the required fees. An ATC shall update and ensure the correctness of all information submitted in previous applications for a permit or otherwise on file with the NJDH. Prior to the issuance of any permit, every principal officer, owner, director and board member of an ATC must certify stating that he or she submits to the jurisdiction of the courts of the State of New Jersey and agrees to comply with all the requirements of the laws of New Jersey pertaining to New Jersey's Medicinal Marijuana Program. Failure to provide correct and current up-to-date information is grounds for denial of the application for renewal of the permit.

As of April 1, 2019, approximately 44,000 patients were registered and have medical licenses allowing them to purchase cannabis products from an ATC.

Reporting Requirements

New Jersey does not have a unified T&T solution. All information is forwarded to the New Jersey Medical Marijuana Program through email. The ATC collects and submits to the NJDH for each calendar year statistical data on (a) the number of registered qualified patients and registered primary caregivers, (b) the debilitating medical conditions of the qualified patients, (c) patient demographic data, (d) summary of the patient surveys and evaluation of services and (e) other information as the NJDH may require. The ATC must retain records for at least two years.

Storage and Security

The ATC will establish inventory controls and procedures for the conduct of inventory reviews and comprehensive inventories of cultivating, stored, usable and unusable cannabis. The ATC will conduct a monthly inventory of cultivating, stored, usable and unusable cannabis. Through a unified T&T system is not currently in place, an ATC is required to have a T&T for tracking inventory and dispensing cannabis products to patients. CCF uses MJ Freeway as its T&T system. An ATC is authorized to possess two ounces of usable cannabis per registered qualifying patient plus an additional supply, not to exceed the amount needed to enable the alternative treatment center to meet the demand of newly registered qualifying patients.

Per regulatory requirements an ATC, at a minimum, must (a) establish inventory controls and procedures for the conduct of inventory reviews and comprehensive inventories of cultivating, stored, usable and unusable cannabis, (b) conduct a monthly inventory of cultivating, stored, usable and unusable cannabis, (c) perform a comprehensive inventory inspection at least once every year from the date of the previous comprehensive inventory, and (d) promptly transcribe inventories taken by use of an oral recording device. If cannabis is disposed of, the ATC must maintain a written record of the date, the quantity disposed of, the manner of disposal and the persons present during the disposal, with their signatures. ATCs must keep disposal records for at least two years. Results of the inventory inspection should document the date of the inventory review, a summary of the inventory findings and the name, signature and title of the individuals who conducted the inventory

inspection.

An ATC shall limit access to medicinal cannabis storage areas to the absolute minimum number of specifically authorized employees. In the event non-employee maintenance personnel, business guests or visitors to be present in or pass through medical cannabis storage areas, the ATC must have a dedicated person who is specifically authorized by policy or job description to supervise the activity. The ATC must ensure that the storage of usable cannabis prepared for dispensing to patients is in a locked area with adequate security.

Security

An ATC is required to implement effective controls and procedures to guard against theft and diversion of cannabis including systems to protect against electronic records tampering. At a minimum, every ATC must (a) install, maintain in good working order and operate a safety and security alarm system that provides suitable protection 24 hours a day, seven days a week against theft and diversion, (b) immediately notifies the state or local police agencies of an unauthorized breach of security. An ATC must conduct maintenance inspections and tests of the security alarm system at intervals not to exceed 30 days from the previous inspection.

A video surveillance system must be installed and operated to clearly monitor all critical control activities of the ATC and must operate in good working order at all times. The ATC must provide two monitors for remote viewing via telephone lines to the NJDH offices. This security system must be approved by State of New Jersey's Medicinal Marijuana Program prior to permit issuance. The original tapes or digital pictures produced by the system must be stored in a safe place for a minimum of 30 days.

Transportation

An ATC that is authorized by permit to cultivate medicinal marijuana at one location and to dispense it at a second location shall transport only usable marijuana from the cultivation site to the dispensing site according to a delivery plan submitted to the Department. Each vehicle must be staffed with at least two registered ATC employees. At least one delivery team member shall remain with the vehicle at all times that the vehicle contains medicinal marijuana. Each delivery team member shall have access to a secure form of communication with the ATC, such as a cellular telephone, at all times that the vehicle contains medicinal marijuana. Each delivery team member must possess their ATC employee identification card at all times and shall produce it to NJDH staff or law enforcement officials upon demand.

Each transport vehicle needs to be equipped with a secure lockbox or locking cargo area, which shall be used for the sanitary and secure transport of medicinal marijuana. Each ATC must maintain current commercial automobile liability insurance on each vehicle used for transport of medicinal marijuana in the amount of one million dollars per incident. Each ATC must ensure that vehicles used to transport medicinal marijuana bear no markings that would either identify or indicate that the vehicle is used to transport medicinal marijuana, and each trip must be completed in a timely and efficient manner, without intervening stops or delays. Each ATC shall maintain a record of each transport of medicinal marijuana in a transport logbook, which must include dates and times of trips, names of employees on the delivery team, relevant facts about the products transported and the signatures of the delivery team.

ATCs must report any vehicle accidents, diversions, losses, or other reportable events that occur during transport to the permitting authority in accordance with New Jersey law.

Home delivery is not permitted under New Jersey law. An ATC may not deliver marijuana to the home or residence of a registered qualifying patient or primary caregiver.

Inspections

An ATC is subject to onsite assessment by the NJDH at any time. The NJDH may enter an ATC without notice to carry out an onsite assessment in accordance New Jersey laws and regulations. All ATCs are required to provide the NJDH or the NJDH's designee immediate access to any material and information so requested. Submission of an application for an ATC permit constitutes permission for entry and onsite assessment of an ATC, and failure to cooperate with an onsite assessment and or to provide the NJDH 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.

An onsite assessment may include (1) the review of all ATC documents and records and conferences with qualifying patients and primary caregivers and other persons with information, and the making and retaining of copies and/or extracts, (2) the use of any computer system at the ATC to examine electronic data, (3) the reproduction and retention of any document and/or electronic data in the form of a printout or other output, (4) the examination and collection of samples of any marijuana found at the ATC, and (5) the seizure and detention of any marijuana or thing believed to contain marijuana found at the ATC.

Compliance with State Regulatory Frameworks

Nevada Regulatory Compliance

Each of the Nevada-based cannabis establishments for which the Corporation 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 Corporation 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 Corporation'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 Corporation 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 Corporation'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 Corporation provides operational support has designated a set of operating procedures, including employee training in respect of such procedures, to seek to secure compliance.

Standard operating procedures in respect of regulatory compliance were developed by each of the Nevada licensed cannabis establishments to which the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation provides operational support are compliant with State and local cannabis laws, their cannabis-related activities remain illegal under United States federal law. See "Risk Factors" below and in the AIF, incorporated herein by reference.

Massachusetts Regulatory Compliance

The Corporation'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 Corporation'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 Corporation'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 Corporation's Massachusetts-based business has enlisted internal compliance personnel to provide on-going advice on applicable U.S. federal and Massachusetts laws.

The Corporation'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 Corporation'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 Corporation'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 Corporation's Massachusetts-based business has designated a set of operating procedures, including employee training with respect to such procedures, 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 Corporation's Massachusetts-based business are empowered to identify key business processes that should be formally documented to assure safety and regulatory compliance.

The Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation's Pennsylvania-based business has enlisted internal compliance personnel to provide on-going advice on applicable U.S. federal and Pennsylvania laws.

The Corporation's Pennsylvania-based business currently possesses a license to cultivate, manufacture and transport medical cannabis to other cannabis establishments in Pennsylvania. The Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation, through its subsidiaries and establishments to which the Corporation 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.

Exhibit 99.4

CERTIFICATION

I, Jonathan Sandelman, certify that:

1. I have reviewed this annual report on Form 40-F of Ayr Wellness Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditor and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 25, 2021

By: /s/ Jonathan Sandelman
Jonathan Sandelman
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.5

CERTIFICATION

I, Brad Asher, certify that:

1. I have reviewed this annual report on Form 40-F of Ayr Wellness Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditor and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 25, 2021

By: /s/ Brad Asher
Brad Asher
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 99.6

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Ayr Wellness Inc. (the "Corporation") on Form 40-F for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan Sandelman, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

March 25, 2021

/s/ Jonathan Sandelman
Jonathan Sandelman
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Ayr Wellness Inc. and will be retained by Ayr Wellness Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.7

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Ayr Wellness Inc. (the "Corporation") on Form 40-F for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad Asher, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

March 25, 2021

/s/ Brad Asher
Brad Asher
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Ayr Wellness Inc. and will be retained by Ayr Wellness Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.8

Consent of Independent Registered Public Accounting Firm

We consent to the use of our report dated March 9, 2021, with respect to the financial statements of Ayr Wellness Inc. (formerly Ayr Strategies Inc.) and its subsidiaries (the "Corporation") for the years ended December 31, 2020 and 2019 included in this annual report on Form 40-F.

We also consent to the incorporation by reference of such report in the Registration Statement No. (333-253466) on Form F-10 of the Corporation.

Burlington, Canada

March 25, 2021

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants