

**Ayr Strategies Inc.**  
**(the “Corporation”)**

**Notice of “Incentive” Exercise of Warrant**

*This is not intended to be legal advice to any Holder and is being provided for informational purposes only.*

**Note: This notice is for “incentive” exercises of Warrants, at any time commencing on November 24, 2020 until 5:00 p.m. (Toronto time) on December 8, 2020, only.**

The attached Notice of Exercise of Warrant (the “**Warrant Notice**”) is being made available to holders (the “**Holders**”) of the Corporation’s share purchase warrants (the “**Warrants**”). The Warrants were issued pursuant to a Warrant Agency Agreement dated December 21, 2017, between the Corporation and Odyssey Trust Company, as warrant agent (the “**Warrant Agent**”), as amended (the “**Warrant Agency Agreement**”).

Pursuant to the incentive exercise rights (the “**Warrant Incentive Program**”), the Warrants are exercisable at any time commencing on November 24, 2020 until 5:00 p.m. (Toronto time) on December 8, 2020 (the “**Incentive Exercise Period**”) (each, an “**Incentive Exercise**”). Cashless exercises are not available for Incentive Exercises during the Incentive Exercise Period. Upon exercise, a Holder is entitled to receive one (1) Subordinate Vote share of the Corporation (each, a “**Subordinate Voting Share**”), at an exercise price of C\$11.50 per Subordinate Voting Share, for each whole Warrant, subject to adjustment in certain circumstances in accordance with the terms and conditions of the Warrant Agency Agreement. For each Warrant duly exercised during the Incentive Exercise Period, the Corporation will pay an incentive fee of C\$0.50, which shall be set off against payment of the applicable exercise price, resulting in a net payment of C\$11.00 required to exercise a Warrant during the Incentive Exercise Period.

Any such Incentive Exercises during the Incentive Exercise Period shall be subject to a maximum of 3,000,000 Warrants (representing approximately 20% of the issued and outstanding Warrants of the Corporation as at November 20, 2020) (the “**Incentive Maximum**”), and any Incentive Exercises in excess of the Incentive Maximum as at the end of the Incentive Exercise Period shall be pro-rated amongst all exercising Holders (and rounded up to the next nearest whole number) based on the number of Incentive Exercises by each applicable Holder, with the resulting unexercised Warrants returned to the exercising Holder. The Subordinate Voting Shares issuable pursuant to the Incentive Exercises will only be issued at the end of the Incentive Exercise Period. In addition, if Warrants are registered in the name of CDS Clearing and Depository Services Inc. (“**CDS**”), they will be required to be withdrawn from CDS and exercised through the Warrant Agent in order to be exercised under the Warrant Incentive Program. Warrants may not be exercised through CDS to participate in the Warrant Incentive Program.

In order to exercise the Warrants, the Holders will be required to withdraw their Warrants from CDS, if applicable, and to complete the attached Warrant Notice and provide any applicable

documentation to the Warrant Agent at [corptrust@odysseytrust.com](mailto:corptrust@odysseytrust.com). Enquiries to the Warrant Agent may be directed to [corptrust@odysseytrust.com](mailto:corptrust@odysseytrust.com) (by email) or 587.885.0960 (by phone).

Holders are encouraged to consult with their brokers and/or the Warrant Agent, as applicable, for further instructions, and with their legal counsel for legal advice.

In particular, Holders that are U.S. Persons (as such term is defined in the attached Warrant Notice), referred to herein as “**U.S. Warrantholders**”, may only exercise their Warrants if an exemption is available from the registration requirements of the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”). In order to exercise, U.S. Warrantholders will be required to, among other things, complete the relevant sections of the attached Warrant Notice. U.S. Warrantholders that are “accredited investors” as defined in Rule 501(a) of Regulation D under the U.S. Securities Act and who are able to check the 1<sup>st</sup> box in the attached Warrant Notice, will be required to submit an opinion of legal counsel in substantially the form attached hereto as Schedule 2 and that is acceptable to the Corporation and the Warrant Agent, withdraw their Warrants from CDS and exercise their Warrants through the Warrant Agent. They are then expected to become registered holders of the applicable number of restricted Subordinate Voting Shares. Such Holders are encouraged to consult with their brokers regarding the mechanics of withdrawing their Warrants from CDS.

Holders (i) that are an original United States “qualified institutional buyer”, within the meaning of Rule 144A under the U.S. Securities Act, and who are able to check the 3<sup>rd</sup> box in the attached Warrant Notice, or (ii) that are a United States “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act and who are able to check the 4<sup>th</sup> box in the attached Warrant Notice, would each be permitted to exercise their Warrants through the Warrant Agent, and will not be required to submit any additional opinion of counsel.

Holders that are non-U.S. Persons, and who are able to check the 2<sup>nd</sup> box in the attached Warrant Notice, would be permitted to exercise their Warrants through the Warrant Agent, and will not be required to submit any additional opinion of counsel.

*[Remainder of page left intentionally blank.]*

**Notice of “Incentive” Exercise of Warrant**

**TO: AYR STRATEGIES INC. (the “Corporation”)**

**TO: ODYSSEY TRUST COMPANY (“Odyssey”)**

**Note: This notice is for “incentive” exercises of Warrants, at any time commencing on November 24, 2020 until 5:00 p.m. (Toronto time) on December 8, 2020, only.**

Reference is made to the Warrants of the Corporation (“Warrants”) to purchase Subordinate Voting Shares of the Corporation (the “Securities”) issued pursuant to the Warrant Agency Agreement, dated December 21, 2017, between the Corporation and Odyssey, as amended (the “Warrant Agency Agreement”).

(1) The undersigned hereby irrevocably subscribes for, and exercises his or her right to be issued, the number of Securities set forth below, such Securities being issuable upon exercise of such Warrants pursuant to the terms specified in the Warrants and the Warrant Agency Agreement. Capitalized terms not herein defined shall have the meanings ascribed to them in the Warrant Agency Agreement.

(2) The undersigned represents, warrants and certifies as follows (one (only) of the following must be checked):

a. On the date hereof (check one of the boxes below):

The undersigned holder is a U.S. Person (as such term is defined in Schedule 3, a “U.S. Person”) and an “accredited investor” as defined in Rule 501(a) of Regulation D under the United States Securities Act of 1933, as amended (the “Act”) and I have indicated the category of accredited investor I fall under in the U.S. Investor Certificate attached hereto as Schedule 1. The undersigned holder is further (a) making the representations and warranties contained in Appendix A with the intent that the Corporation and Odyssey rely on such representations and warranties and (b) providing to Odyssey an opinion of counsel in the form set forth on Schedule 2 addressed to the above parties that my exercise of the Warrant is in compliance with United States securities laws.

The undersigned holder (i) at the time of exercise of the Warrants is not in the United States and did not execute and deliver this exercise form in the United States, and (ii) is not a U.S. Person, and is not exercising the Warrants for the account or benefit of a U.S. Person.

The undersigned holder (a) is the original United States “qualified institutional buyer”, within the meaning of Rule 144A under the U.S. Securities Act (a “Qualified Institutional Buyer”), that purchased the Warrants pursuant to the Corporation’s Offering and delivered the certificate of Qualified Institutional Buyer attached to the U.S. Private Placement Memorandum in connection with its purchase of Class A Restricted Voting Units, (b) is exercising the Warrants for its own account or for the account of the Qualified Institutional Buyer with respect to

which it exercises sole investment discretion and for which it purchased the Warrants, and (c) is, and such principal, if any, is, a Qualified Institutional Buyer at the time of exercise of these Warrants and the representations and warranties of the holder made in the original U.S. Private Placement Memorandum including the certificate of Qualified Institutional Buyer remain true and correct as of the date of exercise of these Warrants.

[ ] The undersigned holder (i) meets the definition of a Qualified Institutional Buyer within the meaning of Rule 144A under the U.S. Securities Act (but that did not purchase the Warrants pursuant to the Corporation’s Offering and/or deliver the certificate of Qualified Institutional Buyer attached to the U.S. Private Placement Memorandum in connection with its purchase of Class A Restricted Voting Units), (ii) understands and acknowledges that the Warrants and Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act that will not be represented by certificates that bear a U.S. restrictive legend or identified by a restricted CUSIP number, and covenants and agrees, in consideration for the receipt of unlegended “restricted securities”, although the Corporation is under no obligation to issue Shares without U.S. restrictive legend, that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Shares, it will only do so (A) to the Corporation (though the Corporation is under no obligation to purchase any such Shares), or (B) outside the United States in accordance with Regulation S under the U.S. Securities Act, and, in each case, in compliance with applicable local laws and regulations, (iii) acknowledges that, unless alternative arrangements for the issuance of physical certificates or direct registration system advices are made, the Shares may only be held in an account at CDS Clearing and Depository Services Inc., or a successor depository in Canada, and will not be held in an account at The Depository Trust Company, or a successor depository in the United States, (iv) acknowledges it has implemented, or shall immediately implement, adequate internal procedures to be able to ensure compliance with the transfer restrictions set out above, and (v) is exercising the Warrants for its own account or for the account of the Qualified Institutional Buyer with respect to which it exercises sole investment discretion and for which it purchased the Warrants.

DATED as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Number of Securities:

\_\_\_\_\_

Name (full legal name of Subscriber) and Address of Subscriber:

\_\_\_\_\_

By:

\_\_\_\_\_  
(signature)

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(please print name)

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(official capacity)

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(telephone number)

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(email address)

**Appendix A**  
**U.S. Investor Representations**

- a. I acknowledge that on exercise of the Warrant, I will be receiving newly issued Securities that will be exempt from the registration requirements of Act, and applicable state securities laws, and I consent to receiving such Securities.
- b. I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of acquiring the Securities on exercise of the Warrant.
- c. I understand that an investment in the Securities involves certain risks and I understand and accept such risks; I have, to the extent I believe necessary, obtained independent tax, legal and financial advice in making my investment decision in the Securities and have determined that the Securities are a suitable investment for me in light of such risks.
- d. I understand that the financial statements of the Corporation have been prepared in accordance with international financial reporting standards, which differ in some respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies.
- e. I have had access to such information concerning the Corporation as I have considered necessary or appropriate in connection with my investment decision to acquire the Securities.
- f. I acknowledge that the Securities have not been registered under the Act or any state securities acts and are instead being offered and sold in reliance on federal and state exemptions for private offerings. The Securities for which I hereby subscribe are being acquired solely for my own account, for investment and not with a view to or for the resale, distribution, subdivision or fractionalization thereof, and I have no plans to enter into, and has not entered into, any contract, undertaking, agreement or arrangement to such end. I understand and acknowledge that the Corporation has no obligation or present intention of with the United States Securities and Exchange Commission or with any state securities administrator or commission any registration statement in respect of resales of the Securities in the United States.
- g. I understand and acknowledge that the Securities are “restricted securities” within the meaning of Rule 144 (“Rule 144”) under the Act, and that, if in the future I decide to offer, resell, pledge or otherwise transfer any of the Securities, such securities may be offered, sold, pledged or otherwise transferred only (a) to the Corporation; (b) in accordance with Rule 144, if available, and in compliance with any applicable state securities laws of the United States; or (c) in another transaction that does not require registration under the Act or any applicable state securities laws of the United States. I understand and acknowledge that (i) if the Corporation is deemed to have been at any time previously an issuer with no or nominal operations and no nominal assets other than cash and cash equivalents, Rule 144 under the Act may not be available for resales of the Securities and (ii) the Corporation is not obligated to make Rule 144 under the Act available for resales of the Securities.
- h. I acknowledge and agree that the Securities will bear a legend substantially in the following form indicating that the resale of such securities is restricted from transfer:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933,

AS AMENDED (THE “U.S. SECURITIES ACT”), OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THESE SECURITIES, AGREES FOR THE BENEFIT OF THE ISSUER THAT THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE ISSUER, (B) IN ACCORDANCE WITH RULE 144 UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (C) IN ANOTHER TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS”

[Remainder of Page Intentionally Left Blank]

**SCHEDULE 1**  
**U.S. INVESTOR CERTIFICATE**

*This certificate contains certain specifically defined terms. If you are unsure as to the meanings of those terms, or are unsure as to the applicability of any category below, please contact your legal advisor before completing this certificate and the applicable Exhibits and Appendices attached hereto.*

**TO:           AYR STRATEGIES INC.**  
**TO:           ODYSSEY TRUST COMPANY**

Reference is made to the Notice of “Incentive” Exercise of Warrant dated as of the date hereof (the “**Notice**”). Upon execution of this Investor Certificate (“**Certificate**”) by the undersigned Warranholder, this Certificate shall be incorporated into and form a part of the Notice. Capitalized terms used herein and not defined have the meanings ascribed thereto in the Notice. All references to dollar amounts in this Certificate are to the lawful currency of the United States.

The Warranholder hereby certifies to the Corporation that it is an investor falling into the category checked below:

- Category 1           a bank as defined in Section 3(a)(2) of the Act whether acting in its individual or fiduciary capacity; or
- Category 2           a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity; or
- Category 3           a broker or dealer registered pursuant to Section 15 of the U.S. Securities Exchange Act of 1934; or
- Category 4           an insurance company as defined in Section 2(a)(13) of the Act; or
- Category 5           an investment company registered under the U.S. Investment Company Act of 1940; or
- Category 6           a business development company as defined in Section 2(a)(48) of the U.S. Investment Company Act of 1940; or
- Category 7           a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the U.S. Small Business Investment Act of 1958; or
- Category 8           a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; or
- Category 9           an employee benefit plan within the meaning of the U.S. Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-



directed plan, with investment decisions made solely by persons that are accredited investors; or

- Category 10 a private business development company as defined in Section 202(a)(22) of the U.S. Investment Advisers Act of 1940; or
- Category 11 an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the Securities, with total assets in excess of \$5,000,000; or
- Category 12 an executive officer or director of the Corporation; or
- Category 13 a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of the person's purchase exceeds \$1,000,000 (for purposes of calculating net worth: (i) the person's primary residence shall not be included as an asset; (ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability); or
- Category 14 a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
- Category 15 a trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Securities, whose purchase is directed by a sophisticated person, being defined as a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment; or
- Category 16 an entity in which all of the equity owners meet one or more of the categories set forth above.

Dated:

Signed \_\_\_\_\_

\_\_\_\_\_  
Print name of Shareholder

**SCHEDULE 2**  
**FORM OF OPINION OF COUNSEL**

Ayr Strategies Inc.  
590 Madison Avenue, 26<sup>th</sup> Floor  
New York, New York 10022  
United States

- and -

Odyssey Trust Company  
67 Yonge Street, Suite 702  
Toronto, Ontario M5E 1J8  
Canada

Ladies and Gentlemen:

We have acted as counsel in the United States to \_\_\_\_\_ (the “Warrantholder”) in connection with the exercise by the Warrantholder of Warrants (“Warrants”) of Ayr Strategies Inc. (the “Corporation”) to acquire \_\_\_\_\_ subordinate voting shares of the Corporation (the “Securities”) issued pursuant to the Warrant Agency Agreement, dated December 21, 2017, as subsequently amended, between the Corporation and Odyssey (the “Warrant Agency Agreement”). We have examined the terms of the Warrant and the Warrant Agency Agreement and made other investigations as we have deemed necessary to provide the opinions contained herein.

It is our opinion that acquisition of the Securities by the Warrantholder pursuant to the exercise of the Warrant and the issuance and delivery of the Securities pursuant to such exercise are exempt from the registration requirements of the United States Securities Act of 1933, as amended.

Signed

**SCHEDULE 3**  
**DEFINITION OF U.S. PERSON**

A “U.S. Person” means:

- (i) Any natural person resident in the United States;
- (ii) Any partnership or corporation organized or incorporated under the laws of the United States;
- (iii) Any estate of which any executor or administrator is a U.S. person;
- (iv) Any trust of which any trustee is a U.S. person;
- (v) Any agency or branch of a foreign entity located in the United States;
- (vi) Any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- (vii) Any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and
- (viii) Any partnership or corporation if:
  - (A) Organized or incorporated under the laws of any foreign jurisdiction; and
  - (B) Formed by a U.S. person principally for the purpose of investing in securities not registered under the Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Schedule 1) who are not natural persons, estates or trusts.