



No. S-258584  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND

AYR WELLNESS INC.

PETITIONER

**FIRST REPORT OF KSV RESTRUCTURING INC.  
AS MONITOR**

**November 21, 2025**

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## 1.0 Introduction

1. Pursuant to an order (the “Initial Order”) issued by the Supreme Court of British Columbia (the “Court”) on November 17, 2025 (the “Filing Date”), AYR Wellness Inc. (“AYR” or the “Petitioner”) was granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”), and KSV Restructuring Inc. was appointed monitor of the Petitioner (in such capacity, the “Monitor”).
2. AYR, directly or indirectly, wholly-owns over 50 non-Petitioner subsidiaries and maintains partial ownership interest in 5 other non-Petitioner subsidiaries (together the “Subsidiaries”, and collectively with the Petitioner, the “AYR Group”). All Subsidiaries are based in the United States. None of the Subsidiaries are petitioners in these CCAA proceedings or subject to the relief in the Initial Order.
3. AYR, through its Subsidiaries in the U. S., distributes and markets cannabis products through both AYR Group owned retail stores and third-party licensed retailers. In response to persistent financial challenges, the AYR Group entered into a Restructuring Support Agreement (“RSA”) on July 30, 2025 with a group of senior noteholders (the “Consenting Senior Noteholders”).
4. The principal purpose of these CCAA proceedings is to provide a stabilized environment that allows the Petitioner to complete the orderly liquidation and wind-down of its remaining assets in Canada, while the Subsidiaries complete a sale pursuant to *Sections 9-610 and 9-611* of the *Uniform Commercial Code (New York)* (the “UCC Sale”) and other state-level liquidation processes contemplated under the RSA.
5. Pursuant to the Initial Order, the Court, among other things:
  - a) granted a stay of proceedings (the “Stay of Proceedings”) in favour of the Petitioner to and including November 27, 2025;
  - b) granted the following charges on all of the Petitioner’s current and future assets, property and undertaking (collectively, the “Property”):
    - i. up to a maximum of \$250,000 (the “Administration Charge”) to secure the fees and disbursements of the Petitioner’s legal counsel, the Monitor, and the Monitor’s independent legal counsel; and
    - ii. up to a maximum of \$500,000 (the “Directors’ Charge”) in favour of the directors and officers of the Petitioner (the “Directors and Officers”); and
  - c) approved the appointment of Blake Holzgrafe, Managing Director of Ankura Consulting Group LLC (“Ankura”), as Chief Restructuring Officer of the Petitioner (“CRO”).
6. The comeback hearing is scheduled to be heard on November 25, 2025 (the “Comeback Hearing”). At the Comeback Hearing, the Petitioner is seeking an Amended and Restated Initial Order (“ARIO”) which, among other things:
  - a) extends the Stay of Proceedings to and including February 20, 2026;

- b) increases the quantum of the Administration Charge to \$500,000; and
- c) increases the quantum of the Directors' Charge to \$1,000,000.

## **1.1 Purposes of this First Report**

1. The purposes of this report (the "First Report") are to:
  - a) summarize the relief being sought by the Petitioner at the Comeback Hearing;
  - b) provide the Court with an update on the Monitor's activities since the granting of the Initial Order; and
  - c) provide the Monitor's recommendations regarding the relief being sought by the Petitioner at the Comeback Hearing.

## **1.2 Scope and Terms of Reference**

1. In preparing this First Report, KSV has relied upon the Petitioner's unaudited financial information, books and records, information available in the public domain and discussions with Ankura and the Petitioner's legal counsel.
2. KSV has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this First Report in a manner that complies with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, KSV expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information set out herein should perform its own diligence.

## **1.3 Currency**

1. Unless otherwise noted, all currency references in this First Report are in Canadian dollars.

## **2.0 Background**

1. The first affidavit of Blake Holzgrafe, sworn November 14, 2025 in support of the CCAA application (the "First Holzgrafe Affidavit"), provides, among other things, a comprehensive background concerning the AYR Group's business, including reasons for the commencement of these CCAA proceedings and, accordingly, is not repeated in this First Report. Capitalized terms used and not defined in this First Report have the meanings given to them in the pre-filing report of the Monitor, dated November 14, 2025 (the "Pre-Filing Report") or the First Holzgrafe Affidavit, as applicable.
2. Court materials filed in these proceedings, including the First Holzgrafe Affidavit and the Pre-Filing Report, are available on the Monitor's website at the following link: [www.ksvadvisory.com/experience/case/AYR](http://www.ksvadvisory.com/experience/case/AYR) (the "Case Website").

### **3.0 Stay Extension and Related Relief**

1. Pursuant to the Initial Order, the Court granted the Stay of Proceedings to, and including, November 27, 2025. The Petitioners are requesting an extension of the Stay of Proceedings to, and including, February 20, 2026.
2. As discussed in the Pre-filing Report, the Stay of Proceedings affords the Petitioner and its Subsidiaries protection to, among other things: (i) complete the remaining wind-down activities of the Petitioner in compliance with the RSA; (ii) implement the necessary state-level liquidations in the United States; (iii) allow the board and the CRO to focus on maximizing recoveries and ensuring compliance with all RSA milestones; (iv) minimize litigation risk and preserve liquidity by staying multiple litigation proceedings ongoing in the United States which include the Petitioner as a named party; and (v) facilitate the implementation of a claims process that will identify, quantify and resolve potential liabilities of the Directors and Officers.
3. Accordingly, the Monitor supports the request for an extension of the Stay of Proceedings and believes that it is appropriate in the circumstances for the following reasons:
  - a) the Petitioner is acting in good faith and with due diligence;
  - b) the Monitor does not believe that any creditor will be materially prejudiced by the proposed extension of the Stay of Proceedings;
  - c) the Consenting Senior Noteholders support the extension of the Stay of Proceedings;
  - d) as of the date of this First Report, the Monitor is not aware of any party opposed to an extension of the Stay of Proceedings; and
  - e) the Petitioner's cash flow projection for the period of November 15, 2025 to February 21, 2026 filed in the Pre-Filing Report reflects that the Petitioner has sufficient liquidity to fund the costs of these CCAA proceedings through the proposed extension period.

### **4.0 Court Ordered Charges**

#### **4.1 Administration Charge Increase**

1. The Initial Order granted an Administration Charge in an amount not to exceed \$250,000 to secure the fees and disbursements of the Monitor, counsel to the Monitor and the Petitioner's legal counsel from the date of the Initial Order to the Comeback Hearing.
2. The Petitioner is seeking to increase the Administration Charge to \$500,000. The Monitor is of the view that the increased Administration Charge is required and reasonable in the circumstances given the complexities of the CCAA proceedings and the services to be provided by the professionals, each of whom is necessary to further the restructuring efforts of the Petitioner.

## 4.2 Directors' Charge Increase

1. The Initial Order approved a Directors' Charge in the amount of \$500,000 to limit the potential exposure of the Directors and Officers arising from these CCAA proceedings during the initial 10-day Stay of Proceedings. The Petitioners are now seeking to increase the Directors' Charge to \$1,000,000.
2. As discussed in the Pre-Filing Report, the Petitioner's current and former Directors and Officers are covered under the D&O Policy, which provides coverage of up to \$2.5 million. The Petitioner has confirmed additional coverage is not available. The D&O Policy does not provide sufficient coverage against the potential exposure of the Directors and Officers arising from these CCAA proceedings and, accordingly, the Petitioner's current Directors and Officers have advised that their continued participation in these CCAA proceedings is contingent on the approval of the proposed increased Directors' Charge.
3. As a result, the Monitor is of the view that the proposed increase to the Directors' Charge is reasonable in the circumstances as the continued involvement of the Directors and Officers is critical to the Petitioner and these proceedings.

## 5.0 Monitor's Activities since the Filing Date

1. Since the Filing Date, the Monitor has, among other things:
  - a) corresponded regularly with the Petitioner's legal counsel, management team, Ankura and its own legal counsel regarding all aspects of these CCAA proceedings;
  - b) delivered the prescribed notice to the Petitioner's known creditors and filed Forms 1 and 2 with the Office of Superintendent of Bankruptcy, as required under the CCAA and the Initial Order;
  - c) posted the prescribed notice, list of creditors and other Court materials on the Case Website;
  - d) arranged for notice of these CCAA proceedings to be published in the *Globe and Mail* as required under the Initial Order;
  - e) monitored the Petitioner's receipts and disbursements against the Company's filed cash flow statement;
  - f) reviewed and commented on the Petitioner's materials filed in support of the relief to be sought at the Comeback Hearing; and
  - g) prepared this First Report.

## 6.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Court grant the relief sought by the Petitioner at the Comeback Hearing.

\* \* \*

All of which is respectfully submitted,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS MONITOR OF  
AYR WELLNESS INC.**