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

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of November 2023.

Commission File Number: **333-253466**

# Ayr Wellness Inc.

(Exact Name of Registrant as Specified in Charter)

**2601 South Bayshore Drive, Suite 900, Miami, FL, 33133**
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☐ Form 40-F ☒

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## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**AYR WELLNESS INC.**
(Registrant)

Date: November 16, 2023

By: */s/ Brad Asher*
Name: Brad Asher
Title: Chief Financial Officer

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## EXHIBIT INDEX

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| 99.1 | Interim Financial Statements – September 30, 2023 |
| 99.2 | Management's Discussion and Analysis of Financial Condition and Results of Operations – September 30, 2023 |
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**Exhibit 99.1**

**Ayr Wellness Inc.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

**(EXPRESSED IN UNITED STATES DOLLARS)**

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**Ayr Wellness Inc.**
**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**SEPTEMBER 30, 2023 AND 2022**

**Unaudited Interim Condensed Consolidated Financial Statements ("Interim Financial Statements")**



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**Ayr Wellness Inc.**
**Unaudited Interim Condensed Consolidated Balance Sheets**
**(***Expressed in United States Dollars, in thousands, except share amounts)*

| | As of | |
|---|---|---|
| | **September 30, 2023** | **December 31, 2022** |
| | | *Note 4* |
| **ASSETS** | | |
| Current | | |
| Cash and cash equivalents | $ 72,843 | $ 76,827 |
| Accounts receivable, net | 9,743 | 7,738 |
| Inventory | 98,485 | 99,810 |
| Prepaid expenses, deposits, and other current assets | 23,251 | 8,702 |
| Assets held-for-sale | - | 260,625 |
| *Total Current Assets* | 204,322 | 453,702 |
| Non-current | | |
| Property, plant, and equipment, net | 313,088 | 302,680 |
| Intangible assets, net | 702,581 | 744,709 |
| Right-of-use assets - operating, net | 122,080 | 121,340 |
| Right-of-use assets - finance, net | 41,801 | 43,222 |
| Goodwill | 94,108 | 94,108 |
| Deposits and other assets | 6,135 | 8,009 |
| **TOTAL ASSETS** | $ 1,484,115 | $ 1,767,770 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Liabilities** | | |
| **Current** | | |
| Trade payables | 21,698 | 26,671 |
| Accrued liabilities | 40,963 | 25,470 |
| Lease liabilities - operating - current portion | 9,132 | 7,906 |

| | | |
|---|---|---|
| Lease liabilities - finance - current portion | 10,233 | 9,529 |
| Contingent consideration - current portion | - | 63,429 |
| Purchase consideration payable | - | 2,849 |
| Income tax payable | 77,707 | 46,006 |
| Debts payable - current portion | 59,052 | 40,523 |
| Liabilities held-for-sale | - | 43,841 |
| Accrued interest payable - current portion | 14,308 | 2,581 |
| *Total Current Liabilities* | 233,093 | 268,805 |
| Non-current | | |
| Deferred tax liabilities, net | 72,413 | 72,413 |
| Lease liabilities - operating - non-current portion | 119,455 | 118,086 |
| Lease liabilities - finance - non-current portion | 19,485 | 24,016 |
| Construction finance liabilities | 37,945 | 36,181 |
| Contingent consideration - non-current portion | - | 26,661 |
| Debts payable - non-current portion | 134,022 | 136,315 |
| Senior secured notes, net of debt issuance costs | 244,138 | 244,682 |
| Accrued interest payable - non-current portion | - | 4,763 |
| Other long term liabilities | 25,018 | 524 |
| **TOTAL LIABILITIES** | 885,569 | 932,446 |
| | | |
| **Commitments and contingencies** | | |
| | | |
| **Shareholders' equity** | | |
| Multiple Voting Shares - no par value, unlimited authorized. Issued and outstanding - 3,696,486 shares | - | - |
| Subordinate, Restricted, and Limited Voting Shares - no par value, unlimited authorized. Issued and outstanding - 63,882,257 and 60,909,492 shares, respectively | - | - |
| Exchangeable Shares: no par value, unlimited authorized. Issued and outstanding - 9,665,707 and 6,044,339 shares, respectively | - | - |
| Additional paid-in capital | 1,367,532 | 1,349,713 |
| Treasury stock - 645,300 shares | (8,987) | (8,987) |
| Accumulated other comprehensive income | 3,266 | 3,266 |
| Accumulated deficit | (754,450) | (510,668) |
| Equity of Ayr Wellness Inc. | 607,361 | 833,324 |
| Noncontrolling interest | (8,815) | 2,000 |
| **TOTAL SHAREHOLDERS' EQUITY** | 598,546 | 835,324 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 1,484,115 | $ 1,767,770 |

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.



**Ayr Wellness Inc.**
**Unaudited Interim Condensed Consolidated Statements of Operations**
(*Expressed in United States Dollars, in thousands, except per share amounts*)

| | *Three Months Ended* | | *Nine Months Ended* | |
|---|---|---|---|---|
| | **September 30, 2023** | **September 30, 2022** | **September 30, 2023** | **September 30, 2022** |
| | | *Note 4* | | *Note 4* |
| **Revenues, net of discounts** | $ 114,392 | $ 108,739 | $ 348,795 | $ 307,156 |
| | | | | |
| Cost of goods sold excluding fair value items | 66,261 | 62,670 | 195,735 | 178,984 |
| Incremental costs to acquire cannabis inventory in business combinations | - | 486 | - | 6,217 |
| **Cost of goods sold** | 66,261 | 63,156 | 195,735 | 185,201 |
| | | | | |
| **Gross profit** | 48,131 | 45,583 | 153,060 | 121,955 |
| | | | | |
| **Operating expenses** | | | | |
| Selling, general, and administrative | 38,833 | 50,594 | 137,813 | 147,415 |
| Depreciation and amortization | 11,909 | 11,676 | 39,390 | 33,791 |
| Acquisition and transaction costs | (1,182) | 965 | 3,460 | 5,133 |
| (Gain) loss on sale of assets | 22 | 1,810 | 66 | (190) |
| **Total operating expenses** | 49,582 | 65,045 | 180,729 | 186,149 |
| | | | | |
| **Loss from continuing operations** | (1,451) | (19,462) | (27,669) | (64,194) |
| | | | | |
| **Other income (expense), net** | | | | |
| Fair value gain on financial liabilities | - | 1,658 | 23,731 | 33,438 |
| Interest expense, net | (10,772) | (7,271) | (28,834) | (20,491) |
| Interest income | 193 | 12 | 591 | 52 |
| Other income, net | 6,303 | 13 | 6,934 | 13 |
| **Total other income (expense), net** | (4,276) | (5,588) | 2,422 | 13,012 |
| | | | | |
| **Loss from continuing operations before income taxes and noncontrolling interest** | (5,727) | (25,050) | (25,247) | (51,182) |
| | | | | |
| **Income taxes** | | | | |
| Current tax provision | (13,543) | (11,059) | (37,608) | (30,306) |
| Deferred tax benefit | - | 1,433 | - | 2,129 |

| | | | | |
|---|---|---|---|---|
| **Total income taxes** | (13,543) | (9,626) | (37,608) | (28,177) |
| **Net loss from continuing operations** | (19,270) | (34,676) | (62,855) | (79,359) |
| **Discontinued operations** | | | | |
| Loss from discontinued operations, net of taxes (including loss on disposal of $181,191 for the nine months ended September 30, 2023) | (996) | (2,751) | (185,683) | (7,510) |
| **Loss from discontinued operations** | (996) | (2,751) | (185,683) | (7,510) |
| **Net loss** | (20,266) | (37,427) | (248,538) | (86,869) |
| Net loss attributable to noncontrolling interest | (1,020) | (1,310) | (4,756) | (4,818) |
| **Net loss attributable to Ayr Wellness Inc.** | $ (19,246) | $ (36,117) | $ (243,782) | $ (82,051) |
| **Basic and diluted net loss per share** | | | | |
| Continuing operations | $ (0.24) | $ (0.48) | $ (0.79) | $ (1.09) |
| Discontinued operations | (0.01) | (0.04) | (2.54) | (0.11) |
| Total (basic and diluted) net loss per share | $ (0.25) | $ (0.52) | $ (3.33) | $ (1.20) |
| **Weighted average number of shares outstanding (basic and diluted)** | 76,563 | 68,948 | 73,105 | 68,391 |

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.



**Ayr Wellness Inc.**
**Unaudited Interim Condensed Consolidated Statements of Shareholders' Equity**
*(Expressed in United States Dollars, in thousands)*

| | Multiple Voting Shares | Subordinate, Restricted, and Limited Voting Shares Number | Exchangeable Shares | Additional paid-in capital | Treasury stock | | Accumulated other comprehensive income | Accumulated Deficit | Noncontrolling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | # | # | # | $ | # | $ | $ | $ | $ | $ |
| **Balance, June 30, 2022** | **3,696** | **58,647** | **7,142** | **1,324,241** | **(645)** | **(8,987)** | **3,266** | **(311,136)** | **8,511** | **1,015,895** |
| Stock-based compensation | - | 488 | - | 9,271 | - | - | - | - | - | 9,271 |
| Tax withholding on stock-based compensation awards | - | (185) | - | (742) | - | - | - | - | - | (742) |
| Conversion of Exchangeable Shares | - | 74 | (74) | - | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | - | - | (36,117) | (1,310) | (37,427) |
| **Balance, September 30, 2022** | **3,696** | **59,024** | **7,068** | **1,332,770** | **(645)** | **(8,987)** | **3,266** | **(347,253)** | **7,201** | **986,997** |
| | | | | | | | | | | |
| **Balance, December 31, 2021** | **3,696** | **56,337** | **7,368** | **1,289,827** | **(568)** | **(7,828)** | **3,266** | **(265,202)** | **-** | **1,020,063** |
| Stock-based compensation | - | 1,017 | - | 28,652 | - | - | - | - | - | 28,652 |
| Tax withholding on stock-based compensation awards | - | (420) | - | (4,738) | - | - | - | - | - | (4,738) |
| Share issuance - related party - consulting services | - | 50 | - | 707 | - | - | - | - | - | 707 |
| Share issuance - business combinations | - | - | 683 | 6,352 | - | - | - | - | - | 6,352 |
| Share issuance - earn-out consideration | - | 1,029 | - | 11,748 | - | - | - | - | - | 11,748 |
| Conversion of Exchangeable Shares | - | 983 | (983) | - | - | - | - | - | - | - |
| Consolidation of variable interest entity | - | - | - | - | - | - | - | - | 12,019 | 12,019 |
| Exercise of options, net of options sold to cover income taxes | - | 33 | - | 300 | - | - | - | - | - | 300 |
| Repurchase of Equity Shares | - | (5) | - | (78) | (77) | (1,159) | - | - | - | (1,237) |
| Net loss | - | - | - | - | - | - | - | (82,051) | (4,818) | (86,869) |
| **Balance, September 30, 2022** | **3,696** | **59,024** | **7,068** | **1,332,770** | **(645)** | **(8,987)** | **3,266** | **(347,253)** | **7,201** | **986,997** |

| | Multiple Voting Shares | Subordinate, Restricted, and Limited Voting Shares | Exchangeable Shares | Additional paid-in capital | Treasury stock | | Accumulated other comprehensive income | Accumulated Deficit | Noncontrolling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | # | # | # | $ | # | $ | $ | $ | $ | $ |
| **Balance, June 30, 2023** | **3,696** | **63,718** | **9,710** | **1,364,162** | **(645)** | **(8,987)** | **3,266** | **(735,204)** | **(7,795)** | **615,442** |
| Stock-based compensation | - | 66 | - | 3,330 | - | - | - | - | - | 3,330 |
| Tax withholding on stock-based compensation awards | - | (13) | - | (39) | - | - | - | - | - | (39) |
| Shares issued for consulting services | - | 66 | - | 79 | | - | - | - | - | 79 |
| Conversion of Exchangeable Shares | - | 45 | (45) | - | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | - | - | (19,246) | (1,020) | (20,266) |
| **Balance, September 30, 2023** | **3,696** | **63,882** | **9,665** | **1,367,532** | **(645)** | **(8,987)** | **3,266** | **(754,450)** | **(8,815)** | **598,546** |
| | | | | | | | | | | |
| **Balance, December 31, 2022** | **3,696** | **60,909** | **6,044** | **1,349,713** | **(645)** | **(8,987)** | **3,266** | **(510,668)** | **2,000** | **835,324** |
| Stock-based compensation | - | 2,576 | - | 13,338 | - | - | - | - | - | 13,338 |
| Tax withholding on stock-based compensation awards | - | (78) | - | (360) | - | - | - | - | - | (360) |
| Shares issued for consulting services | - | 66 | - | 79 | - | - | - | - | - | 79 |
| Acquisition of variable interest entity | - | - | 233 | 115 | - | - | - | - | (6,059) | (5,944) |
| Share issuance - earn-out consideration | - | - | 3,797 | 4,647 | - | - | - | - | - | 4,647 |
| Conversion of Exchangeable Shares | - | 409 | (409) | - | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | - | - | (243,782) | (4,756) | (248,538) |
| **Balance, September 30, 2023** | **3,696** | **63,882** | **9,665** | **1,367,532** | **(645)** | **(8,987)** | **3,266** | **(754,450)** | **(8,815)** | **598,546** |

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

**Ayr Wellness Inc.**
**Unaudited Interim Condensed Consolidated Statements of Cash Flows**
*(Expressed in United States Dollars, in thousands)*

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2023 | September 30, 2022 |
| **Operating activities** | | |
| Consolidated net loss | $ (248,538) | $ (86,869) |
| Less: Loss from discontinued operations (*Note 4*) | (4,492) | (7,510) |
| Net loss from continuing operations before noncontrolling interest | (244,046) | (79,359) |
| ***Adjustments for:*** | | |
| Fair value gain on financial liabilities | (23,731) | (33,438) |
| Stock-based compensation | 13,338 | 28,652 |
| Stock-based compensation - related parties | - | 707 |
| Shares issued for consulting services | 79 | - |
| Depreciation and amortization | 24,984 | 12,417 |
| Amortization on intangible assets | 43,828 | 42,660 |
| Incremental costs to acquire cannabis inventory in a business combination | - | 6,217 |
| Deferred tax benefit | - | (2,128) |
| Amortization on financing costs | 1,743 | 1,719 |
| Amortization on financing premium | (2,263) | (2,263) |
| Employee Retention Credits recorded in other income | (5,238) | - |
| Loss (gain) on disposal of property, plant, and equipment | 66 | (190) |
| Loss on the disposal of Arizona business | 181,191 | - |
| ***Changes in operating assets and liabilities, net of business combinations:*** | | |
| Accounts receivable | (2,305) | 278 |
| Inventory | 1,626 | (10,304) |
| Prepaid expenses, deposits, and other current assets | (4,164) | 824 |
| Trade payables | (5,334) | (4,318) |
| Accrued liabilities | 3,245 | (1,473) |
| Accrued interest payable | 6,653 | 3,547 |
| Lease liabilities - operating | 1,857 | 1,524 |
| Income tax payable | 31,396 | 3,833 |
| Cash provided by (used in) continuing operations | 22,925 | (31,095) |
| Cash provided by (used in) discontinued operations | 2,180 | (3,608) |
| Cash provided by (used in) operating activities | 25,105 | (34,703) |
| | | |
| **Investing activities** | | |
| Purchase of property, plant, and equipment | (20,790) | (55,294) |
| Capitalized interest | (7,274) | (10,552) |
| Cash paid for business combinations and asset acquisitions, net of cash acquired | (1,500) | (11,469) |
| Cash paid for business combinations and asset acquisitions, working capital | (2,600) | (2,812) |
| Proceeds from the sale of assets, net of transaction costs | - | 31,433 |
| Cash received (paid) for bridge financing | (72) | 1,070 |
| Advances to related entities | - | (7,005) |
| Deposits for business combinations, net of cash on hand | - | (2,825) |
| Purchase of intangible asset | (1,700) | (4,000) |
| Cash used in investing activities from continuing operations | (33,936) | (61,454) |
| Proceeds from sale of Arizona - discontinued operation | 18,084 | - |
| Cash received for working capital - discontinued operations | 840 | - |
| Cash provided by (used in) investing activities of discontinued operations | (44) | 3,145 |
| Cash used in investing activities | (15,056) | (58,309) |
| | | |
| **Financing activities** | | |
| Proceeds from exercise of options | - | 300 |
| Proceeds from notes payable, net of financing costs | 10,430 | 51,713 |
| Proceeds from financing transaction, net of financing costs | 39,100 | 27,599 |
| Payment for settlement of contingent consideration | (10,118) | (10,000) |
| Deposits paid for financing lease and note payable | - | (924) |
| Tax withholding on stock-based compensation awards | (360) | (4,738) |
| Repayments of debts payable | (49,098) | (8,257) |
| Repayments of lease liabilities - finance (principal portion) | (7,676) | (7,438) |
| Repurchase of Equity Shares | - | (8,430) |
| Cash provided by (used in) financing activities by continuing operations | (17,722) | 39,825 |
| Cash used in financing activities from discontinued operations | (124) | (393) |
| Cash provided by (used in) financing activities | (17,846) | 39,432 |
| | | |
| **Net decrease in cash and cash equivalents and restricted cash** | (7,797) | (53,580) |
| **Cash, cash equivalents and restricted cash beginning of the period** | 76,827 | 154,342 |
| **Cash included in assets held-for-sale** | 3,813 | - |
| **Cash, cash equivalents and restricted cash end of the period** | $ 72,843 | $ 100,762 |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| | | |
| Interest paid during the period, net | $ 25,430 | $ 30,747 |
| Income taxes paid during the period | 7,080 | 29,248 |
| **Non-cash investing and financing activities:** | | |
| Recognition of right-of-use assets for operating leases | 8,586 | 52,296 |
| Recognition of right-of-use assets for finance leases | 4,402 | 30,812 |
| Issuance of promissory note related to business combinations | 1,580 | 16,000 |
| Conversion of convertible note related to business combination | 2,800 | - |
| Issuance of Equity Shares related to business combinations and asset acquisitions | 115 | 6,352 |

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

| | | |
|---|---|---|
| Issuance of Equity Shares related to settlement of contingent consideration | 4,647 | 11,748 |
| Issuance of promissory note related to settlement of contingent consideration | 14,000 | 14,934 |
| Settlement of contingent consideration | 37,713 | - |
| Capital expenditure disbursements for cultivation facility | 1,764 | 7,837 |
| Cancellation of Equity Shares | - | 78 |
| Extinguishment of note payable related to sale of Arizona business | 22,505 | - |
| Extinguishment of accrued interest payable related to sale of Arizona business | 1,165 | - |
| Reduction of lease liabilities related to sale of Arizona business | 16,734 | - |
| Reduction of right-of-use assets related to sale of Arizona business | 16,739 | - |

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.





## 1. NATURE OF OPERATIONS

Ayr Wellness Inc. ("Ayr" or the "Company") is a vertically integrated cannabis multi-state operator in the United States of America ("U.S."); through its operating companies in various states throughout the U.S., Ayr is a leading cultivator, manufacturer, and retailer of cannabis products and branded cannabis packaged goods. The Company prepares its segment reporting on the same basis that its chief operating decision maker manages the business and makes operating decisions. The Company has one operating segment, cannabis sales. The Company's segment analysis is reviewed regularly and will be re-evaluated when circumstances change.

The Company is a reporting issuer in the U.S. and Canada. The Company's subordinate, restricted, and limited voting shares ("Equity Shares") are trading on the Canadian Stock Exchange ("CSE"), under the symbol "AYR.A". The Company's Equity Shares are also quoted on the OTCQX(R) Best Market in the U.S. under the symbol "AYRWF". Ayr's headquarter office is 2601 South Bayshore Drive, Suite 900, Miami, FL 33133.

## 2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the rules and regulations of Canadian securities regulators and the United States Securities and Exchange Commission ("SEC"). Accordingly, these interim statements are condensed and do not include all disclosures required for annual financial statements.

The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022, included in the Company's Annual Report on the Form 40-F filed with the SEC on March 10, 2023. In the opinion of management, the financial data presented includes all adjustments, consisting primarily of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. Certain previously reported amounts have been reclassified between line items to conform to the current period presentation, however, there was no impact on previously reported net loss. These unaudited interim financial statements include estimates and assumptions of management that affect the amounts reported. Actual results could differ from these estimates. The results of operations of unaudited interim periods are not necessarily indicative of the results to be expected for the entire year, or any other period. Due to the sale of the Arizona business, the Company has reflected the assets and liabilities of Arizona as held for sale on the balance sheet as of December 31, 2022 and the operations as discontinued operations on the statements of operations for the period from January 1, 2022 through September 30, 2022, see Note 4.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of consolidation

The interim financial statements for the three and nine months ended September 30, 2023 and 2022 include the accounts of the Company, its wholly owned subsidiaries, and entities over which the Company has a controlling interest. Entities over which the Company has control are presented on a consolidated basis from the date control commences until the date control ceases. Equity investments where the Company does not exert a controlling interest are not consolidated. All intercompany balances and transactions involving controlled entities are eliminated on consolidation. The accompanying consolidated financial statements reflect the activity related to Arizona as discontinued operations, see Note 4.





## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Earnings per share

The basic loss per share is computed by dividing the net loss by the weighted average number of shares outstanding, including Equity Shares, multiple voting shares of the Company 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 ("Warrants"), restricted stock units ("RSUs"), and vested options of the Company ("Vested Options"). The treasury stock method is used for the assumed proceeds upon the exercise of the Warrants and Vested Options that are used to purchase Equity Shares at the average market price during the period. If the Company 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 Warrants, RSUs, and Vested Options, because their effect would be anti-dilutive, therefore, basic loss per share and diluted loss per share will be the same. For the three and nine months ended September 30, 2023, and 2022, the potentially dilutive financial instruments excluded from the calculation of earnings per share included nil and nil Warrants (2022: nil and 390), and 2,636 and 2,199 RSUs (2022: 3,929 and 3,214), totaling 2,636 and 2,199 (2022: 3,929 and 3,604) shares of potentially dilutive securities, respectively.

**3.3 Significant accounting judgments and estimates**

Significant estimates made by management include, but are not limited to: economic lives of leased assets; expected credit losses of accounts receivable; provisions for inventory obsolescence; impairment assessment of goodwill and long-lived assets; depreciable lives of property, plant and equipment; useful lives of intangible assets; accruals for contingencies, including tax contingencies; valuation allowances for deferred income tax assets; contingent consideration obligations resulting from business combinations; estimates of fair value of derivative instruments; and estimates of the fair value of stock-based payment awards.

**3.4 Discontinued operations**

Strategic changes in the Company's operations can be considered a discontinued operation if both the operations and cash flows of the discontinued business have been (or will be) eliminated from the ongoing operations of the Company and the Company will not have any significant continuing involvement in the operations of the discontinued business after the disposal transaction. Under ASC Subtopic 205-20, "Presentation of Financial Statements – Discontinued Operations" ("ASC Subtopic 205-20"), a component of an entity that is classified as discontinued operations is presented separately from continuing operations in the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows for all periods presented. All assets and liabilities related to such discontinued operations are classified as held for sale and presented separately in the Consolidated Balance Sheets for all periods prior to the disposal by sale. Accordingly, the presentation of prior period balances may not agree to previously issued financial statements. See Note 4 for additional information regarding the results of operations and major classes of assets and liabilities of discontinued operations.





**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.5 Liquidity and management plan**

As reflected in these interim financial statements, the Company has a negative working capital of $28,771 as of September 30, 2023 and has incurred net losses from continuing operations for the three and nine month periods ended September 30, 2023. The Company's approach to managing liquidity risk is to seek to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's short-term liquidity requirements consist primarily of funds necessary to maintain operations, repay borrowings and other general business needs. The Company plans to use existing funds, as well as funds from the future sale of products, to fund short-term working capital needs for at least the next 12 months.

In addition, the Company continues to take actions designed to improve the Company's operations and cash position, including but not limited to: (i) targeting continued growth of sales from our consolidated operations; (ii) continued cost-savings and efficiency optimization efforts; (iii) utilizing the future proceeds from an employee retention credit up to $12,354; (iv) addressing our debt maturity profile, including the announcement of the Company's entry into a Transaction Support Agreement (the "Support Agreement") with the holders of approximately 76% (collectively, the "Majority Noteholders") of the aggregate outstanding principal amount of the Company's 12.5% senior notes due December 2024 (the "Senior Notes") to extend the maturity date for an additional two years, see Note 18, and previously-announced contingent deferral of certain current debts payable; (v) latitude as to the timing and amount of certain expenses as well as capital expenditures; and (vi) seeking to take advantage of future potential financing (equity and/or debt) opportunities, including additional cash proceeds of $40,000 related to the issuance of new debt securities in the transactions subject to the Support Agreement, (refer to Note 18 for additional information). The deferrals related to the Support Agreement and contingent deferral of certain current debts payable as well as the $40,000 of cash proceeds will not be reflected in the balance sheet until the transaction is closed. Management cannot provide any assurances that the Company will be successful in accomplishing its business plans, raising the additional proceeds of $40,000, or that the transactions outlined in the Support Agreement will close, in which case, the Company may be forced to take other steps, including decelerating its growth or curtailing certain of its operations pending obtaining additional capital.

**3.6 Change in accounting standards**

The Company is treated as an "emerging growth company" as defined under the Jumpstart Our Business Start-ups Act of 2012, as amended (the "JOBS Act"). Under the JOBS Act, emerging growth companies may delay adopting new or revised accounting standards until the standards apply to private companies, however, emerging growth companies are not precluded from early adopting new accounting standards that allow so.





**3.6 Change in accounting standards (Continued)**

*Recently Issued and Adopted Accounting Standards*

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13 Topic 326 – Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, which was subsequently revised by ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-11, ASU 2020-02, ASU 2020-03, and ASU 2022-02 ("ASU 2016-13"), which introduces a new model for assessing impairment on most financial assets. Entities will be required to use a forward-looking expected loss model, which will replace the current incurred loss model, which will result in earlier recognition of allowance for losses. ASU 2016-13 is effective for the Company's fiscal year beginning after December 15, 2022, and interim periods therein. For accounts receivable only, the Company applies the simplified approach as permitted by ASU 2016-13. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive.

The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement. The adoption of ASU 2016-13 did not have a material impact on the Company's financial statements and there was no cumulative effect at the adoption of the standard.

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

In June 2022, the FASB issued ASU No. 2022-03 Topic 820 – Fair Value Measurement – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU 2022-03"), (1) to clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) to amend a related illustrative example, and (3) to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. ASU 2022-03 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, early adoption is permitted. The Company is currently evaluating the impact the adoption of ASU 2022-03 may have on the Company's financial statements.

In September 2022, the FASB issued ASU No. 2022-04 Topic 405 – Liabilities – Supplier Finance Programs ("ASU 2022-04"), which is intended to enhance transparency with supplier finance programs. ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Adoption is applied on a retrospective approach. The adoption of this ASU did not have a material impact on the Company's financial statements.

On March 27, 2023, the FASB issued ASU No. 2023-01 Topic 842 – Leases – Common Control Arrangements ("ASU 2023-01"), in response to private company stakeholder concerns about applying Topic 842 to related party arrangements between entities under common control. ASU 2023-01 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, early adoption is permitted. The Company is currently evaluating the impact the adoption of ASU 2023-01 may have on the Company's financial statements.





## 4. DISCONTINUED OPERATIONS

On March 27, 2023, the Company closed the sale of Blue Camo, LLC ("Blue Camo") which comprised the Company's Arizona business and included two licensed entities operating three Oasis-branded dispensaries in the greater Phoenix area, a cultivation and processing facility in Chandler, a cultivation facility in Phoenix, and the Company's majority interest in Willcox OC, LLC, a joint venture developing an outdoor cultivation facility. Total consideration consisted of $20,000 in cash before working capital adjustments and the assumption of lease obligations eliminating approximately $16,734 in long-term lease liabilities. In a separate agreement, all debt outstanding and potential earn-out contingent consideration, related to the 2021 acquisition of Blue Camo, was eliminated, reducing the Company's long-term debt by $22,505, along with accrued interest thereon of approximately $1,165 and potential earn-out contingent consideration to $nil.

The Company accounted for this sale as a disposal under ASC Subtopic 360-10, "Impairment or Disposal of Long-Lived Assets". The Company has reclassified the operations of Arizona as discontinued operations for all periods presented prior to the sale as the disposal represents a strategic shift that will have a major effect on the Company's operations and financial results. The Company determined the business to be held for sale as the criteria established under ASC 205-20-45-1E had been satisfied due to the sale occurring during the first quarter of 2023. During the year ended December 31, 2022, the Company determined under ASC 855-10-55, the Arizona business did not meet the criteria as held for sale, as such, no reclassification was made on the balance sheet and statement of operations in the Company's Annual Report on the Form 40-F. In accordance with ASC 205-20-50-1(a) the Company has reflected the reclassification of assets and liabilities of these entities as held for sale on the balance sheet as of December 31, 2022 and the operations as discontinued operations on the statement of operations for the period January 1, 2022 through September 30, 2022, and excluded from the accompanying notes.

As of December 31, 2022, the major classes of assets and liabilities held for sale in Arizona included the following:

| | | *As of* December 31, 2022 |
|---|---|---|
| **Current assets held-for-sale** | | |
| Inventory and other current assets | $ | 20,910 |
| Property, plant, and equipment, net | | 24,239 |
| Intangible assets, net | | 194,018 |
| Right-of-use assets | | 17,568 |
| Deferred tax asset, net | | 3,890 |
| **Total assets held-for-sale** | **$** | **260,625** |
| | | |
| **Current liabilities held-for-sale** | | |
| Trade payables and other current liabilities | $ | 2,629 |
| Lease liabilities | | 18,097 |
| Debt payable | | 22,505 |
| Accrued interest payable | | 610 |
| **Total liabilities held-for-sale** | **$** | **43,841** |





## 4. DISCONTINUED OPERATIONS (Continued)

The following table details the components comprising net loss from our discontinued operations:

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| **Revenues from discontinued operations, net of discounts** | $ - | $ 10,900 | $ 10,260 | $ 33,839 |
| Cost of goods sold | - | 6,972 | 9,074 | 20,471 |
| **Gross profit** | - | 3,928 | 1,186 | 13,368 |
| | | | | |
| **Operating expenses from discontinued operations:** | | | | |
| Selling, general, and administrative | - | 2,387 | 2,115 | 7,496 |
| Depreciation and amortization | - | 2,764 | 2,675 | 8,287 |
| **Total operating expenses from discontinued operations** | - | 5,151 | 4,790 | 15,783 |
| | | | | |
| **Loss from operations** | - | (1,223) | (3,604) | (2,415) |
| | | | | |
| **Other expense** | | | | |
| Interest Expense | - | (567) | (581) | (1,689) |
| | | | | |
| **Income taxes** | - | (961) | (307) | (3,406) |
| | | | | |
| **Loss from discontinued operations** | | | | |
| Loss from discontinued operations, net of taxes | - | (2,751) | (4,492) | (7,510) |
| Loss on disposal of discontinued operations | (996) | - | (181,191) | - |
| **Loss from discontinued operations** | **$ (996)** | **$ (2,751)** | **$ (185,683)** | **$ (7,510)** |

The loss on disposal of discontinued operations of approximately $181,191 is derived from the gross proceeds of $50,609, made up of $20,000 of cash consideration, a $6,939 working capital adjustment and the elimination of $23,670 of debt outstanding from the sale of Arizona, less the carrying value of Arizona of approximately $231,800. Loss on the disposal is preliminary and subject to change based on the settlement of the final working capital adjustment which can extend past nine months after the closing date.

## 5. VARIABLE INTEREST ENTITIES ("VIE")

In February 2022, the Company had the ability to direct the activities of two entities, Tahoe Hydroponics Company, LLC ("Tahoe Hydro") and NV Green, Inc. ("NVG" and, together with Tahoe Hydro, "TH"/ "NVG"), through a management services and equity purchase agreement, thereby classifying the entities as VIEs, until certain conditions are met, at which time the Company is required to evaluate business combination accounting. The assets of TH/NVG can only be used to settle its liabilities and under the applicable agreements TH/NVG retains ultimate legal responsibilities for its operations.

In May 2023, the Company finalized the acquisition of Tahoe Hydro and assumed 100% of the membership interest. Based on the changes in circumstances, the Company re-evaluated the status of Tahoe Hydro as a variable interest entity, concluding that the Company had acquired a controlling interest in Tahoe Hydro. Purchase consideration for the acquisition included $1,382 in cash, net of transaction expenses, promissory note of $1,580, the conversion of a convertible note of $2,800, and $115 in the form of 233 Exchangeable Shares. These shares have contractual restrictions on their ability to be sold for six to twelve months. The fair value of the shares was determined by the share price on the CSE at the date of acquisition and an 19.45% discount rate attributed to the contractual restrictions. NVG remains a VIE until certain conditions are met, at which time the Company is required to evaluate business combination accounting.





## 5. VARIABLE INTEREST ENTITIES ("VIE") (Continued)

On March 30, 2021, the Company completed its acquisition of Greenlight Management, LLC ("Greenlight Management") and Greenlight Holdings, LLC ("Greenlight Holdings") through a membership purchase agreement. Greenlight Management operates on a 58,000 square foot facility in Parma, Ohio under a management agreement with Parma Wellness Center, LLC ("Parma") a recipient of a Tier 1 Cultivator Provisional License in the medical cannabis market in Ohio. The Company determined that it possesses the power to direct activities of Parma through the management agreement, thereby classifying the entity as a VIE. During the three months ended September 30, 2023, the Company purchased a minority interest in Parma for $25. The Company evaluated the minority interest purchased in Parma and determined that Parma is still a VIE.

The following tables present the summarized financial information about the Company's consolidated VIEs which are included in the unaudited balance sheet as of September 30, 2023 and December 31, 2022 and statements of operations for the three and nine months ended September 30, 2023 and 2022. All of these entities were determined to be VIEs as the Company possesses the power to direct activities and obligation to absorb losses through management services agreements ("MSAs").

| | *As of* September 30, 2023 | | *As of* December 31, 2022 | |
|---|---|---|---|---|
| | NVG | Parma | TH/NVG | Parma |
| Current assets | $ 136 | $ 11,181 | $ 5,248 | $ 10,751 |
| Non-current assets | 1,114 | 2,246 | 6,582 | 14,634 |
| **Total assets** | **$ 1,250** | **$ 13,427** | **$ 11,830** | **$ 25,385** |
| | | | | |
| Current liabilities | $ 629 | $ 18,058 | $ 1,033 | $ 14,092 |
| Non-current liabilities | 407 | 1,443 | 898 | 1,952 |
| **Total liabilities** | **1,036** | **19,501** | **1,931** | **16,044** |
| | | | | |
| Noncontrolling interest | 951 | (9,766) | 7,528 | (5,528) |
| Equity (deficit) attributable to Ayr Wellness Inc. | (737) | 3,692 | 2,371 | 14,869 |
| **Total liabilities and equity** | **$ 1,250** | **$ 13,427** | **$ 11,830** | **$ 25,385** |

*Three Months Ended* *Nine Months Ended*

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

| | September 30, 2023 | | September 30, 2022 | September 30, 2023 | | September 30, 2022 |
|---|---|---|---|---|---|---|
| | NVG | Parma | TH/NVG | TH/NVG | Parma | TH/NVG |
| Revenues, net of discounts | $ - | $ 566 | $ 388 | $ 538 | $ 1,323 | $ 1,851 |
| Net loss attributable to noncontrolling interest | (85) | (935) | (1,310) | (518) | (4,238) | (4,818) |
| Net loss attributable to Ayr Wellness Inc. | - | (899) | - | - | (899) | - |
| Net loss | **$ (85)** | **$ (1,834)** | **$ (1,310)** | **$ (518)** | **$ (5,137)** | **$ (4,818)** |

| | TH/NVG | Parma |
|---|---|---|
| **Noncontrolling interest at January 1, 2022** | $ - | $ - |
| Total purchase consideration | 16,868 | - |
| Working capital adjustment presented as consideration payable | (4,849) | - |
| Net loss during the period | (4,491) | (5,528) |
| **Noncontrolling interest at December 31, 2022** | **$ 7,528** | **$ (5,528)** |
| Acquisition of Tahoe Hydro | (6,059) | - |
| Net loss during the period | (518) | (4,238) |
| **Noncontrolling interest at September 30, 2023** | **$ 951** | **$ (9,766)** |





## 6. INVENTORY

The Company's inventory includes the following:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Materials, supplies, and packaging | $ 7,883 | $ 9,770 |
| Work in process | 66,906 | 65,807 |
| Finished goods | 23,696 | 24,233 |
| **Total inventory** | **$ 98,485** | **$ 99,810** |

The amount of inventory included in cost of goods sold during the three and nine months ended September 30, 2023, and 2022, was$55,375 and $164,024, and $53,104 and $154,801, respectively. The Company reviews inventory on hand for estimated obsolescence or unmarketable items, as compared to future demand requirements and the shelf life of the various products. Based on the review, the Company records inventory write-downs, when necessary, when costs exceed expected net realizable value.

For the three and nine months ended September 30, 2023 and 2022, $nil and $nil, and $486 and $6,217, respectively, of expenses relating to the incremental costs to acquire cannabis inventory in business combinations are recognized in cost of goods sold on the statements of operations. This relates to the one-time adjustment of cannabis inventory from acquiree historical cost to fair value as part of the purchase price allocation.

## 7. PROPERTY, PLANT, AND EQUIPMENT

As of September 30, 2023, and December 31, 2022, property, plant, and equipment, net consisted of the following:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Furniture and equipment | $ 53,535 | $ 53,070 |
| Auto and trucks | 1,657 | 1,626 |
| Buildings | 93,517 | 91,233 |
| Leasehold improvements | 172,092 | 154,774 |
| Land | 13,878 | 13,879 |
| Construction in progress | 15,012 | 9,581 |
| Total | 349,691 | 324,163 |
| Less: Accumulated depreciation and amortization | 36,603 | 21,483 |
| **Total property, plant and equipment, net** | **$ 313,088** | **$ 302,680** |

Capitalized interest for the three and nine months ended September 30, 2023 and 2022, totaled $1,811 and $7,274, and $3,385 and $10,552, respectively. Depreciation and amortization expense for the three and nine months ended September 30, 2023 totaled $5,419 and $19,714, respectively, of which $4,000 and $11,818, respectively, is included in cost of goods sold. Depreciation and amortization expense for the three and nine months ended September 30, 2022 totaled $3,763 and $9,354, respectively, of which $2,578 and $6,447, respectively, is included in cost of goods sold.





## 8. INTANGIBLE ASSETS

During the year ended December 31, 2022, an entity co-owned by the Company was awarded a provisional Disproportionately Impacted Area cultivator license in Connecticut.

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

The Company recorded an intangible asset of $3,000 in connection with the cash payment for the cost of the provisional license. During the three months ended September 30, 2023, the Company acquired a standalone delivery license in Connecticut and recorded an intangible asset of $200 in connection with the cash payment for the cost of the license. The operations at Connecticut are not currently active, as such, no amortization expense has been recorded for the period ended September 30, 2023.

Amortization expense is recorded within cost of goods sold and total operating expenses. The amount in cost of goods sold for the three and nine months ended September 30, 2023 and 2022 was $4,363 and $12,463, and $3,983 and $11,915, respectively.

The following table presents intangible assets, net accumulated amortization:

| | *Amortization period (# of years)* | September 30, 2023 | December 31, 2022 |
|---|---|---|---|
| Licenses/permits | 15 | $ 654,086 | $ 693,714 |
| Right-to-use licenses | 15 | 16,735 | 17,717 |
| Host community agreements | 15 | 27,589 | 29,494 |
| Trade name / brand | 5 | 4,171 | 3,784 |
| **Total** | | **$ 702,581** | **$ 744,709** |

| | Amortization Expense |
|---|---|
| 2023 | $ 14,818 |
| 2024 | 58,108 |
| 2025 | 57,293 |
| 2026 | 57,293 |
| 2027 | 57,293 |
| 2028 and beyond | 454,576 |
| **Total** | **$ 699,381** |





## 9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Information related to operating and finance leases is as follows:

| | September 30, 2023 | | September 30, 2022 | |
|---|---|---|---|---|
| | Operating Leases | Finance Leases | Operating Leases | Finance Leases |
| Incremental borrowing rate (weighted average) | 11.81% | 10.30% | 11.97% | 9.57% |
| Weighted average remaining lease term | 12.41 yrs | 4.76 yrs | 13.22 yrs | 5.01 yrs |

The maturities of the contractual lease liabilities as of September 30, 2023 are as follows:

| | Operating Leases | Finance Leases | Total |
|---|---|---|---|
| 2023 | $ 6,968 | $ 3,303 | $ 10,271 |
| 2024 | 27,815 | 11,967 | 39,782 |
| 2025 | 27,372 | 6,257 | 33,629 |
| 2026 | 26,600 | 4,221 | 30,821 |
| 2027 | 25,190 | 3,141 | 28,331 |
| 2028 and beyond | 214,778 | 8,708 | 223,486 |
| **Total undiscounted lease liabilities** | **328,723** | **37,597** | **366,320** |
| Impact of discounting | (200,136) | (7,879) | (208,015) |
| **Total present value of minimum lease payments** | **$ 128,587** | **$ 29,718** | **$ 158,305** |

Payments related to capitalized leases during the three and nine months ended September 30, 2023 and 2022 are as follows:

| | *Three Months Ended* | | *Nine Months Ended* | |
|---|---|---|---|---|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| **Lease liabilities - operating** | | | | |
| Lease liabilities - operating expense, COGS | $ 2,187 | $ 2,054 | $ 6,581 | $ 4,458 |
| Lease liabilities - operating expense, G&A | 4,174 | 3,810 | 11,983 | 10,073 |
| **Lease liabilities - finance** | | | | |
| Amortization of right-of-use assets, COGS | 1,747 | 1,312 | 5,141 | 2,923 |
| Amortization of right-of-use assets, G&A | 35 | 48 | 130 | 140 |
| Interest on lease liabilities - finance, COGS | 776 | 710 | 2,289 | 1,623 |
| Interest on lease liabilities - finance, G&A | 8 | 15 | 32 | 44 |
| **Total lease expense** | **$ 8,927** | **$ 7,949** | **$ 26,156** | **$ 19,261** |

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

## 10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and shareholders of the Company 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., a company owned by a former executive of Ayr, entered into a management agreement with the Company dated May 24, 2019. The management fee is paid monthly and varies based on actual costs incurred by the related entity when providing the Company administrative support, management services, office space, and utilities. In addition, the management fees paid to the related party also reimbursed them for 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 September 30, 2023, and December 31, 2022, $nil and $698, respectively, was included in prepaid expenses, a majority of which is for a letter of credit for an operating lease during 2022. Lease fees included in operating lease expense during the three and nine months ended September 30, 2023 and 2022 were $216 and $645, and $217 and $647, respectively. During the three and nine months ended September 30, 2023 and 2022 included in general and administrative expenses are management fees of $nil and $nil, and $8 and $11, respectively.

During the three and nine months ended September 30, 2023 and 2022 the Company incurred fees from a company partially owned by a board member of Ayr. The total incurred fees were $18 (2022: $14) and $41 (2022: $41) of office expenses, $nil (2022: $69) and $24 (2022: $308) of development fees, $309 (2022: $154) and $774 (2022: $690) of rental fees, and $18 (2022: $39) and $70 (2022: $131) of interest expense, respectively, for the three and nine months ended September 30, 2023 and 2022. Additionally, the board member was issued 50 Equity Shares, valued at $707 on the grant date, related to a consulting agreement with the Company for services rendered for the nine months ended September 30, 2022.

Refer below to the debts payable and senior secured notes and share capital notes for additional information regarding the debts payable to related parties and non-cash stock-based compensation plan, respectively, for the three and nine months ended September 30, 2023 and 2022.





## 11. DEBTS PAYABLE AND SENIOR SECURED NOTES

### Senior Secured Notes

On November 12, 2021, the Company completed a private placement offering of approximately $133,250 aggregate principal amount of secured promissory notes at a premium price, resulting in approximately $147,000 of proceeds due December 2024, with a resulting yield-to-maturity of 9.8%. The notes were considered additional notes under the indenture governing the Company’s existing notes which were entered into on December 10, 2020.

As of September 30, 2023 and December 31, 2022, the Company’s Senior Secured Notes consisted of the following:

| | | Senior secured notes |
|---|---|---|
| **As of January 1, 2022** | $ | **245,408** |
| Debt issuance costs amortized | | 2,292 |
| Senior secured notes premium amortized | | (3,018) |
| **As of December 31, 2022** | $ | **244,682** |
| Debt issuance costs amortized | | 1,719 |
| Senior secured notes premium amortized | | (2,263) |
| **Total senior secured notes classified as non-current payable as of September 30, 2023** | $ | **244,138** |
| **Total accrued interest payable related to senior secured notes classified as current payable as of September 30, 2023** | $ | **7,602** |

### Debts Payable

As of September 30, 2023 and December 31, 2022, debt payable other than Senior Secured Notes consisted of the following:

| | | Debts payable |
|---|---|---|
| **As of January 1, 2022** | $ | **133,858** |
| Discounted as of December 31, 2021 | | 951 |
| Incurred through earn-out provision | | 14,934 |
| Debt Issued | | 68,000 |
| Construction financing | | 36,303 |
| Less: repayment | | (17,924) |
| Less: discounted to fair value | | (598) |
| **As of December 31, 2022** | | **235,524** |
| Discounted as of December 31, 2022 | | 598 |
| Debt issuance costs | | (1,000) |
| Debt issuance costs amortized | | 25 |
| Debt issued | | 66,010 |
| Construction financing | | 1,764 |
| Less: extinguishment related to sale of Arizona business | | (22,505) |
| Less: repayment | | (49,098) |
| **Total debts payable, undiscounted as of September 30, 2023** | | **231,318** |
| Less: discounted to fair value | | (299) |

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

| | | |
|---|---|---|
| **Total debts payable as of September 30, 2023** | **$** | **231,019** |
| **Total accrued interest payable related to debts payable classified as current payable as of September 30, 2023** | **$** | **6,706** |





**11. DEBTS PAYABLE AND SENIOR SECURED NOTES (Continued)**

The details of debts payable, including construction financing liabilities, were as follows:

| | September 30, 2023 | | |
|---|---|---|---|
| | **Related party debt** | **Non-related party debt** | **Total debt** |
| Total debts payable, undiscounted | $ 1,092 | $ 231,201 | $ 232,293 |
| Less: current portion | 1,092 | 57,960 | 59,052 |
| Less: debt issuance costs - current portion | - | 99 | 99 |
| **Total non-current debt, undiscounted** | **-** | **173,142** | **173,142** |
| Less: discount to fair value | - | (299) | (299) |
| Less: debt issuance costs - non-current portion | - | 876 | 876 |
| **Total non-current debt** | **$ -** | **$ 171,967** | **$ 171,967** |

The following table presents the future debt obligations other than Senior Secured Notes as of September 30, 2023:

| **Future debt obligations** *(per year)* | |
|---|---|
| 2023 | $ 4,429 |
| 2024 | 57,005 |
| 2025 | 28,610 |
| 2026 | 28,760 |
| 2027 | 9,597 |
| 2028 and beyond | 103,892 |
| **Total debt obligations** | **$ 232,293** |

As part of the business combinations and asset acquisitions, the Company 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 Company across various roles including directors, and officers.

On March 17, 2022, the Company entered into a loan agreement with a community bank for total proceeds of $26,200, net of financing costs of $287, with a 4.625% annual interest rate payable monthly. The loan is secured with a first mortgage lien on certain real property in Massachusetts and matures five years from the date of the agreement, with an option to extend for an additional five years. On March 24, 2023, the Company amended the loan agreement and received additional total proceeds of $10,000, net of financing costs of $100, with an 8% annual interest rate payable monthly for the incremental proceeds.

On April 7, 2023, the Company issued a non-related party promissory note in the amount of $1,580 to the former member of Tahoe Hydro that is secured by all the assets of and a pledge of membership interests in Tahoe Hydro. The note matures four years from the closing date of April 2023 with an annual interest rate of 8% with quarterly straight-line amortization payments over the life of the loan.

On May 11, 2023, the Company reached an agreement to amend the terms of contingent consideration under the membership interest purchase agreements of GSD NJ LLC ("GSD") and Sira Naturals, Inc. ("Sira"). The amendment for GSD settles the contingent consideration with total proceeds of $38,860, consisting of $10,000 in cash, promissory notes in an aggregate principal amount of $14,000, $10,213 in deferred cash, and $4,647 of Equity Shares. The $10,213 in deferred cash is classified within accrued expenses on the balance sheet as of September 30, 2023. The $14,000 promissory notes are due December 2026 with monthly interest-only payments of 13.5% until May 2024 (with 1% monthly amortization thereafter). The number of Equity Shares was calculated based on a market price equal to $0.79 which represents 3,797 Equity Shares. The amendment for Sira represents a two-year deferral of the $27,500 of proceeds payable from the original May 2024 payment date, with an annual interest rate of 6.0% and 10% annual amortization payments. Refer to Note 13 for further details on the fair value loss recognized on the settlement of the contingent consideration.





**11. DEBTS PAYABLE AND SENIOR SECURED NOTES (Continued)**

In May 2023, the Company executed contingent agreements, securing a two-year deferral on principal or amortization payments of certain of its debt obligations, which includes aggregate principal amount of approximately $69,000 of debt obligations, including contingent agreements with holders of approximately $60,500 aggregate principal amount of vendor take-back promissory notes. The Company has also reached contingent agreements to defer the maturities of $4,500 of other promissory notes, as well as a $4,000 amortization payment due in December 2023. The effectiveness of the maturity and amortization deferrals is contingent on an extension of the Company's Senior Secured Notes to December 10, 2026, or a later date (or an exchange of the Senior Secured Notes for a new series of notes with a maturity date of December 10, 2026 or a later date). The effectiveness of the maturity and amortization deferrals is contingent on the closing of the Senior Secured Note extension transaction, or in some cases the execution of an agreement by a requisite threshold of Senior Noteholders to extend the maturity date of the Senior Secured Notes by at least two years. Subsequent to September 30, 2023, the Company entered into a Support Agreement with the Majority Noteholders of the Senior Secured Notes to extend the maturity date by two years, see Note 18 for further details. In accordance with ASC Subtopic 470-10, "Other Presentation Matters" ("ASC Subtopic 470-10"), the Company met the criteria to classify the short-term obligations of $27,733 for debt contingent on the execution of the Support Agreement as a noncurrent liability on the balance sheet as of September 30, 2023 by demonstrating the intent and ability to extend the short-term obligation prior to the financial statement issuance date. For the remaining agreements, contingent on the closing of the Transactions (as defined herein), the Company did not retrospectively reflect the amendments in the financial statements. In accordance with ASC 340-10-S99-1, SAB Topic 5.A, "Expenses of Offering", the Company capitalized debt transaction fees paid to third parties of $5,247 as prepaid expenses in the balance sheet as of September 30, 2023. The Company has not concluded on whether the transaction will be accounted for as an extinguishment or a modification, and cannot do so until the transaction takes place. As a result, the costs incurred to date have been capitalized and on the date the transaction closes, the costs will either be expensed or reflected as a reduction of the carrying value of the indebtedness. If the transaction is not completed or it becomes apparent that it will not be completed, the costs will be expensed immediately.

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

On July 7, 2023, the Company entered into a loan agreement to refinance and upsize an existing mortgage which was due to mature in May 2024. The loan agreement included total proceeds of $40,000, with an interest rate of 5-year Federal Home Loan Bank Rate plus 4%, which implies a current rate of 8.27% with interest-only payments for the first 18 months. The note extends the maturity of the existing mortgage to 10 years. Proceeds from the loan were used to pay down the Company's existing mortgage of $25,219.

In connection with the sale of Arizona, on March 27, 2023, the outstanding principal balance of $22,505 and accrued interest of $1,165, payable to the original owners of the Arizona business was eliminated. Refer to Note 4 for further details on the sale of Arizona.

Interest expense associated with related party debt payable for the three and nine months ended September 30, 2023 and 2022 was $18 and $70, and $372 and $1,141, respectively.





## 12. SHARE CAPITAL

The following activity occurred during the nine months ended September 30, 2022:

- 5 Equity Shares were repurchased and cancelled, and 77 Equity Shares were repurchased and held as a result of the Company's stock repurchase program.
- In relation to the exercise of 1,017 RSUs, 597 Equity Shares were issued due to net settlement.
- 33 shares were forfeited 33 Equity Shares were issued in connection with options exercised.
- 1,029 Equity Shares were issued in connection with the earn-out provision related to the acquisition of PA Naturals.
- 908 Exchangeable Shares were exchanged for 908 Equity Shares related to the purchase considerations to the CannTech PA, LLC acquisition.
- 329 Exchangeable Shares were issued in connection with the Q1 2022 Cultivauna Acquisition.
- 353 Exchangeable Shares were issued in connection with the Herbal Remedies Acquisition
- 50 Equity Shares were issued to a related party.
- 26 Exchangeable Shares were exchanged for 26 Equity Shares related to the purchase consideration of the Oasis acquisition.
- 47 Exchangeable Shares were converted to Equity Shares.

The following activity occurred during the nine months ended September 30, 2023:

- In relation to the vesting of 2,576 RSUs, 2,498 Equity Shares were issued due to net settlement.
  - 79 shares were forfeited during the period.
- 3,797 Exchangeable Shares were issued in connection with the GSD contingent consideration settlement.
- 233 Exchangeable Shares were issued in connection with the Q1 2022 acquisition of Tahoe Hydro.
- 46 Exchangeable Share was exchanged for 46 Equity Shares related to the Q1 2022 acquisition of Levia.
- 354 Exchangeable Shares were exchanged for 354 Equity Shares related to the Q2 2022 acquisition of Herbal Remedies.
- 9 Exchangeable Shares were converted into 9 Equity Shares as of September 30, 2023.
- 66 SVS shares were issued for consulting services.

*Warrants*

The average remaining life of Warrants is 0.6 years as of September 30, 2023 (2022: 1.9 years) with an aggregate intrinsic value of $nil in 2023 (2022: $nil). The Warrants have an exercise price of $9.07US. The number of Warrants outstanding as of September 30, 2023, and December 31, 2022, were as follows:

| | Number | Weighted Average Fair Value |
|---|---|---|
| **Balance as of January 1, 2022** | **2,874** | **$ 1,786** |
| *No activity* | - | - |
| **Balance as of December 31, 2022** | **2,874** | **1,786** |
| *No activity* | - | - |
| **Balance as of September 30, 2023** | **2,874** | **$ 1,786** |





## 13. DERIVATIVE LIABILITIES

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

**Purchase Consideration and Contingent Consideration**

In May 2023, the Company reached an agreement to amend and settle the terms of contingent consideration under the membership interest purchase agreements of GSD and Sira. The Company recognized a fair value loss during the period of $206 on the settlement of the contingent consideration obligation for GSD and $3,660 on the settlement of the contingent consideration obligation for Sira. Refer to Note 11 for further details on the amended terms of the contingent consideration.

The fair value adjustment relating to derivative liabilities has been included in the statements of operations under "Fair value gain on financial liabilities" as detailed below:

| | *Three Months Ended* | | *Nine Months Ended* | |
|---|---|---|---|---|
| | **September 30, 2023** | **September 30, 2022** | **September 30, 2023** | **September 30, 2022** |
| Gain from FV adjustment on contingent consideration | $ - | 1,847 | $ 27,597 | $ 32,205 |
| Loss from FV adjustment on purchase consideration settlement | - | - | - | (1,780) |
| (Loss) gain from settlement of contingent consideration | - | - | (3,866) | 3,186 |
| **Total** | **$ -** | **$ 1,847** | **$ 23,731** | **$ 33,611** |

## 14. STOCK-BASED COMPENSATION

The Company has adopted an equity incentive plan, as amended on May 2, 2021 ("The Plan"), which allows the Company to compensate qualifying Plan participants through stock-based arrangements and provide them with opportunities for stock ownership in the Company, thereby seeking to align the interests of such persons with the Company's shareholders. Under The Plan, the Company may grant stock options, RSUs, performance compensation awards, and unrestricted stock bonuses or purchases. The maximum number of Equity Shares that may be issued under The Plan and any other security-based compensation agreements shall not exceed 12% of the total number of fully diluted shares issued and outstanding from time to time.

In addition, the Company 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 Equity Shares that may be awarded under The Plan on a one-for-one basis.

The stock-based compensation expense is based on either the Company's share price for service-based and market-based conditions on the date of the grant or the fair value of the performance-based RSU. The RSUs vest over a one to four-year period, based on service, market, and/or performance conditions. During the nine months ended September 30, 2023, there were 650 of both market and performance based RSUs outstanding, totaling 1,300. During the nine months ended September 30, 2023 and 2022, 2,498 and 294 shares, respectively, vested related to RSUs granted in the current and prior periods, except for the market and performance based RSUs as they did not meet the probable threshold. Any cumulative adjustment prior to vesting is recognized in the current period with no adjustment to prior periods for expense previously recognized. During the nine months ended September 30, 2023 and 2022, there were 79 and 33 forfeitures of nonvested RSUs, respectively.





## 14. STOCK-BASED COMPENSATION (Continued)

During the nine months ended September 30, 2023, 2,576 Equity Shares vested, of which 2,498 were issued due to net settlement. During the nine months ended September 30, 2023, the result of the net settlement was 77 Equity Shares were withheld in lieu of tax payments, with a total value of $335. As of September 30, 2023, the average remaining life of unvested RSUs is two years and two months with an expected expense over the next 12 months of $10,028 with an aggregate intrinsic value of $18,344 using the stock price as of September 30, 2023. The number of RSUs outstanding as of September 30, 2023 and December 31, 2022 were as follows:

| | **Number of Shares** | **Weighted Average Grant Date Fair Value** |
|---|---|---|
| **RSUs outstanding and nonvested, as of January 1, 2022** | 8,100 | $ 18.83 |
| Granted | 741 | 6.45 |
| Vested | (2,135) | 18.58 |
| Forfeited | (78) | 15.90 |
| **RSUs outstanding and nonvested, as of December 31, 2022** | **6,628** | **$ 17.56** |
| Granted | 1,066 | 0.98 |
| Vested | (2,576) | 20.52 |
| Forfeited | (79) | 13.07 |
| **RSUs outstanding and nonvested, as of September 30, 2023** | **5,039** | **$ 12.47** |

[1] *Includes Ayr granted but unvested performance based RSUs (PSUs) totaling 1,300 that do not meet the probability threshold*

*Options*

Other than as described below, no options have been granted during nine months ended September 30, 2023 and 2022.

As part of the Liberty acquisition, the Company issued replacement options to certain employees of Liberty who became employees of the Company which were fully vested as of the date of acquisition. The range of exercise price is between $10.59 and $29.60. As of September 30, 2023 and 2022, the weighted average remaining life of the options is one year and four months and under one year, respectively, with an aggregate intrinsic value of $nil and $nil, respectively. The number of options outstanding as of September 30, 2023 and December 31, 2022 were as follows:

| | **Number of Options** | **Weighted Average Fair Value** |
|---|---|---|
| **Balance as of January 1, 2022** | **198** | **$ 17.93** |
| Options exercised | (33) | 17.93 |
| **Balance as of December 31, 2022** | **165** | **$ 17.93** |
| Options expired/cancelled | (6) | 20.76 |

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

| | | |
|---|---|---|
| **Balance as of September 30, 2023** | **159** | **17.92** |





## 15. COMMITMENTS AND CONTINGENCIES

**Commitments**

As of September 30, 2023, the Company guaranteed the lease obligation of a location related to a third-party that operates a dispensary in New Jersey. The Company is the guarantor of the lease with maximum total payments of $779 and will continue as the guarantor through December 2028. The Company would be required to perform under the guarantee if the third-party is in default. As of September 30, 2023, the Company does not anticipate any material defaults under the foregoing lease, and therefore, no liability has been accrued.

As of September 30, 2023, the Company remains jointly liable under a lease related to its former Arizona business. As part of the sale of the Arizona business, the buyer agreed to cause its wholly owned subsidiary (and party to the lease) to perform all lease obligations arising on or after the closing date. The buyer also agreed to indemnify the Company for these same obligations. The lease requires maximum total payments of $11,133 through May 2035. As of September 30, 2023, the Company does not anticipate any material defaults under the lease, and therefore, no liability has been accrued.

**Contingencies**

On March 27, 2020, the U.S. Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law, aimed at providing emergency assistance and health care for individuals, families, and businesses affected by the COVID-19 pandemic and generally supporting the U.S. economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, and modifications to the net interest deduction limitations. Employee Retention Credit ("ERC") is a refundable credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 17, 2020 to December 31, 2020. The U.S. Disaster Tax Relief Act, enacted on December 27, 2020, extended the employee retention credit for qualified wages paid from January 1, 2021 to June 30, 2021, and the credit was increased to 70% of qualified wages an eligible employer paid to employees during the extended period. The American Rescue Plan Act of 2021, enacted on March 11, 2021, further extended the employee retention credit through December 31, 2021. The general statute of limitations for employment tax audits is three years, but the Internal Revenue Service's ("IRS") ERC guidance has an extended five-year statute. The Company experienced full or partial suspension of portions of the business during the period covered by the ERC due to government orders limiting commerce, travel, or group meeting due to COVID-19. In 2023, the Company filed for an ERC for the period beginning January 1 to June 30, 2021 in the amount of $12,354. During the three months ended September 30, 2023, the Company received notices from the IRS for a total ERC refund of $5,238 and recorded a receivable included as part of prepaid expenses, deposits, and other current assets in the balance sheet and other income on the statement of operations. In accordance with ASC 958-605, Not-for-Profit Entities—Revenue Recognition, the Company determined that the condition to record a receivable is met when the IRS confirms the claim is valid or the cash is received. Absent of any confirmation, there remains uncertainty as to whether the amounts will be received. Due to the degree of uncertainty regarding the implementation of the CARES Act and other stimulus legislation and the nature of our business, although the Company expects to receive the remaining ERC, the Company determined that the remaining claim did not yet meet the criteria to record as a receivable as of September 30, 2023.





## 15. COMMITMENTS AND CONTINGENCIES (Continued)

**Contingencies (continued)**

The Company's operations are subject to a variety of local and state governmental 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 Company ceasing operations. While management of the Company believes that the Company is in compliance, in all material respects, with applicable local and state governmental regulations as of September 30, 2023, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

**Claims and Litigation**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of September 30, 2023, there were no material pending or threatened lawsuits that could be reasonably expected to have a material adverse effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates are an adverse party or have a material interest adverse to the Company's interest.

## 16. FINANCIAL RISK FACTORS

***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 Company is exposed to interest rate risk on its cash and long-term debts. Cash and deposits bear interest at market rates. The Company's debts are predominantly at fixed rates of interest. The Company 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.

## 17. TAXATION

*(Expressed in United States Dollars, in thousands, except where stated otherwise)*

As the Company operates in the legal cannabis industry, the Company is subject to the limits of Section 280E of the Internal Revenue Code, as amended ("Section 280E") for U.S. federal income tax purposes as well as state income tax purposes for all states except for Illinois, Massachusetts, and New Jersey. Under Section 280E, the Company is generally only allowed to deduct expenses directly related to cost of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss recognized for financial reporting purposes. The effective tax rate differs from the statutory rate primarily due to the impact of Section 280E.





**17. TAXATION (Continued)**

The Company is treated as a U.S. corporation for the U.S. federal income tax purposes under Section 7874 of the Internal Revenue Code, as amended ("Section 7874") and is subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, the Company, regardless of any application of Section 7874, is treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "ITA") for Canadian income tax purposes. As a result, the Company is subject to taxation both in Canada and the United States. The Company is also subject to state income taxation in Massachusetts, Pennsylvania, Florida, Arizona (see Note 4), Illinois, and New Jersey. Income tax is accounted for in accordance with ASC 740, Income Taxes. The following table summarizes the Company's income tax expense and effective tax rates from continuing operations for the three and nine months ended September 30, 2023 and 2022.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2023 | September 30, 2022 | September 30,2023 | September 30,2022 |
| Loss from continuing operations before income taxes and noncontrolling interest | $ (5,727) | $ (25,050) | $ (25,247) | $ (51,182) |
| Provision for income taxes from continuing operations | 13,543 | 9,626 | 37,608 | 28,177 |
| Effective tax rate | -236% | -38% | -149% | -55% |

Refer to Note 4 for income taxes related to discontinued operations.

The Company's quarterly tax provision is calculated under the discrete method which treats the interim period as if it were the annual period and determines the income tax expense or benefit on that basis. The discrete method is applied when application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The Company believes, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method due to the high degree of uncertainty in estimating annual pre-tax income due to the impact of Section 280E.

**18. SUBSEQUENT EVENTS**

The Company's management has evaluated subsequent events through the date the interim financial statements were issued.

Subsequent to September 30, 2023, the Company entered into a Support Agreement with the Majority Noteholders, pursuant to which the Majority Noteholders have agreed to support a transaction under which: (i) all of the Senior Secured Notes would be exchanged for an equivalent principal amount of new 13% senior secured notes due December 10, 2026 (the "13% Senior Notes and such exchange, the "Exchange Transaction"); (ii) the Majority Noteholders will be offered the opportunity to participate in the issuance of additional 13% Senior Notes in an aggregate principal amount of $50,000 (the "New Money Notes") (subject to 20% original issue discount) concurrent with the completion of the Exchange Transaction; (iii) the offering of the New Money Notes will be backstopped by one of the Majority Noteholders, in exchange for which such backstop party will receive a backstop premium on closing payable in the form of subordinated, restricted or limited voting shares in the Company representing in the aggregate 5.1% of the outstanding shares on a fully-diluted and pro-forma basis (or non-voting shares in one of the Company's subsidiaries representing the equivalent value to 5.1% of the outstanding shares of the Company on a fully-diluted and pro forma basis) (the "Backstop Premium"); and (iv) recipients of 13% Senior Notes will also concurrently receive subordinated, restricted and limited voting shares (the "New Shares") representing in the aggregate 24.9% of the issued and outstanding shares of the Company on a fully-diluted and pro-forma basis (or 20.8% of the outstanding shares assuming the exercise of the Anti-Dilutive Warrants), (collectively, the "Transactions").





**18. SUBSEQUENT EVENTS (Continued)**

In addition, as described below, new warrants (the "Anti-Dilutive Warrants") would be issued at closing to all then-existing shareholders (excluding recipients of the New Shares and the Backstop Premium) and would be exercisable for shares at a price of $2.12 per share for two years following closing. The Anti-Dilutive Warrants will only be exercisable by non-U.S. Persons and Accredited Investors in the U.S., as such terms are defined under U.S. securities laws. The Transactions will also be subject to approval by the Ontario court pursuant to a plan of arrangement commenced under the Canada Business Corporations Act. The Transactions will be subject to customary terms and conditions, including approval by the requisite majority of holders of Senior Notes and the receipt of required approvals from applicable state cannabis regulators. In accordance with ASC Subtopic 470-10, since the Transactions have not closed, the Company determined that it did not meet the criteria to classify the existing loan as a noncurrent liability on the balance sheet and in Note 11 as of September 30, 2023.

Subsequent to September 30, 2023, the Company entered into an agreement with LivFree Wellness, LLC ("LivFree") to amend certain terms of the promissory note dated May 24, 2019 (the "LivFree Note") executed in connection with the Company's acquisition of LivFree. The amendments to the LivFree Note will provide, among other things, a principal payment of $3,000 upon closing of the Transactions (as defined in the paragraph above) and a deferral of the maturity of the remaining $17,000 of principal and $5,227 of accrued payment-in-kind interest for a period of two years to May 24, 2026. In addition, upon closing of the Transactions, the interest on the LivFree Note converts from payment-in-kind to monthly cash interest and the interest rate increases from 6.0% to 10.0%. In accordance with ASC Subtopic 470-10, since the Transactions have not closed, the Company determined that it did not meet the criteria to classify the existing loan as a noncurrent liability on the balance sheet and in Note 11 as of September 30, 2023.

Ayr Wellness Inc.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**
**(EXPRESSED IN UNITED STATES DOLLARS)**



**Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Ayr Wellness Inc. ("Ayr", "the Company", "we", "our" or "us") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2023, and 2022. This discussion should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 (the "interim 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. The interim financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the financial information contained herein is derived from the interim financial statements. Further information about the Company and its operations can be obtained on ir.ayrwellness.com, www.sec.gov/edgar, and www.sedarplus.ca. The information contained on such websites is not a part of, nor is it incorporated by reference into, this MD&A.

The effective date of this MD&A is November 16, 2023.

**Overview of the Company**

Ayr Wellness Inc. is a United States ("U.S.") multi-state cannabis business operating as a retailer and consumer packaged goods company. Founded in 2019 and headquartered in Miami, Florida, the Company is focused on delivering quality cannabis products and strong customer experience throughout its footprint. As of September 30, 2023, the Company employed approximately 2,200 personnel. The Company, through its subsidiaries and affiliates, holds, operates, and manages licenses and permits in the States of Florida, Massachusetts, Nevada, New Jersey, Ohio, Pennsylvania, Illinois, and Connecticut.

The Company owns and operates a chain of cannabis retail stores under brand names including AYR Cannabis Dispensary, and The Dispensary. Ayr owns stores under other names, primarily where stores acquired still retain their pre-acquisition branding, though the Company intends to unify its retail footprint under the AYR retail brand name over time. The revenue of Ayr's retail stores derives primarily from the sale of cannabis products, with an immaterial portion of income resulting from the sale of other merchandise (such as cannabis accessories). As of September 30, 2023, Ayr operated 86 retail stores, located across Ayr's portfolio.

The Company's strategy is to vertically integrate through the consolidation of cultivating, producing, distributing, and dispensing cannabis brands and products at scale. The Company's current portfolio of consumer-packaged goods brands includes Kynd, Haze, Levia, Road Tripper, Origyn Extracts, STiX Preroll Co., Secret Orchard, Lost in Translation, Wicked, CannaPunch and Entourage, among others. The Company distributes and markets its products to Ayr-owned retail stores and to third-party licensed retail cannabis stores throughout Ayr's operating footprint.

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

On March 27, 2023, the Company closed the sale of Blue Camo, LLC ("Blue Camo"), which comprised the Company's Arizona assets and included two licensed entities operating three Oasis-branded dispensaries in the greater Phoenix area, a cultivation and processing facility in Chandler, a cultivation facility in Phoenix, and the Company's majority interest in Willcox OC, LLC, a joint venture developing an outdoor cultivation facility. Total consideration consisted of $20,000 in cash before working capital adjustments and the assumption of lease obligations eliminating approximately $15,000 in long-term lease liabilities. In a separate agreement, all debt outstanding and potential earn-out contingent consideration, related to the 2021 purchase of Blue Camo, was eliminated, reducing the Company's long-term debt by $22,505 and potential earn-out contingent consideration to $nil. The Company has reflected the reclassification of assets and liabilities of these entities as held for sale on the balance sheet as of December 31, 2022 and the operations as discontinued operations on the statements of operations for all periods presented.





The loss on disposal of discontinued operations of approximately $181,191 is derived from the gross proceeds of $50,610, made up of $20,000 of cash consideration, a $6,939 working capital adjustment and the elimination of $23,670 of debt outstanding from the sale of Arizona, less the carrying value of Arizona of approximately $231,800. Final loss on the disposal is preliminary and subject to change based on the settlement of the final working capital adjustment which can extend past nine months after the closing date. Refer to "Note 4 – Discontinued Operations" of the Interim Financial Statements for further information.

**Cautionary Note Regarding Forward-Looking Statements**

Certain statements in this MD&A are forward-looking statements and contain forward-looking information within the meaning of applicable securities laws, including, but not limited to, those statements relating to the Company and its 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 Company, 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 Company. Forward-looking statements are often identified by the words "may", "would", "could", "should", "will", "assume", "intend", "plan", "anticipate", "believe", "estimate", "project", "expect", "target", "continue", "forecast", "design", "goal" or negative versions thereof and other similar expressions.

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 ability to complete the planned debt restructuring announced on November 1, 2023, and the dilution to shareholders arising therefrom;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to U.S. cannabis products and the scope of any regulations by the U.S. Food and Drug Administration, the U.S. Drug Enforcement Administration, the U.S. Federal Trade Commission, the U.S. Patent and Trademark Office, the U.S. Department of Agriculture and any state equivalent regulatory agencies over U.S. cannabis products;
- climate change impacting economic factors such as prices and supply chain disruption, as well as governmental response through laws or regulations regarding greenhouse gas emissions;
- assumptions and expectations described in the Company's critical accounting policies and estimates;
- changes in GAAP or their interpretation and the adoption and impact of certain accounting pronouncements;





- the number of users of cannabis or the size of the regulated cannabis market in the U.S.;
- risks related to litigation;
- 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 U.S., and the potential form the legislation and regulations will take;
- the Company'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 Company's current and proposed products and services, as well as the Company's ability to capture market share;
- the benefits and applications of the Company's products and services and expected sales thereof;
- development of affiliated brands, product diversification and future corporate development;
- anticipated investment in and results of research and development;
- inventory and production capacity, including discussions of plans or potential for expansion of capacity at existing or new facilities;
- future expenditures, strategic investments, and capital activities;
- the competitive landscape in which the Company operates and the Company's market expertise;
- the Company's ability to comply with its debt covenants;
- the Company's ability to secure further equity or debt financing, if required;
- the Company's ability to refinance its indebtedness and the terms of any such financing;
- the risk of significant dilution from the issuances of equity or convertible debt securities;
- the level of demand for cannabis products, including the Company's product and third-party products sold by the Company;
- the Company's ability to mitigate risks relating to the cannabis industry, the larger economy such as inflation or fluctuations in interest rates, breaches of and unauthorized access to the Company's systems and related cybersecurity risks, money laundering, litigation, and health pandemics;
- the ability to gain appropriate regulatory approvals including 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 the number of planned dispensaries to be opened in the future and the timing and location in respect of the same, and related forecasts;
- the Company's ability to hit anticipated development targets of cultivation and production projects;
- the ability to successfully integrate and maintain employees from recent acquisitions;
- risks related to the Company's cash flows from operations;
- the ability to develop the Company's brands and meet growth objectives;
- risks related to limited market data and difficulty to forecast results;
- the current concentrated voting control of the Company;
- market volatility and the risks associated with selling of a substantial amount of our subordinate, restricted, and limited voting shares ("Equity Shares");
- the risk of natural hazards related to severe and extreme weather and climate events;
- product liability claims related to the products the Company cultivates, produces, and sells;
- the risk of significant pricing pressures which are often market specific and can be caused by an oversupply of cannabis in the market and may be transitory from period to period; and
- other events or conditions that may occur in the future.

(*Expressed in United States Dollars, in thousands, except where stated otherwise*)

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. In addition, the Company has assumed that the debt restructuring and transactions announced on November 1, 2023 will be completed.

**Management's Definition and Reconciliation of Non-GAAP Measures**

Management reports certain non-GAAP measures that are used to evaluate the performance of such businesses and the performance of their respective states, as well as to manage their capital structure. As non-GAAP 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 GAAP measure.

The Company references non-GAAP measures, including cannabis industry metrics, in this document and elsewhere. These are provided as additional information to complement those GAAP measures by providing further understanding of the results of the operations of the Company from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Company's financial information reported under GAAP. Non-GAAP measures used to analyze the performance of the Company include "Adjusted EBITDA" and "Adjusted Gross Profit".

The Company believes that these non-GAAP financial measures 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 highlight trends in the Company's core businesses that may not otherwise be apparent when solely relying on the GAAP measures.

*Adjusted EBITDA*

"Adjusted EBITDA" represents (loss) income from continuing operations, as reported under GAAP, before interest and tax, adjusted to exclude non-core costs, other non-cash items, including depreciation and amortization and further adjusted to remove non-cash stock-based compensation, impairment expense, the incremental costs to acquire cannabis inventory in a business combination, acquisition and transaction related costs, and start-up costs.

*Adjusted Gross Profit*

"Adjusted Gross Profit" represents gross profit, as reported, adjusted to exclude the incremental costs to acquire cannabis inventory in a business combination, interest, depreciation and amortization, start-up costs and other non-core costs.

Reconciliations are provided below.





**Forward-Looking Financial Projections or Targets**

Given among other things the availability of more recent information, on November 1, 2023, the Company issued a news release advising that it had filed a management presentation on SEDAR+ and EDGAR, and that the presentation included forward-looking information for the years 2023 and 2024. Accordingly, the Company withdrew its prior guidance and replaced it with the more comprehensive projections that were included in the presentation (which were subject to the risks and assumptions contained therein). The presentation, that news release and those projections are not incorporated by reference in this management discussion and analysis.

The Company remains committed to further improving its financial health and positioning itself for sustainable, profitable growth across its footprint. Due to the modest sequential revenue decline in the third quarter, coupled with the temporary cultivation setback in Florida, the Company no longer anticipates growth for the second half of 2023 over first half levels. For 2023, the Company now expects revenue to be essentially flat in the fourth quarter compared to the third quarter, and to maintain an adjusted EBITDA margin of 25% in the fourth quarter.

**Review of the Financial Results for the Three and Nine months ended September 30, 2023 and 2022**

*Adjusted EBITDA Reconciliation for the Three and Nine months ended September 30, 2023 and 2022*

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **September 30, 2023**<br>**$** | **September 30, 2022**<br>**$** | **September 30, 2023**<br>**$** | **September 30, 2022**<br>**$** |
| Loss from continuing operations (GAAP) | (1,451) | (19,462) | (27,669) | (64,194) |
| Incremental costs to acquire cannabis inventory in a business combination | - | 486 | - | 6,217 |
| Interest (within cost of goods sold "COGS") | 776 | 1,694 | 2,290 | 2,898 |
| Depreciation and amortization (from statement of cash flows) | 22,019 | 19,549 | 68,812 | 55,077 |
| Acquisition and transaction costs | (1,182) | 965 | 3,460 | 5,133 |
| Stock-based compensation, non-cash | 3,410 | 9,359 | 13,417 | 29,447 |
| Start-up costs[1] | 2,909 | 2,930 | 8,871 | 10,037 |
| (Gain) loss on sale of assets | 22 | 1,810 | 66 | (190) |
| Other[2] | 1,924 | 1,337 | 14,961 | 6,802 |
| | 29,878 | 38,130 | 111,877 | 115,421 |
| **Adjusted EBITDA from continuing operations (non-GAAP)** | **28,427** | 18,668 | **84,208** | 51,227 |

(*Expressed in United States Dollars, in thousands, except where stated otherwise*)

*Notes:*

[1] Includes costs to prepare a location for its intended use, including facilities not yet operating at scale. Start-up costs are expensed as incurred and are not indicative of ongoing operations.
[2] Other non-core costs including non-operating adjustments, severance costs and non-cash inventory write-downs.

*Adjusted Gross Profit Reconciliation for the Three and Nine months ended September 30, 2023 and 2022*

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **September 30, 2023** | **September 30, 2022** | **September 30, 2023** | **September 30, 2022** |
| | **$** | **$** | **$** | **$** |
| Gross profit (GAAP) | 48,131 | 45,583 | 153,060 | 121,955 |
| Incremental costs to acquire cannabis inventory in a business combination | - | 486 | - | 6,217 |
| Interest (within COGS) | 776 | 1,694 | 2,290 | 2,898 |
| Depreciation and amortization (within COGS) | 10,109 | 7,873 | 29,422 | 21,286 |
| Start-up costs (within COGS) | 1,295 | 1,020 | 4,305 | 3,772 |
| Other (within COGS) | 196 | 830 | 5,773 | 4,883 |
| **Adjusted Gross Profit from continuing operations (non-GAAP)** | **60,507** | 57,486 | **194,850** | 161,011 |





*Revenues, net of Discounts*

Revenues, net of discounts for the three months ended September 30, 2023 and 2022 were $114,392 and $108,739, respectively, increasing $5,653 or 5.2%. Retail revenues grew by $5,874, or approximately 6.1%, which was driven by $6,720 from new store openings and acquisitions bringing our total retail store footprint to 86, offset by a 1.0% decline from same store sales. Wholesale revenues decreased by $221, or approximately 1.8%, primarily driven by price compression experienced across all markets since September 30, 2022.

Revenues, net of discounts for the nine months ended September 30, 2023 and 2022 were $348,795 and $307,156, respectively, increasing $41,639 or 13.6%. Retail revenues grew by $45,220, or approximately 17.1%, which was driven by $30,258 from new store openings and acquisitions as well as $14,962 or approximately 6.0% growth from same store sales. Wholesale revenues decreased by $3,581, or approximately 8.5%, primarily driven by price compression experienced across all markets since September 30, 2022. This decrease was partially offset by our New Jersey wholesale business coming online in the third quarter of 2022 and our new Parma facility coming online in Ohio during the second quarter of 2023.

*Disaggregation of Revenue*

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **September 30, 2023** | September 30, 2022 | **September 30, 2023** | September 30, 2022 |
| | **$** | $ | **$** | $ |
| Retail revenue | 102,162 | 96,288 | 310,097 | 264,877 |
| Wholesale revenue | 12,230 | 12,451 | 38,698 | 42,279 |
| **Total revenue, net** | **114,392** | 108,739 | **348,795** | 307,156 |

*Gross Profit*

Gross profit for the three months ended September 30, 2023 and 2022 was $48,131 and $45,583, respectively, an increase of $2,548 or 5.6%. Gross profit percentage for the three months ended September 30, 2023 and 2022 was 42.1% and 41.9%, respectively. Adjusted Gross Profit (non-GAAP) percentage for the three months ended September 30, 2023, and 2022 was 52.9%.

Gross profit for the nine months ended September 30, 2023 and 2022 was $153,060 and $121,955, respectively, an increase of $31,105 or 25.5%. Gross profit percentage for the nine months ended September 30, 2023 and 2022 was 43.9% and 39.7%, respectively. Adjusted Gross Profit (non-GAAP) percentage for the nine months ended September 30, 2023, and 2022 was 55.9% and 52.4%, respectively.

The increase in Gross Profit and Adjusted Gross Profit (non-GAAP) was directly attributable to the revenue increase as described above and an increase in internal sourcing of retail sales from approximately 56% for the quarter ended September 30, 2022 to approximately 70% for the quarter ended September 30, 2023. This increase was offset partially by price compression experienced across all markets.

*Total Operating Expenses*

Total operating expenses for the three months ended September 30, 2023 and 2022 were $49,582 and $65,045, respectively, decreasing $15,463 or 23.8%. Total operating expenses as a percent of revenue during the three months ended September 30, 2023 and 2022 were 43.3% and 59.8%, respectively. The decrease in total operating expenses was attributable to lower stock compensation and payroll expenses.

(Expressed in United States Dollars, in thousands, except where stated otherwise)

Total operating expenses for the nine months ended September 30, 2023 and 2022 were $180,729 and $186,149, respectively, decreasing $5,421 or 2.9%. Total operating expenses as a percent of revenue during the nine months ended September 30, 2023 and 2022 were 51.8% and 60.6%, respectively. The decrease in total operating expenses was attributable to lower stock compensation and marketing expenses. This decrease was offset by an increase to depreciation and amortization.

*Total Other Income (Expense)*

Total other income (expense) for the three months ended September 30, 2023 and 2022 was $(4,276) and $(5,588), respectively, decreasing $(1,312) or 23.5%. The decrease for the three-month period was primarily driven by the $5,238 Employee Retention Credit ("ERC") refund, see further details below. This decrease was offset by a $3,501 increase in interest expense and $1,658 change in the fair value relating to contingent consideration.

Total other income (expense) for the nine months ended September 30, 2023 and 2022 was $2,422 and $13,012, respectively, decreasing $(10,590) or 81.4%. The decrease for the nine-month period was primarily driven by the $9,707 change in the fair value relating to contingent consideration and an $8,343 increase in interest expense. This decrease was offset by the $5,238 ERC refund, see further details below.

*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 at year-end. The deferred tax benefit is mainly driven by changes in the amortization of intangibles.

As the Company operates in the cannabis industry, it is subject to the limitations of the United States Internal Revenue Code Section 280E under which the Company is only allowed to deduct expenses directly related to cost of goods sold. Therefore, Ayr can have income tax even when it records a net loss.

The Company's quarterly tax provision is calculated under the discrete method which treats the interim period as if it were the annual period and determines the income tax expense or benefit on that basis. The discrete method is applied when application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The Company believes, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method due to the high degree of uncertainty in estimating annual pre-tax income due to the early growth stage of the business.

Total income tax expense for the three months ended September 30, 2023 and 2022 was $13,543 and $9,626, respectively. Total income tax expense for the nine months ended September 30, 2023 and 2022 was $37,608 and $28,177, respectively.

*Net loss attributable to Ayr Wellness Inc. from continuing operations*

Net loss from continuing operations for the three months ended September 30, 2023 and 2022 was $19,270 and $34,676, respectively. The decrease was primarily driven by the factors described above.

Net loss from continuing operations for the nine months ended September 30, 2023 and 2022 was $62,855 and $79,359, respectively. The decrease was primarily driven by the factors described above.





**Liquidity and Capital Resources as of September 30, 2023**

*Selected Liquidity and Capital Resource Information*

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Cash | 72,843 | 76,827 |
| Total current assets | 204,322 | 453,702 |
| Total assets | 1,484,115 | 1,767,770 |
| Total current liabilities | 233,093 | 268,805 |
| Total liabilities | 885,569 | 932,446 |
| Total shareholders' equity | 598,546 | 835,324 |

As reflected in the interim financial statements, the Company has a negative working capital of $28,771 as of September 30, 2023 and has incurred net losses from continuing operations for the three and nine month periods ended September 30, 2023. The Company's approach to managing liquidity risk is to seek to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's short-term liquidity requirements consist primarily of funds necessary to maintain operations, repay borrowings and other general business needs. The Company plans to use existing funds, as well as funds from the future sale of products, to fund short-term working capital needs for at least the next 12 months.

In addition, the Company continues to take action designed to improve the Company's operations and cash position, including but not limited to: (i) targeting continued growth of sales from our consolidated operations; (ii) continued cost-savings and efficiency optimization efforts; (iii) utilizing the future proceeds from an employee retention credit of approximately $12,354; (iv) addressing our debt maturity profile, including the announcement of the Company's entry into a Transaction Support Agreement (the "Support Agreement") with the holders of approximately 76% (collectively, the "Majority Noteholders") of the aggregate outstanding principal amount of the Company's 12.5% senior notes due December 2024 (the "Senior Secured Notes") to extend the maturity date for an additional two years via a debt exchange and previously-announced contingent deferral of certain current debts payable; (v) latitude as to the timing and amount of certain expenses as well as capital expenditures; and (vi) seeking to take advantage of future potential financing (equity and/or debt) opportunities, including additional expected cash proceeds of $40,000 related to the issuance of new debt securities in the transaction subject to the Support Agreement, (refer to Capital Management section for additional information). The deferrals related to the Support Agreement and contingent deferral of certain current debts payable as well as the $40,000 of cash proceeds will generally not be reflected in the balance sheet until the transaction is closed. Upon the effective date of the contingent deferrals, working capital as of September 30, 2023 increases from negative $28,771 to a positive $7,229, before considering the $40,000 of new capital. Management cannot provide any assurances that the Company will be successful in accomplishing its business plans or that the transactions outlined in the Support Agreement will close, in which case, the Company may be forced to take other steps, including decelerating its growth or curtailing certain of its operations pending obtaining additional capital.

*Summary of Future Commitments*

***(In thousands)***

| Year | Operating leases | Finance leases | Debt | Construction finance | Total |
|---|---|---|---|---|---|
| 2023 | $ 6,968 | $ 3,303 | $ 4,429 | $ - | $ 14,700 |
| 2024 | 27,815 | 11,967 | 300,255 | - | 340,037 |
| 2025 | 27,372 | 6,257 | 28,610 | - | 62,239 |
| 2026 | 26,600 | 4,221 | 28,760 | - | 59,581 |
| 2027 | 25,190 | 3,141 | 9,597 | - | 37,928 |
| Thereafter: | 214,778 | 8,708 | 65,947 | 37,945 | 327,378 |
| **Total commitments** | $ 328,723 | $ 37,597 | $ 437,598 | $ 37,945 | $ 841,863 |





*Employee Retention Credit*

The ERC, as originally enacted through the U.S. Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on March 27, 2020, is a refundable credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 17, 2020 to December 31, 2020. The U.S. Disaster Tax Relief Act, enacted on December 27, 2020, extended the employee retention credit for qualified wages paid from January 1, 2021 to June 30, 2021, and the credit was increased to 70% of qualified wages an eligible employer paid to employees during the extended period. The American Rescue Plan Act of 2021, enacted on March 11, 2021, further extended the employee retention credit through December 31, 2021. The general statute of limitations for employment tax audits is three years, but the Internal Revenue Service's ("IRS") ERC guidance has an extended five-year statute.

The Company experienced full or partial suspension of the business during the period covered by the ERC due to government orders limiting commerce, travel, or group meeting due to COVID-19. In 2023, the Company filed for an ERC claim for the period beginning January 1 to June 30, 2021 in the amount of approximately $12,354. During the three months ended September 30, 2023, the Company received notices from the IRS for a total ERC refund of $5,238 and recorded a receivable included as part of prepaid expenses, deposits, and other current assets in the balance sheet and other income on the statement of operations. In accordance with ASC 958-605, the Company determined that the condition to record a receivable is met when the IRS confirms the claim is valid or the cash is received. Absent of any confirmation, there remains uncertainty as to whether the amounts will be received. Due to the degree of uncertainty regarding the implementation of the CARES Act and other stimulus legislation and the nature of our business, although the Company expects to receive the remaining ERC, the Company determined that the remaining claim did not yet meet the criteria to record as a receivable as of September 30, 2023.

*Selected Cash Flow Information*

| | *Nine Months Ended* | |
|---|---|---|
| | **September 30, 2023** | **September 30, 2022** |
| | **$** | $ |
| Cash provided by (used in) continuing operations | 22,925 | (31,095) |
| Cash provided by (used in) operating activities | 25,105 | (34,703) |
| Cash used in investing activities from continuing operations | (33,936) | (61,454) |
| Cash used in investing activities | (15,056) | (58,309) |
| Cash provided by (used in) financing activities by continuing operations | (17,722) | 39,825 |
| Cash provided by (used in) financing activities | (17,846) | 39,432 |
| Net decrease in cash | (7,797) | (53,580) |
| Cash, beginning of period | 76,827 | 154,342 |
| Cash included in assets held-for-sale | 3,813 | - |
| Cash, end of period | 72,843 | 100,762 |

*Operating Activities*

Cash provided by (used in) operating activities from continuing operations during the nine months ended September 30, 2023 and 2022 was $22,925 and $(31,095), respectively, an increase in cash provided by operating activities of $54,020. The increase was driven by a decrease in loss from operations of $36,525 related to operational improvements and an increase in income tax payable of $27,563.





*Investing Activities*

Cash used in investing activities from continuing operations during the nine months ended September 30, 2023, and 2022 was $(33,936) and $(61,454), respectively, a decrease in cash used in investing activities of $27,519. The decrease is primarily due to a decrease in purchases of property, plant, and equipment of $34,505, a decrease in cash used for business combinations of $10,181, a decrease in advances to related entities of $7,005, and a decrease in capitalized interest of $3,278. This was partially offset by a decrease in proceeds from the sale of assets of $31,433.

*Financing Activities*

Cash provided by (used in) financing activities from continuing operations during the nine months ended September 30, 2023, and 2022 was $(17,722) and $39,825, respectively, an increase in cash used in financing activities of $57,547. The increase is primarily due to an increase in repayments of debt of $40,841 and a decrease from the proceeds of notes payable and financing transactions of $29,782. This increase was partially offset by a decrease in repurchases of Equity Shares of $8,430 and a decrease in tax withholding on stock-based compensation of $4,378.

Capital Management

The Company's short-term liquidity requirements consist primarily of funds necessary to maintain our operations, repay borrowings and other general business needs. The Company plans to use existing funds, as well as funds from the future sale of products, to fund short-term working capital needs for at least the next 12 months. If these sources of liquidity need to be augmented, additional cash requirements would likely be financed through additional capital raises. The Company has raised capital through the issuance of debt, or equity, to meet its needs and take advantage of perceived opportunities, however, there can be no assurance that the Company will be able to continue raising capital in this manner. In addition, further issuances of equity, convertible debt securities, or warrants could result in significant dilution to existing Equity Shares, and any new equity securities issued could have rights, preferences, or privileges superior to the existing Equity Shares. The Company's long-term liquidity requirements will be affected by its ability to generate positive cash flow from operations and the ability to refinance existing debt on acceptable terms and/or raise equity.

In October 2022, the Company engaged Moelis & Company LLC as its financial advisor to explore an extension to its upcoming debt maturities. During the period ended September 30, 2023, the Company reached contingent agreements to defer certain principal or amortization payments for two years on an aggregate principal amount of approximately $69,000 of debt obligations, including contingent agreements with holders of approximately $60,500 aggregate principal amount of vendor take-back promissory notes ("vendor notes"), representing 67.4% of the outstanding principal amount of all vendor notes maturing before 2027. The Company has also reached contingent agreements to defer the maturities of $4,500 of other promissory notes, as well as a $4,000 amortization payment due in December 2023. In connection with the above vendor note and promissory note amendments, the Company has agreed to interest rate adjustments that will result in a blended interest rate increase of approximately 0.5% across the $69,000 aggregate principal amount of debt. The Company also agreed to pay amendment fees with respect to certain of the above amendments to certain vendor notes aggregating $400 that will be capitalized to the principal amount of such vendor notes. The effectiveness of the maturity and amortization deferrals referenced above is contingent on an amendment to the Company's Senior Secured Notes to extend the maturity date of the Senior Secured Notes to December 10, 2026 or a later date (or an exchange of the Senior Secured Notes for a new series of notes with a maturity date of December 10, 2026 or a later date). The Senior Secured Notes represent two private placement offerings to a syndicate of institutional investors. The first offering closed on December 10, 2020, for a principal amount of $110,000 and an additional issuance of notes closed on November 12, 2021, for a principal amount of $133,250. In the aggregate, the Senior Secured Notes represent a total of $243,250 and are secured by all assets of the Company and certain of its subsidiaries. As of September 30, 2023, the Company and its subsidiaries had approximately $118,643 of indebtedness in respect of the vendor notes, of which approximately $79,209 were subject to subordination agreements in favor of the Senior Secured Notes. The balance of the vendor notes are, subject to any obligations of the vendor noteholders to subordinate, structurally senior to the Senior Secured Notes in respect of certain assets of the Company and its subsidiaries. Subsequent to September 30, 2023, the Company entered into a Support Agreement with the Majority Noteholders of the Senior Secured Notes to extend the maturity date by two years, see below for further details. In accordance with ASC Subtopic 470-10, "Other Presentation Matters" ("ASC Subtopic 470-10"), the Company met the criteria to classify the short-term obligations of $27,733 for debt contingent on the execution of the Support Agreement as a noncurrent liability on the balance sheet as of September 30, 2023 by demonstrating the intent and ability to extend the short-term obligation prior to the financial statement issuance date. For the remaining agreements, contingent on the closing of the Transactions (as defined below), the Company did not retrospectively reflect the amendments in the financial statements.





During 2023, the Company also reached an agreement with Elk Spring Partners, LLC (together with the other selling securityholders under the membership interest purchase agreement (the "MIPA") dated as of March 26, 2021, (the "NJ Counterparties") to amend the earn-out payment terms under the MIPA, as amended, relating to the Company's acquisition of New Jersey-based GSD. The earn-out formula and payment terms under the MIPA were amended as follows:

- The first $10,000 portion of the earn-out will continue to be payable in cash, payment was made to the NJ Counterparties on or prior to May 19, 2023.
- The next $14,000 portion of the earn-out, which was to be satisfied by issuing 12.5% promissory notes due September 2024 with interest and principal payments, was instead satisfied by issuing 13.5% promissory notes due December 2026 with monthly interest-only payments until May 2024 (with 1% monthly amortization thereafter). The promissory notes were issued on May 19, 2023.
- The remaining portion of the earn-out, with a potential maximum amount of $72,750 based on sales of GSD, which was to be satisfied by issuing subordinate voting shares ("SVS") based on a 15% discount to the then market price of the SVS, was instead satisfied by (i) issuing an aggregate of approximately 3,797 Exchangeable Shares of CSAC Acquisition NJ Corp. that are exchangeable for Equity Shares at any time or from time to time at the discretion of the holder, at a price equal to $0.79 per share on May 19, 2023; and (ii) a cash payment to the NJ Counterparties of approximately $10,213 to be made at a future time based on circumstances related to negotiations with other debtholders.

In addition, during 2023, the Company reached an agreement with Green Partners Investor LLC and the other selling securityholders (together, the "Sira Counterparties") to amend the payment terms under the equity exchange agreement dated as of May 24, 2019, as amended, relating to the Company's Massachusetts-based acquisition of Sira (the "EEA"). The payment terms under the EEA, which were expected to result in a cash payment of $27,500 on or before May 1, 2024, were amended to be paid on the later of (i) the date that is ten calendar days following the maturity date of AYR's Senior Secured Notes (as such date may be amended or extended), or (ii) May 1, 2026, but in no event later than December 10, 2026).

On July 7, 2023, the Company entered into a loan agreement to refinance and upsize an existing mortgage which was due to mature in May 2024. The loan agreement included total proceeds of $40,000, with an interest rate of 5-year Federal Home Loan Bank Rate plus 4%, which implies a current rate of 8.27% with interest-only payments for the first 18 months. The note extends the maturity of the existing mortgage to 10 years. Proceeds from the loan were used to pay down the Company's existing mortgage of $25,219.

(*Expressed in United States Dollars, in thousands, except where stated otherwise*)

On October 31, 2023, the Company entered into a Support Agreement with the Majority Noteholders, pursuant to which the Majority Noteholders have agreed to support a transaction under which: (i) all of the Senior Secured Notes would be exchanged for an equivalent principal amount of new 13% senior secured notes due December 10, 2026 (the "13% Senior Notes" and such exchange, the "Exchange Transaction"); (ii) the Majority Noteholders will be offered the opportunity to participate in the issuance of additional 13% Senior Notes in an aggregate principal amount of $50,000 (the "New Money Notes") (subject to 20% original issue discount) concurrent with the completion of the Exchange Transaction; (iii) the offering of the New Money Notes will be backstopped by one of the Majority Noteholders, in exchange for a backstop premium payable on closing in the form of subordinated, restricted or limited voting shares in the Company representing in the aggregate 5.1% of the outstanding shares on a fully-diluted and proforma basis (or non-voting shares in one of the Company's subsidiaries representing the equivalent value to 5.1% of the outstanding shares of the Company on a fully-diluted and pro forma basis) (the "Backstop Premium"); and (iv) recipients of 13% Senior Notes will also concurrently receive subordinated, restricted and limited voting shares (the "New Shares") representing in the aggregate 24.9% of the issued and outstanding shares of the Company on a fully-diluted and pro-forma basis (or 20.8% of the outstanding shares assuming the exercise of the Anti-Dilutive Warrants (collectively, the "Transactions"). In addition, new warrants (the "Anti-Dilutive Warrants") would be issued at closing to all then-existing shareholders (excluding recipients of the New Shares and the Backstop Premium) and would be exercisable for shares at a price of $2.12 per share for two years following closing. Anti-Dilutive Warrants will only be exercisable by non-U.S. Persons and Accredited Investors in the U.S., as such terms are defined under U.S. securities laws. The warrants will represent the right to acquire 16.5% of the fully diluted outstanding shares on a pro forma basis (assuming the exercise in full). The Transactions will also be subject to approval by the Ontario court pursuant to a plan of arrangement commenced under the Canada Business Corporations Act. The Transactions will be subject to customary terms and conditions, including approval by the requisite majority of holders of Senior Secured Notes and the receipt of required approvals from applicable state cannabis regulators. In accordance with ASC 470, since the Transactions have not closed, the Company determined that it did not meet the criteria to classify the existing loan as a noncurrent liability on the balance sheet as of September 30, 2023.

On October 31, 2023, the Company entered into an agreement with LivFree Wellness, LLC ("LivFree") to amend certain terms of the promissory note dated May 24, 2019 (the "LivFree Note") executed in connection with the Company's acquisition of LivFree. The amendments to the LivFree Note will provide, among other things, a principal payment of $3,000 upon closing of the Transactions (as defined in the paragraph above) and a deferral of the maturity of the remaining $17,000 of principal and $5,227 of accrued payment-in-kind interest for a period of two years to May 24, 2026. In addition, upon closing of the Transactions, the interest on the LivFree Note converts from payment-in-kind to monthly cash interest payments and the interest rate increases from 6.0% to 10.0%.

Share Capital

As of September 30, 2023 and December 31, 2022, the Company had share capital of $1,367,532 and $1,349,713, respectively, consisting of additional paid-in capital.

Number of Outstanding Shares

| **Issued and Outstanding** | **September 30, 2023** | **December 31, 2022** |
|---|---|---|
| Multiple Voting Shares | 3,696 | 3,696 |
| Subordinate Voting Shares | 7,036 | 6,512 |
| Restricted Voting Shares | 3,340 | 2,816 |
| Limited Voting Shares | 53,506 | 51,581 |
| Exchangeable Shares | 9,665 | 6,044 |
| Treasury Stock | (645) | (645) |
| **Total number of shares** | 76,598 | 70,004 |

As of September 30, 2023, the Company had 2,874 Equity Shares issuable upon the exercise of warrants of the Company ("Warrants"), 5,039 restricted Exchangeable Share units, of which 1,300 are market and performance based, and 159 Equity Shares issuable upon the exercise of options. As of December 31, 2022, the Company had 2,874 Equity Shares issuable upon the exercise of Warrants, 6,628 restricted Exchangeable Share units, of which 1,300 are market and performance based, and 165 Equity Shares issuable upon the exercise of options.





Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements, with the exception of the commitments referenced in Note 15 in the interim 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 Company (including, without limitation, such considerations as liquidity and capital resources) that have not previously been discussed.

**Subsequent Events**

See Note 18 in the interim financial statements for the Company's disclosures on subsequent events.

**Related Party Transactions**

See Note 10 in the interim financial statements for the Company's disclosures on related party transactions.

**Significant Accounting Judgments and Estimates**

See Note 3.3 in the interim financial statements for the Company's accounting policies regarding *Significant Accounting Judgments and Estimates.*

**Recent Accounting Pronouncements**

See Note 3.6 in the interim financial statements for the Company's action on recent accounting pronouncements.

**Risk Factors**

Please refer to the Company's preliminary prospectus dated July 6, 2023 and subsequent amendments, the Company's management information circular dated June 3, 2023, and the Annual Information Form dated March 9, 2023, for information on the risk factors to which the Company is subject. In addition, see "Cautionary Note Regarding Forward-Looking Statements" above.

**Financial Instruments, Financial Risk Management and Other Instruments**

The Company does not utilize financial instruments such as derivatives to manage financial risks. See Note 16 in the interim financial statements for the Company's financial instruments, financial risks factors, and other instruments.

The Company is exposed to interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured, and managed in accordance with Company policies and risk appetite.

**Exhibit 99.3**

**FORM 52-109FV2**

**CERTIFICATION OF INTERIM FILINGS**

**VENTURE ISSUER BASIC CERTIFICATE**

I, David Goubert, President and Chief Executive Officer, Ayr Wellness Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Ayr Wellness Inc. (the "issuer") for the interim period ended September 30, 2023.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: November 16, 2023

*(signed) "David Goubert"*
David Goubert
President and Chief Executive Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109*Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Exhibit 99.4**

**FORM 52-109FV2**

**CERTIFICATION OF INTERIM FILINGS**

**VENTURE ISSUER BASIC CERTIFICATE**

I, Brad Asher, Chief Financial Officer, Ayr Wellness Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Ayr Wellness Inc. (the "issuer") for the interim period ended September 30, 2023.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: November 16, 2023

*(signed) "Brad Asher"*
Brad Asher
Chief Financial Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109*Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.